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Haiti
Restoration of Growth and Development

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FISCAL YEAR

October 1 - September 30

WEIGHTS AND MEASURES

Metric System

CURRENCY AND EQUIVALENCY UNITS

Currency Unit - Gourde (G)
US$1.00 = G 5.00

An economic mission visited Haiti in June-July 1990. The members of the economic mission were Feliciano Iglesias (Chief of Mission), Henri Henner (Consultant, Trade), Julio Linares (Water Supply), Adrian Guissari (Consultant, Public Finance), Marie-Helene Ewenczyk (Consultant, Education), Fernando Vio (Consultant, Health and Nutrition), and Coby Frimpong (Researcher). Christian Delvoie (Transport) and Carlos Mena (Consultant, Electric Power) provided inputs for the chapters on Transport and Electric Power sectors respectively. Jose Sokol (Lead Economist) travelled to Haiti in early March 1991 for an updating economic mission. He and Raj Nallari (Consultant) prepared the final draft of the report. Mrs. Maria Pilar Reyes has provided excellent secretarial assistance at all the stages of the report.

GLOSSARY OF ABBREVIATIONS

APN	Autorite Portuaire National (National Port Authority)
BNC	Banque Nationale de Credit (National Credit Bank)
BNDAI	Banque Nationale de Developpement Agricole et Industriel (National Agricultural and Industrial Development Bank)
BRH	Banque de la Republique d'Haiti (Bank of the Republic of Haiti - Central Bank)
CAMEP	Centrale Autonome Metropolitaine d'Eau Potable (Metropolitan Water Authority)
CdH	Cimente d'Haiti (Cement Plant)
EdH	Electricite d'Haiti (Electricity Company)
ENAOL	Entrepise Nationale des Oleagineux (edible oil company)
HA	Hectare
HASCO	Haitian American Sugar Company
ICOR	Incremental Capital Output Ratio
IDA	International Development Association
ILO	International Labor Organization
IMF	International Monetary Fund
MARNDR	Ministere de l'Agriculture, des Ressources Naturelles et du Developpement Rural (Ministry of Agriculture, Natural Resources and Rural Development)
MdH	Minoterie d'Haiti (Flour Mill)
MENJS	Ministry of Education, Youth and Sports
MEF	Ministry of Economy and Finance
MP	Ministry of Planning and External Cooperation
MSPP	Ministere de la Sante Publique et de la Population (Ministry of Public Health and Population)
MTPTC	Ministry of Public Works, Transport and Communications
NGOs	Non-governmental Organizations
NFS	Nonfactor Services
OFATMA	Office d'Assurance--Accidents du Travail, Maladie et Maternite (Workers' compensation, sickness and maternity insurance agency)
OPRODEX	Office de Promotion des Denrees Exportables (Commodity Export Promotion Agency)
POCHEP	Postes Communautaires d'Hygiene et d'Eau Potable (Community Health and Drinking Water Posts)
SEN	Societe d'Equipement National (Construction)
SEPPRN	Service d;Entretien Permanent du Resseau Routier National (National Road Maintenance Organization)
SNEP	Service National d'Eau Potable (National Water Service)
SONAPI	Societe Nationale des Parcs Industriels (National Industrial Park Company)
TELECO	Telecommunications d'Haiti (Telephone Company)
USAID	United States Agency for International Development
UNESCO	United Nations Scientific and Cultural Organization
USN	Usine Sucriere du Nord (National Sugar Refinery at Citadelle)
USND	Usine Sucriere Nationale de Darbonne (National Sugar Refinery at Darbonne)

TITLE	:	HAITI: TOWARDS RESTORATION OF GROWTH AND DEVELOPMENT			
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ABSTRACT :

Haiti's economy has suffered a decade of stagnation and disequilibrium caused in part by political instability. Population pressure, inappropriate agricultural policies, protection in industry, trade distortions, fiscal indiscipline, and sharp reductions in foreign aid since 1988 have exacerbated the economic decline. A stable macroeconomic environment and clear rules of the game are needed to restore the confidence of the private sector for it to invest. To restore growth, the new Government needs to promote export-oriented agriculture and industry, and develop tourism in conjunction with domestic resource mobilization to finance much needed rehabilitation of infrastructure facilities, fiscal discipline, and tight monetary policy. The Government's role is found to be most productive if it <u>invests in people</u> (mainly primary education, basic health care, nutrition, and family planning), in <u>infrastructure</u> (operations and maintenance, rehabilitation of transport, power, water and irrigation systems) and concentrates in <u>institution building</u> (restructuring public utilities, improving civil service, technology transfer, and defining and protecting property rights). Growth in income should reduce poverty and infant mortality and raise life expectancy. At the same time, better primary health care and education, family planning and nutrition can, in their turn, promote growth. Opening up to trade promotes domestic and international competition leading to lower prices, importation of technology for productivity gains, and improvements in health and nutrition which is the hallmark of economic development. Haiti is beset by institutional weaknesses which result in haphazard policy implementation. Investment in institution building should be an ongoing process. Haiti is heavily dependent on external assistance from grants and at highly concessional terms to undertake priority investment, strengthen the institutional capacity, and embark on policy changes to avert further economic decline and restore growth and development.

HAITI - COUNTRY DATA SHEET

Area: 27,800 sq km

Population: 6.4 million (1989)
Rate of growth: 1.8 % (1989)

Density: 228 per sq km

Population characteristics

Crude birth rate (per 1,000): 34.4
Crude death rate (per 1,000): 12.7

Health

Infant mortality (per 1,000 live births): 117
Population per physician: 7179
Population per hospital bed: 1897

Income distribution

% of national income, highest quintile: ..
lowest quintile: ..

Distribution of land ownership

% owned by top 10% of owners: ..
% owned by smallest 10% : ..

Access to safe water

% of population - urban: 59
- rural: 30

Access to electricity

% of population - urban: 45
- rural: 3

Nutrition

Calorie intake as % of requirements: 80
Per capita protein intake (g/day): 30

Education

Adult literacy rate (%) : 62.4
Primary school enrollment (%) of relevant age group: 78

GNP per capita (US$, 1989) 1/ : 400

GROSS NATIONAL PRODUCT, FY89 / ANNUAL RATE OF GROWTH (% , FY80 prices)

	US$ Mn	%	FY75-80	FY80-85	FY86-87	FY88	FY89
GNP at Market Prices	2552.3	100.0	5.2	-0.9	0.1	-1.6	-0.6
Gross Domestic Investment	291.6	11.4	10.1	-2.1	-5.0	-1.0	-1.0
Gross National Saving	147.4	5.8	14.0	-3.5	-11.2	-1.9	-12.6
Current Account Balance	-126.9	-5.0					
Export of Goods, NFS	259.3	10.1	10.3	-1.3	-6.5	0.8	-0.5
Import of Goods, NFS	423.5	16.6	10.0	-2.9	-5.5	-1.1	2.2

OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN FY89

	Value Added		Labor Force		V.A. per Worker
	US$ Mn	%	Mn	%	US$
Agriculture	339.9	19.1	2.0	66.7	170.0
Industry	514.9	29.0	0.3	10.0	1716.3
Services	922.1	51.9	0.7	23.3	1317.3
Total / Average	1776.9	100.0	3.0	100.0	592.3

GOVERNMENT FINANCE

	Consolidated Public Sector			General Government		
	G Mn FY89	Percent of GDP FY86	FY89	G Mn FY89	Percent of GDP FY86	FY89
Current Receipts	2097.4	18.1	17.7	1140.2	10.1	9.6
Current Expenditure	2189.0	17.7	18.5	1389.8	11.4	11.7
Current Surplus	-91.6	0.4	-0.8	-249.6	-1.3	-2.1
Capital Expenditure	538.6	5.3	4.5	396.3	3.9	3.3

1/ World Bank Atlas methodology.

HAITI - COUNTRY DATA SHEET

MONEY, CREDIT & PRICES

	FY85	FY86	FY87	FY88	FY89
	(Mn Gourdes outstanding at end of period)				
Broad Money Supply	2547.5	2836.3	3133.6	3463.3	3909.2
Bank Credit to Public Sector	2150.2	2113.5	2199.3	2328.0	2558.9
Bank Credit to Private Sector	1164.7	1172.4	1185.0	1279.2	1370.0
	(percentage or index numbers)				
Broad Money as % of GDP	25.4	25.3	29.0	31.3	33.0
General Price Index (FY80 = 100)	148.7	160.8	144.1	149.6	154.9
Annual percentage changes in:					
General Price Index	8.4	8.5	-11.4	4.0	3.5
Bank Credit to Public Sector	12.0	0.9	3.2	8.0	9.1
Bank Credit to Private Sector	8.8	0.7	1.1	7.9	7.1

BALANCE OF PAYMENTS

	FY86	FY87	FY88	FY89
	(US$ million)			
Exports of Goods, NFS	291.6	281.5	273.4	259.3
Imports of Goods, NFS	423.3	451.8	425.6	423.5
Resource Gap (deficit = -)	-131.7	-170.3	-152.2	-164.2
Interest Payments (net)	9.1	8.4	6.8	10.9
Other Factor Payments (net)	7.6	6.9	10.7	11.1
Net Current Transfers	52.0	56.3	63.4	59.3
Balance on Current Account	-96.4	-129.3	-106.3	-126.9
Direct Pvt. For. Investment	4.8	5.0	10.1	9.4
Net MLT Borrowing	33.0	55.2	34.4	15.5
Disbursements	43.8	67.0	48.3	28.9
Amortization	10.8	11.8	13.9	13.4
Subtotal (Dir.Inv.+Net MLT)	37.8	60.2	44.5	24.9
Other Capital (net) and Capital n.e.i.	89.8	104.6	122	93
Increase in Reserves (-)	-31.2	-35.5	-60.2	9.0
Gross Reserves 1/(end-year)	15.7	23.5	22.3	21.8

MERCHANDISE EXPORTS (AVERAGE FY84-89)

	US$ Mn	%
Coffee	42.3	20.3
Cocoa	4.8	2.3
Essential Oils	4.3	2.1
Other Agriculture	6.7	3.2
Manufactured Goods	130.8	62.7
Other Commodities	19.8	9.5
Total	208.7	100.0

EXTERNAL DEBT, SEPTEMBER 30, 1989

	US$ Mn
Public Debt, incl. Guaranteed	760.0
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	760.0

NET DEBT SERVICE RATIO FOR FY87 2/

	%
Public Debt, incl. Guaranteed	19.3
Non-Guaranteed Private Debt	..
Total Outstanding & Disbursed	19.3

RATE OF EXCHANGE

	FY86	FY87	FY88	FY89
		Annual Average (end of period)		
US$1.00 = G	5.00	5.00	5.00	5.00
G1.00 = US$	0.20	0.20	0.20	0.20

IBRD/IDA LENDING (Sept. 30,1987)

	IBRD	IDA
	(US$ Mn)	
Outstanding & Disbursed	0.0	263.3
Undisbursed	0.0	82.6
Outstanding incl.Undisbursed	0.0	345.9

1/ Includes gold holdings.
2/ Debt service, net of interest earned on foreign exchange reserves, as a percentage of Exports of Goods and NFS.

HAITI: TOWARDS RESTORATION OF GROWTH AND DEVELOPMENT

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TOWARDS RESTORATION OF GROWTH AND DEVELOPMENT

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SUMMARY AND CONCLUSIONS

Overview

i. Over the past decade, the people of Haiti have suffered major losses in their standard of living. Failure in sustaining economic growth over a long period of time has been a source of major frustrations and of increased poverty. The economic performance has been especially disappointing because a wide cross-section of the population, in rural areas and in urban centers, has not been able to share the fruits of development as in many other developing countries in the world. Instead, GNP per capita in 1989 was US$400, the second lowest level recorded in the Western Hemisphere.

ii. Economic developments in Haiti have continuously been affected by political instability that has prevailed over the years. The coming into office of Haiti's democratically elected Government provides a window of opportunity for the country to finally move towards sustained social and economic progress. In many ways, the economy and its economic policy are at a crossroads: important decisions regarding the country's development potential need to be made with urgency. A variety of favorable factors which benefitted the country in the past are less likely to be at hand in the future. Coffee, cocoa, and sugar, major sources of past agricultural growth, face unpromising prospects, and other agricultural exports have stagnated. Meanwhile, domestic production costs for agriculture have mounted, adoption of new technology has lagged, supply problems exist for many commodities, and Haiti's agricultural export prospects are clouded by distortions and inefficient use of resources. Consumers' welfare has been lowered by higher monopoly prices. Exports from the free zone have declined, and tourism, a potential source of foreign exchange and employment has dramatically diminished. At the same time, Haiti's dilapidated infrastructure has been left largely unattended. At a time when most old problems remain and new constraints are emerging, new economic policies which will contribute to a revitalization of agriculture and manufacturing, and to the development of tourism, are direly needed. However, the economy does not suffer from the excessive regulations that has impeded the progress of many other developing countries. The prices of most of the goods and services are not subject to government controls, and a substantial trade liberalization has taken place. Thus, there are important positive elements in the framework of incentives for private sector production and investment.

Structure of the Report

iii. This report reviews in Chapter I the economic developments in Haiti following the economic reform efforts of 1986-87, which were interrupted by political crises. Chapter II details the recent economic performance. Except for an improved economic performance during 1986-87, the decade of 1980s is characterized by negative growth in output, high levels of unemployment, rising inflation, unsustainable fiscal and balance of payments deficits, breakdown in the provision of general services, and sharp changes in external assistance. Taking into consideration the depressed economic situation, this report outlines in Chapter III a development strategy that should bring about short term relief without jeopardizing the longer term development needs. Short-to-medium term policies are needed to correct internal and external imbalances, attract private investment, and encourage external assistance in an effort to counter the forces of downward spiral and restore growth in output and employment. Past macroeconomic policies have resulted in an uncompetitive, inefficient, and inequitable economic system. A review of these issues is detailed in Chapter IV through VI, which deal with public finance, exchange rate and monetary policies, and industry and trade respectively. The sectoral issues and policy requirements dealing with microeconomic efficiency and improvement of services are discussed in the next six chapters. These pertain to agriculture, transport, power, water and sanitation, health and nutrition, and education. Haiti needs to urgently attend to its development problems. Chapter XIII illustrates the medium t growth and balance of payments prospects taking into consideration current economic conditions and the impact of the proposed policy changes. The investment needs of the domestic economy are derived considering the growth prospects and the urgency of rehabilitating systems in critical sectors. Therefore, Haiti has to depend heavily on external capital inflows. It is projected that barring any severe exogenous shocks, Haiti should be able to arrest its economic deterioration and restore growth in output and employment should it undertake the needed institutional and economic policy changes with the support of external assistance.

Recent Economic Developments

iv. Rapid economic growth during the late 1970s was achieved through the interaction of private sector dynamism in exports of agriculture crops and assembly manufactures, and public sector investment in infrastructure, basic services, and tourism. This spurt in economic activity was short lived as the Government increasingly intervened, albeit moderately, by employing fiscal and trade practices that were both restrictive of the private sector and bi[illegible]ed against exports. However, the small size of the internal market has resulted in the evolution of private monopolies in cement, sugar and oil. Barriers to entry exist in the coffee exporting sector, and importers collude, hoard and speculate in trading of some essential items. The Government also created monopolistic public enterprises and squandered public expenditures without increasing productive capacity. This resulted in an inefficient and inequitable economic system which significantly eroded the country's incomes, living standards, and financial health. During 1980-85, production declined markedly in all sectors. This depressed the economic situation, lowered domestic savings and private investment, and led to internal and external imbalances which resulted in higher inflation, exchange rate misalignment, and the draw down of scarce international reserves.

v. Faced with economic decline and rising unemployment, Haiti pursued wide ranging economic reforms during 1986-87, which focused on reform of taxes, public expenditures and investment, industrial incentives, trade reform, and agricultural pricing. The reform measures began to stabilize the economy which recorded modest improvements in the growth rate of real GDP. Internal and external imbalances continued to be brought down, inflation was reduced as monetary financing of the fiscal deficit was minimal, and employment grew at 1.6% per year. The reforms were supported by substantial commitments of external assistance.

vi. In mid-1987, a series of political crises erupted. Economic developments since then have been characterized by work stoppages, uncertainties for private investors, shortfalls in public revenues, curtailment of external assistance, accumulation of external payments arrears, and pervasive economic deterioration. As a consequence of the gravity of the situation, in 1989 the Government adopted a stabilization program to strengthen public finances, stabilize the balance of payments, reduce inflationary pressures, and reverse the decline in investment and economic activity. The program objectives could not be achieved as the fiscal deficit widened because of revenue shortfalls and resulted in domestic credit expanding more rapidly than contemplated. New external payment arrears were incurred. In 1990, the Government took a number of actions to strengthen the monetary and external policies. However, these were insufficient and the economic situation further deteriorated.

vii. The new Government (during February-May, 1991) has taken some measures to improve its fiscal revenues, counter the contraband activity, promote tourism, and encourage the private sector. Import duties have been reduced on rice, pork, iron, tin sheets and tools. All taxes and duties on rice have been removed and only a US$2.50 tax per bag is being levied (price of each rice bag is US$40 now). Moreover, rice imports do not need an import license now. There are no price controls, but the Government did intervene to control the prices of some essential items during March-April 1991. This was for a short duration as hoarding and speculation drove up the prices of some essential items. The import licensing system is now flexible and even cement can be imported freely. The Government has strengthened the Customs Administration by tightening up control over ports, changing custom officials, and introducing new rules, which has resulted in increasing revenues and lowering of contraband activity. A small bureau of tourism has been established and negotiations with tourist agencies/shipping lines are in incubation.

Development Strategy, Objectives, and Policies

viii. The new Government's intention is to undertake a development strategy that will increase the quality of life for all Haitians. This calls for a complementary role for the private and public sectors, a stable macroeconomic environment, openness to trade, and promotion of domestic and international competition. Rapid development of other low-income developing countries suggests that private production and trade is enhanced by the Government providing a stable macroeconomic foundation by maintaining fiscal discipline, eliminating distortions in tariffs, taxes, and excise duties, maintaining a market determined exchange rate, eliminating artificial barriers to entry of new entrepreneurs, such as licensing, regulations and permits, providing access to credit and financial institutions, and providing adequate infrastructure support. History of development in many developing countries suggests that the Government's role is found to be most productive if it invests in people (mainly primary education, basic health care, nutrition, and family planning), and in infrastructure (maintenance, and rehabilitation of transport, power, water, and irrigation systems), and concurrently concentrates in <u>institution building</u> (restructuring public utilities, improving the quality of the gathering and disseminating information to facilitate civil service, technology transfer, and defining and protecting property rights).

ix. Economic development needs an efficiently operating private sector, aided and abetted by a responsible Government. The private sector and the public sector are not substitutes but are intrinsically bound together in making the whole of economic gain greater than the sum. Fiscal discipline will result in reduction of wasteful public spending, and lower money financing and taxation to cover the fiscal deficit. This translates into lower inflation and more take-home pay which will be beneficial to all Haitians, particularly the poorer segment of the population. Elimination of export taxes will result in farmers receiving higher farmgate prices, thus enhancing production. Distortions in tariffs and misalignment of exchange rate will only encourage contraband activity which is detrimental to consumers. Eliminating barriers to entry for new entrepreneurs along with access to credit will enable more production, exports and employment. Tariff protection and import licenses have resulted in collusion among importers, generation of "rents" and subsidies to producers of rice, sugar, flour, maize and sorghum, which are not in the interests of the common Haitian. Similarly, inefficient public enterprises provide inadequate services at higher prices and further financially burden the average Haitian when these enterprises operate in deficit. Opening up to trade brings in its train, competitiveness along with medical, engineering, and scientific technology. Technological change will increase productivity and produce sustainable economic development as reflected in higher quality of life and improvements in health and nutrition.

x. The country's <u>main development objectives</u> are to: (i) achieve a minimum real GDP growth averaging about 3% per year during 1992-94 and around 4% during 1995-1999. This would translate into a real per capita income growth of 1.2% per year during the 1990s, which would constitute a reversal of more than a decade of negative growth and increased poverty; (ii) increase employment at a minimum of 4% per year; (iii) improve the efficiency in the provision of social services, especially in health and education. Growth in income should reduce poverty and infant mortality and raise life expectancy. At the same time, better primary health care and education, family planning, and nutrition can, in their turn, promote growth; and (iv) achieve economic efficiency and equitable development through democratic means.

xi. A stable macroeconomic environment is one of the most important public goods that the Government can provide. When in the past, government spending was not controlled, the result was often large fiscal deficits, excessive borrowing and/or monetary expansion, quickly followed by inflation, chronic overvaluation of currency, and loss of export competitiveness. Restoring the confidence of the private sector is now a major challenge for the Government after the country's long history of macroeconomic instability. Imbalances in fiscal accounts is the main policy issue in Haiti. Thus, the macroeconomic policies proposed in this report focus on strengthening of <u>public finances</u> while reducing the size of the public sector, strengthening monetary and exchange rate policies, and eliminating the remaining distortions in agriculture and industry. Fiscal discipline should be achieved, and public savings raised to finance much needed investments in critical sectors.

xii. The diversity of financial sources increases the difficulties in project coordination. Within the Haitian administration, both the MEF (Ministry of Economy and Finance) and the MP (Ministry of Planning and External Cooperation) have shared responsibilities in the area of public investment. The MEF is responsible, through the budgetary process, for the allocation of resources to line ministries and public enterprises. The MP is responsible for the overall public sector investment program but has no responsibility regarding public enterprises. As a result, there is no clear definition of overall responsibility for public investment. On the other hand, because donors channel a substantial part of their funding directly to public sector agencies and NGOs, neither the MEF nor the MP have relevant information on the projects involved. Thus, the total amount allocated is not known. Moreover, donor records show that the investment levels are much higher than those recorded by the MP. Despite all of this, the fact is that public investment has fallen drastically, from 10.8% of GDP in FY84 to just 5.8% in FY89, reflecting both the curtailment of external resources and the decrease in domestic resource mobilization efforts. The latter fell from 16.5% of GDP on average during FY81-85 to 11.2% of GDP during FY86-89. There is a need to redefine the roles of MEF and MP. MEF should be responsible for budgetary allocation for public investment and performance review of line ministries and public enterprises. The MP should be responsible for investment programming and donor coordination.

xiii. Both the overall level and the structure of investment expenditures were significantly below the country's needs. Public sector savings have decreased when donor financing has been curtailed. (Domestic resource mobilization efforts have been positively correlated with the flows of externally financed investments.) The reallocation of budgetary resources has favored current expenditures, particularly wages. This rising trend needs to be reversed, as it is incompatible with two important Government's objectives: (i) increasing efficiency in resource use; and (ii) providing the counterpart funding to external assistance necessary to support a larger public investment program. Increasing public savings however will not be an easy task, particularly because of the need to reallocate public investment to the education and health sectors, where the recurrent expenditures needed to utilize and maintain new investments are high.

xiv. When net foreign inflows were at their peak, much of the investment was directed towards public enterprises that have not only become a fiscal burden but are also unable to provide adequate services. In the past, government operation of the enterprises as state monopolies resulted in generating revenue for the budget. In recent years, they have become a drain on the budget. Moreover, these enterprises do not pay income tax, sales tax, or any other taxes. In the absence of privatization or leasing arrangements, and given the history of their inefficiency, they will increasingly require Central Bank financial support. Minoterie d'Haiti (MdH) and Ciment d'Haiti (CdH) were private owned until their nationalization in the early 1980s.

While in the private sector, both MdH and CdH competed internationally to export cement, and were generating overall surpluses. Since in recent years, these two enterprises have become a fiscal burden, the Government should contract private firms to manage and improve their finances, open up these enterprises to international competition and pricing so that domestic consumers benefit and exports are resumed. Private participation by selling stocks and shares should be considered by the Government. Private monopolies should not be replaced by public monopolies and vice-versa. Interventions to eliminate these public monopolies should be given high priority. In other cases, such as power, water or telecommunications, an adequate regulatory framework is necessary. In most cases, these enterprises are in deficit and provide a poor service. In others, such as Telecommunications d'Haiti (Teleco), they generate revenues for the Government. Further creation and expansion of public enterprises should be avoided because the public sector is overstretched and its resources are needed to invest in people and infrastructure. Talented managers and professionals are used to run these public enterprises, while their services are most needed elsewhere in the Government to ensure development.

xv. Despite the relatively optimistic prospects for fiscal improvement, resources will hardly be enough to finance an adequate public investment program. At best, general government resources can be mobilized to provide counterpart funds for a higher level of public investment financed from external resources. Recourse to cost recovery schemes (power, irrigation, water, sanitation and social services) should mobilize additional domestic resources for this purpose. The availability of counterpart funding for foreign financed projects could also be addressed through reducing current outlays. Rationalization of public expenditures through retrenchment should free resources for improving in efficiency. Additionally, improved tax administration should raise fiscal revenues. Broadening the base of the value added tax, which was introduced in 1983, and raising the tax rate on and collecting property taxes will contribute to fiscal revenues. However, equally important to generating counterpart funds, is to address the issue of the public sector's absorptive capacity, particularly to broaden services in the health and education sectors.

xvi. To create a favorable macroeconomic environment the Government needs to reduce inflation and maintain a market determined exchange rate to correct imbalances in external accounts. Since 1987, monetary financing of the fiscal gap has generated inflation. Further, the 40% foreign exchange surrendering requirement has created a dual exchange rate regime, which was implicitly equivalent to a 15% export tax. This is partly responsible for spurring export contraband activity. Two short-term actions are proposed: (i) the unification of the exchange rate regime at the current market determined rate; and (ii) the elimination of the export surrendering requirement. If the Government were to require foreign exchange to service its external obligations (i.e., petroleum imports and debt service), it could purchase it from the commercial banks. Alternatively, the Government could retain the proceeds from the foreign exchange surrendering requirement, but pay for the foreign exchange at the market determined rate. Appropriate market based incentives for saving and investment are essential if domestic resources are to play their proper role in financing development. An undesirable feature of the regulatory framework of the financial system has been that loans are subject to a maximum limit of 22% on interest rates, which should be eliminated. Uniformity of reserve requirements should be gradually reestablished. Further, the reliance on reserve requirements to help finance the public sector has contributed to the emergence of a large spread between lending and deposit rates in the banking system. Hence, alternative credit control instruments such as open market operations should be explored. Meanwhile, it is feasible to narrow the reserve requirements while concurrently intensifying the fiscal efforts. The supervisory powers of the Central Bank have to be enhanced and prudential regulations need to be introduced.

xvii. In agricultural trade, the main policy issue is that the allocation of resources continues to be distorted in favor of import substituting crops. Trade needs to be promoted by eliminating quantitative restrictions on sugar, rice, flour, maize, beans, chicken parts, and pork meat parts; and by reducing incentives to contraband by instituting a 5% uniform import tariff rate. All imports should be subjected to the consumption tax. The Investment Code should be revised and harmonized with the revised tariffs; public enterprises exemptions should be eliminated so as to promote domestic and international competition, especially in cement and flour. Coffee export sector needs new investment to undertake replanting and pruning.

xviii. The Government can foster domestic competition by: (i) avoiding interventions, except as a last resort when markets fail; and (ii) providing public goods, which traditionally are "law and order" issues such as, protecting private property and environment. An efficient domestic economy requires public goods, such as a regulatory framework that enhances competition and protection of well defined legal and property rights. For instance, property rights and the tenure system will provide much needed security for the small farmer. It also requires adequate public investment in infrastructure, so as to increase returns to private investment. Opportunities for partnership between public and private sectors, perhaps in tourism, need to be sought out and exploited. The private sector should be encouraged to provide services often associated with public domain: social services, transport, telecommunications, agricultural research and extension, small-scale rural credit and environmental protection. The Government should support private trade and production by provision of adequate infrastructure and utility services. As a result of the general breakdown in these services, immediate actions are needed.

xix. To enhance <u>agricultural</u> <u>output</u>, the Government should facilitate credit access to farmers by abolishing legislation precluding use of land as collateral, and developing a regulatory and supervisory framework for credit unions; enable legal titling and tenure security through legislation and administrative work; rehabilitate irrigation systems; and undertake and coordinate research on several promising crops. The Government should enhance environmental protection by improving forest management, increasing forested areas by transferring and rezoning State lands as national parks and forest reserves, and developing a legal and institutional framework for environmental regulation. Protection has encouraged growing of annual crops which hasten soil erosion, whereas coffee growing is ecologically sound. Finally, introduction of cost recovery to cover operations and maintenance costs, water fees, and leasing of State lands at market rates will add to fiscal revenues.

xx. The single most important issue in the transport sector is the lack of financing to carry out road maintenance and rehabilitation programs. Road user charges have been broadly adequate, but they have been used to finance general government expenditures. Resources have not been efficiently used by the Ministry of Public Works, Transport and Communications (MTPTC) and mostly allocated to pay excess personnel. At the same time, the tax base has been eroding over the last few years as petroleum taxes have progressively declined, vehicle registration taxes have been kept low, and tax evasion increased. Earmarking of funds from user charges for road maintenance and rehabilitation should be introduced. A special fund established from receipts on petroleum taxes, vehicle registration and licensing fees from users should be used for road maintenance and pollution control. MTPTC needs to rationalize its expenditures by a combination of retrenchment, reduction in the wage bill, and reduction in operating costs. Expansion of capacity and maintenance should be increasingly contracted out to the private sector. Finally, construction of penetration roads to service remote rural areas should be given priority. MTPTC's areas of operation are ever growing. It now covers urban development too, which is in need of additional investment.

xxi. The country is under an electrical power crisis. Because of the lack of funds, spare parts needed to make two main diesel generating units operational cannot be purchased. The electrical power crisis has severely impaired the efficient capacity utilization in productive sectors. The poor service has annoyed consumers resulting in revenue losses for EdH. Donors have financed the lease of 13 small diesel generating sets for five months in order to bring efficiency to an acceptable level. However, this will not sustain reliability of service because of the lack of reserve capacity. The power crisis should be resolved immediately if growth is to be restored in the productive sectors and tourism.

xxii. Electricite d'Haiti (EdH) should improve its financial position by a combination of price differentiation, adequate tariffs to generate sufficient finances, cut backs in personnel, and elimination of non-technical losses from non-metering. Over the medium-term, it will be necessary to contract out the operations and maintenance of all diesel plants to improve the service. Restructuring and privatization of EdH should be examined.

xxiii. The Government should strive to attain higher service coverage levels in water and sanitation. A merger of Service National d'Eau Potable (SNEP) and Postes Communautaires d'Hygiene et d'Eau Potable (POCHEP) should eliminate overlapping of responsibilities. The sector's financial position should be improved by price differentiation between commercial and residential, urban and rural consumers, and reduction in staff. To improve service and coverage, professional managers should be brought in and in the medium term privatization of water services should be considered. The

Government should invest in rural areas and small towns and create a small agency to enforce environmentally sound regulation of coastal aquifers.

xxiv. The <u>health</u> sector is characterized by its extreme inefficiency. Despite substantial total outlays on health and nutrition programs, progress in improving health conditions has been highly unsatisfactory, particularly when compared to many other countries where the mortality and morbidity rates have been reduced more rapidly with considerably lower expenditures. The activities of Ministry of Public Health and Population (MSPP) and Non-governmental Organizatic s (NGOs) should be coordinated to eliminate redundancy. Emphasis should be placed on preventive rather than curative medicine, on the provision of water and sanitary facilities and on nutrition and nutrition-education programs. Malaria prevention should be given the highest priority by these agencies as malaria is a major impediment to tourism growth and foreign investment. Food delivery campaign targeted on high risk infant groups should be introduced.

xxv. The demographic challenge facing Haiti since the early part of this century has resulted in a relentless pressure of population on its limited natural resources. The relatively high population growth of 1.8% per year is a result of high total fertility rate (combined with reduced infant and child mortality) and the inability of contraceptive distributive systems to rapidly expand in rural areas. The 1987 survey suggests that total fertility rate has risen and is now about 6.8, and that less than 5% of married women use modern contraceptives. A series of activities are needed to strengthen family planning, maternal and child health. These activities are: (i) delivery of family planning services at the clinical and community level; (ii) implementation of procedures for screening and referring women at obstetric and reproductive risk; and (iii) spread of knowledge about family planning programs through mass media, printed materials, and video cassettes.

xxvi. The salient features of the inadequacies of the Haitian <u>education</u> are the limited enrollments, low quality of instruction, and inefficient management of educational resources. The emphasis should continue to be on primary education. An updating of national policy on educational priorities and programs should be undertaken focusing on an institutional assessment of the sector entities and the definition of their respective mandates; finalization of the curricula; the financing plan for the sector and the amount, modalities and conditions of the contribution of the national budget to private education to ensure free enterprise efficiency, expanding coverage and quality of teaching; the official approval of a set of educational materials support in production, distribution and use of materials; the definition of cost recovery procedures in public schools; the definition of an action plan to reduce dropout, repetition and the incidence of overaged students, and the updating of school construction norms and definition of maintenance norms and modalities. Given the contributions of the private sector to education and its role in attracting needed external contributions to the sector, a long-term private investment program in collaboration with the authorities is also needed.

xxvii. Notwithstanding the recent political and economic instability and current financial constraints, several factors are favorable to the improvement of the quality of basic education in Haiti today: (i) Haiti has many dedicated educators with good expertise; (ii) the unabated demand for education even among the poorest rural families has been associated with the development of a responsive and cost-effective private sector; (iii) the recent evaluation of the 1982 reform provides well-defined and broadly accepted areas for further sectoral development; (iv) a successful experience with public subsidies to private rural schools initiated under IDA's Fourth Project has helped identify options for an improved partnership and future investment; above all (v) the Government's support which had been lacking since the launching of the reform can now be harnessed for the benefit of the sector; and (vi) the United Nations Development Progra e (UNDP) and other agencies and donors are committed to supporting the development and implementation of a realistic sector policy.

xxviii. The successful implementation of macroeconommic and sectoral policies detailed in this report should help reverse more than a decade of economic decline and sharp reductions in the living standards and the provision of essential services. However, some aspects of the policies could impose additional hardship on certain segments of the population. These vulnerable groups are the rural and urban poor, elderly people living on pensions, the unemployed and underemployed, and the laid off workers of the public sector as a result of its rationalization.

xxix. In order to protect these vulnerable groups during the process of adjustment, the Government should design and implement a social sector program that focuses on ameliorating the additional hardships. The program's components should include: (i) creating employment to improve incomes of some of the vulnerable groups through labor-intensive small projects and schemes; (ii) providing complementary social services, such as feeding and sheltering the high-risk groups, materral health and child care, food aid for low-income pregnant and lactating women and under-nourished children of 1-5 years old, and quick disbursing lump-sum supplement income for impoverished pensioners; and (iii) opening multiple community resource centers. Such a program should explicitly seek resources and support from the external donors, private sector, and non-governmental organizations.

xxx. The role of the Government is at the very core of development when it invests in institutions. By defining and protecting property rights, providing legal, judicial and regulatory systems, and improving the efficiency of the civil service, the Government introduces a set of rules, and thus, a stable and favorable environment for the functioning and expansion of the private sector. It also assists the Government to lay a strong foundation for long term development by harnessing the chaotic forces of the market place.

xxxi. Haiti is beset by institutional weaknesses which result in haphazard policy implementation. Investment in institution building should be an ongoing development process. In the arena of public spending, there are a number of inconsistencies as a result of chaotically complex planning, budgeting, monitoring and disbursement systems. For instance, the MP is in theory responsible for working with various planning units in sectoral ministries to draw up five-year development plans which are then translated into annual investment budgets. But, in fact, the MP does not have the capacity to plan effectively, neither do the sectoral ministries have such capacity. Long term planning was defined in the past by the MP without taking into account the financial and economic constraints of such a development plan. Moreover, the objectives of the plan were not linked to the proposed projects, as most of these projects were donor financed and MP had no jurisdiction to coordinate, evaluate, or monitor the projects. Further, the MEF sets the overall investment limits for the MP taking no account of the fact that donor disbursements would not take place if counterpart funds were not available to finance the Government's share of project costs. This complex and obfuscating system is inconvenient and impractical. Major institutional changes in the form of three-year rolling public sector investment programs (PSIP) and project selection and monitoring by the respective sectors should be emphasized. The MEF should be in charge of budgeting and disbursement. The MEF should be responsible for executing public investment, project analysis and the performance of sectoral ministries and public enterprises and the investment program. The MP's main role should be to prepare a three-year rolling PSIP in light of the possible availability of domestic and external resources and to focus on donor coordination of its financing.

xxxii. Coordination between the Government and donors needs dramatic improvement, particularly in education, health, transport and agriculture sectors. A central unit should be established for such coordination. Much duplication exists because of lack of knowledge by MP of the work of government agencies, NGOs and donors. Donors do not have any responsibility of informing the ministries or each other of their activities.

xxxiii. The commitments and disbursements of official aid to Haiti was uneven during the 1980s as a result of the political events. After generously supporting the reform efforts during 1986-87, official donors curtailed aid in 1988. However, bilateral aid, essentially humanitarian, has been channeled through NGOs since 1988. Haiti's recent return to democracy, along with its commitment to policy change should have a positive affect on aid flows. Aid commitments from official sources are projected to increase from the low levels of late 1988-89 to at least the levels of 1980-85 which is about US$145 million per year. Haiti, however, needs to mobilize increasing amounts of domestic resources to provide counterpart funds for higher aid flows.

xxxiv. Barring any severe exogenous shocks, Haiti's economic deterioration can be stemmed, and growth in output and employment generated in the medium term. This calls for timely implementation of both macroeconomic and sectoral policies. The agenda for macroeconomic policies is fiscal discipline, domestic resource mobilization, monetary and external policies that control inflation and maintain competitiveness, and trade policies that are not biased against exports. These need to be complemented by sectoral policies with regard to pricing and expenditures together with productivity and efficiency gains, that should enhance provision of infrastructure support and general services for private trade and production. Such actions should be supported by increased external assistance.

xxxv. Projecting the future course of economic growth in any country is difficult. Given the array of uncertainties that Haiti faces in 1991, medium-term prospects cannot be anything but an indication of the nature of things to occur, highly conditional upon the speed and effectiveness of policy implementation by the Government, and its strength of commitment in addressing the deep-rooted structural problems. The medium term growth projections predicated on the timely implementation of macroeconomic and sectoral policies elaborated in various chapters, suggest that real GDP growth rates during 1992-94 could average between 2-3% per year. However, the growth rates could rise rapidly during 1995-99 to an average of about 4% per year, which transfers into moderate increases in per capita income and consumption. The sources of growth are projected to be in export-oriented other agriculture (e.g. mangoes, tropical fruits and vegetables), assembly industry and tourism. To raise domestic savings public consumption would have to be held constant and private consumption increased marginally. Such a restrained growth on consumption is necessary to ensure that the additional incomes generated by increased economic activity is channelled into savings required to finance development. Under this scenario domestic savings are projected to increase from 4.2% of GDP in 1990 to 8.4% of GDP in 1994. Correspondingly, gross domestic investment is projected to increase rapidly from 11% of GDP in 1990 to 14.5% of GDP in 1994. Beyond 1994, these trends continue as gross domestic savings are projected to increase to 9.6% of GDP by 1999, gross domestic investment to 15.5%. The fiscal gap is projected to narrow as a result of government revenues increasing from 9% of GDP in 1990 to 12.5% of GDP in 1994. However, the fiscal gap widens from 5.7% of GDP in 1994 to 7.2% of GDP in 1999 as public investment--financed from external sources--is projected to increase faster than government revenues.

xxxvi. Further deterioration of the external current account balance would be avoided by economic growth, as the resource balance improves moderately because total exports increase more rapidly than total imports. Debt-service payments are projected to remain almost constant, as most of Haiti's outstanding debt is on concessional terms. As the projections show, Haiti needs official grants and concessional loans to cover the current account deficits, and meet all its projected external obligations of debt-service, and imports, and gradually increase foreign exchange reserves. The projected capital inflows have been assumed to consist of grants and concessional loans only. No commercial borrowing has been assumed. Provided this is adhered to, the projected debt service payments would remain manageable. The projected debt service payments to exports ratio could decline from 21% in 1991 to 15% in 1994.

xxxvii. However, growth in the economy is predicated on rehabilitating the existing facilities to ensure adequate support to private sector production and trade. The new Government needs to undertake an investment program placing emphasis on the rehabilitation of existing facilities, labor intensive projects to help address Haiti's unemployment problem, projects complementary to the private sector activities, and projects requiring only limited recurrent and counterpart funding. A tentative composition of the PSIP for the period 1991-94 reveals that rehabilitation of infrastructure is given primary importance, and these projects constitute 74% of all projects. These pertain to the rehabilitation and safety improvements of main roads, and national highways, electric power sub-stations, water supply projects in rural areas, telephone network in rural areas, and public works. Most of these projects are labor intensive and should generate reasonable employment. The productive sectors are also emphasized with a proportion of about 17% of total projects. Such projects deal with rural development, and improving mango, cocoa and coffee production. Tourism infrastructure development by the public sector is another area where a number of projects can generate income and employment. The remaining projects are in the social sectors and deal with rehabilitating primary schools, instituting health care programs in hospitals and developing public housing. The financing requirements for a public sector investment program are estimated to be sizeable. Given the widespread breakdown in existing infrastructure facilities, and the long neglected rehabilitation of irrigation systems, large investments are warranted.

xxxviii. Gross external capital requirements, inclusive of amortization and changes in net reserves, are projected to total US$487 million during 1992-94. Net foreign investment is projected to be US$39 million for the same period. Thus, official grants and highly concessional loans are projected to provide almost all of the gross financing requirements during 1992-94. Disbursements from ongoing projects are projected to cover US$71 million or 15% of gross requirements during 1992-94. Donors have been identified for disbursements amounting to US$52 million, or about 10% of gross requirements. The unfilled financing gap is projected to total US$325 million during 1992-94 which is 75% of capital requirements, most of which are projected to be bilateral grants during the initial years. For this financing gap external donors are sought.

xxxix. This report lays out the general strategy for the country to resume economic growth and development. However, the most pressing issues need to be addressed within the next 18 months. The order of priorities should be to: (i) achieve a viable macroeconomic situation by reducing imbalances in external and internal accounts by means of drastically addressing the fiscal issues and ceasing of Central Bank financing of the fiscal deficit, instituting a market determined exchange rate regime, and the further opening up of trade; (ii) define investment priorities and strengthen institutions to undertake investment in infrastructure; and (iii) tackle the problems in the social sectors. As the new Government moves to implement a development strategy beneficial to all Haitians, the severity of Haiti's development problems warrants speedy implementation of rational policies and the strengthening of institutions outlined in this report, upon which provision, external assistance at concessional terms will then enhance restoration of economic growth and social development.

I. INTRODUCTION: THE BACKGROUND TO RECENT DEVELOPMENTS

Overview

1.1 Haiti is a small, densely populated, predominantly rural, and open economy. Its 6.4 million inhabitants occupy 28,000 sq km, the western end of the island of Hispaniola. With a GNP per capita of US$400 in 1989, Haiti is the second poorest nation in the Western Hemisphere following Guyana, whose GNP per capita is US$310. The infant mortality rate of 119 per 1,000 is close to the average of Sub-Saharan Africa; the child mortality rate hovers around 22 per 1,000; and life expectancy is estimated to be only 54 years. About 65% of adults are illiterate. Declining rural incomes for three-quarters of the population have led to substantial rural-urban and international migration. With an average population growth rate of 1.8% per year, net of immigration of 0.5%, per capita food availability has been decreasing. Family planning efforts have yet to show widespread results. More than 30% of the labor force is unemployed. Population pressure has forced peasants to cultivate even more marginal hillside land. A shortage of cultivable land coupled with the demand for wood for energy, has generated an unrelenting process of deforestation and soil erosion.

1.2 Haiti experienced a series of political crises since 1986.[2] These crises resulted in loss of private investors' confidence, work stoppages, unattended economic problems, and a sharp drop in much needed external assistance. Except for an improved economic performance during 1986-87, the decade of the 1980s is characterized by declining output, high levels of unemployment, rising inflation, unsustainable fiscal and balance of payments deficits, and a breakdown in provision of general services. This brought further impoverishment to the country.

1.3 This report proposes some short-to-medium term policies to arrest economic deterioration and restore growth. The economic policies required are those that provide price stability, attract private investment, encourage external assistance, provide adequate infrastructure and essential services, increase output and generate employment. Actions are urgently needed to correct external and domestic imbalances by enhancing competitiveness, expanding the tradable goods sector, mobilizing domestic private and public savings to undertake new investments, rationalizing public sector employment, strengthening the performance of public enterprises, and ceasing Central Bank financing of the fiscal deficit. At the same time, actions must be taken to begin dealing with the pressing development problems of health, nutrition, education, agricultural productivity, population and environment need to be addressed.

2/ Following the Duvalier Administration's departure in 1986, the situation was characterized by political instability and civil unrest associated with attempted elections and changes in governments. The new administration of President Aristide took office in February 1991 following the December 1990 elections.

The Previous Report: A Background

1.4 The previous report on Haiti (Report No. 7469-HA dated December 28, 1988) proposed a core economic program to consolidate and perpetuate the reform efforts of 1986-87. The policy proposals were based on analyses of the economic deterioration during the 1980s (compared to the spurt of growth in the late 1970s) so as to sustain the country's potential economic growth in output and employment. The program proposed a mix of fiscal, trade and industrial reforms, pricing policies for agriculture and public utilities which aimed to mobilize domestic public and private savings, stimulate private investment, provide adequate infrastructure support for production and trade, and increase efficiency in health and education. The population pressure on agricultural land was highlighted as a major constraint.

Disequilibrium

1.5 In the second half of the 1970s, economic growth, as measured by real GDP, averaged 5.3% per year with all sectors recording positive growth. This allowed for improvements in real per capita income and consumption. These achievements resulted from increases in public investment mostly financed by concessional aid, and the dynamism of the export assembly industry. Table 1.1 below compares the economic indicators of 1975-80 with the economic deterioration of 1980-85 and the policy-induced modest recovery of 1986-87. Production declined significantly in all sectors during 1980-85. Per capita income and consumption declined markedly. National savings decreased while public investment remained constant. The deficits of both the fiscal and external accounts increased as a ratio of GDP despite a contraction in economic activity. The fiscal deficit was partly covered by Central Bank financing and contributed to higher inflation and the emergence in the 1980s of a parallel foreign exchange market in which the gourde traded at a discount. The deficit in the external account led to drawing down of international reserves and to the accumulation of external payment arrears. The policies pursued during this period created an inefficient and inequitable economic system. The system was based on fiscal and trade practices that were restrictive of the private sector, biased against exports, created monopolistic public enterprises, and squandered public expenditures without increasing the country's productive or absorptive capacity. Moreover, the small size of the internal market has resulted in the evolution of private monopolies in cement, sugar and oil. Barriers to entry also exist in the coffee exporting sector, while importers and traders collude, hoard and speculate in some essential items.

Table 1.1: SELECTED ECONOMIC INDICATORS, 1975-87

Indicator	1975-80	1980-85	1986-87
Average Growth Rates	------(% per year)-------		
Real Gross Domestic Product			
at Market Prices	5.3	-0.9	0.6
Agriculture a/	1.6	-1.3	1.1
Industry a/ b/	9.5	-2.5	-2.1
Services a/	6.3	-0.8	2.8
Real GNP per Capita at Market Prices	3.3	-2.6	-0.4
Private Real Consumption per Capita	2.5	-3.1	2.4
Export Volume c/	10.3	-1.3	-7.2
Import Volume c/	10.0	-2.9	-3.8
Consumer Price Index	6.5	8.3	2.0
Unemployment Rate (end of period) d/	21.9	29.8	n.a.
Ratios to GDP	(% of GDP at current prices)		
Gross Domestic Investment	16.6	16.4	12.4
Public	9.1	10.0	6.9
Private	7.5	6.4	5.5
National Savings	9.6	8.2	5.2
Public	1.8	0.5	0.1
Private	7.8	7.7	5.1
Public Sector Balance Before Grants e/	-7.7	-9.4	-6.7
Public Sector Balance After Grants e/	-4.5	-6.0	-1.9
Central Bank Financing	1.1	2.8	0.3
External Current Account Balance	-7.0	-8.2	-7.2
	------(US$ million)------		
Net Change in Reserves (-means drawdown) f/	29.3	-130.8	-91.0
External Debt Disbursed and Outstanding (end of period)	318.2	687.4	777.0

n.a.: not available.
a/ In real terms, at factor cost.
b/ Includes mining, manufacturing, construction, water and electricity.
c/ Goods and nonfactor services.
d/ Estimated from available data on total labor force and civilian employment only. End of FY80-85 period figure refers to 1983.
e/ Overall budget balance of General Government, major public enterprises and nonconsolidated public sector.
f/ Cumulative during period.

Source: Statistical Appendices of this and previous Bank reports; ILO and IMF.

Advent of New Policies

1.6 Economic reforms between March 1986 and November 1987 focused on reform of taxes, public expenditures and investment, industrial incentives, and agricultural pricing. Total expenditures and taxes were cut by about 2% of GDP, and outlays reallocated towards education and health. Taxes on basic food items were reduced, lowering prices and raising private consumption among the low-income population. Income taxes were simplified, top marginal tax rates lowered, and measures to improve tax collection were initiated. The public investment program eliminated unjustified public projects and gave priority to completion of ongoing projects. The public sector's debt to the domestic banking system was reduced. Two of the five uneconomical public enterprises were closed, another two were stripped of privileges in trade and taxes, and were to be independently audited. The last one (cement factory) was to be divested. Trade reform eliminated all but seven quantitative restrictions (rice, maize, millet, beans, sugar, chicken parts, and pork meat parts). Specific tariffs were all replaced by ad valorem ones, and the general level of protection was drastically reduced from an average of over 40% to less than 60% effective protection. The export tax on coffee was phased out and export taxes on other agriculture were abrogated. Prices of domestic goods were realigned with international prices.

1.7 The reform measures of 1986-87 began to stabilize the economy and recorded modest improvements in selected economic indicators. Real GDP growth would have been higher than 0.6% per year during 1986-87, but for the collapse of international coffee prices which reduced coffee export volume in 1986, and the intermittent civil unrest since July 1987. Also, domestic agriculture and industry (e.g., rice, sugarcane, maize, edible oil, toilet soap) faced added competition from the upsurge of contraband imports, which intensified when provincial ports were opened up to international trade. In spite of these factors, agricultural output grew modestly in 1986 as relative prices of some commodities were shifted in their favor.

1.8 Services sector growth of 2.8% per year during 1986-87 reflected the increase in public investment financed by external concessional sources and the resumption of construction activity (e.g., private residential and assembly industry units). Pay increases in education and health partly contributed to better performance of this sector. Industrial growth showed signs of upturn as the export assembly sector expanded in 1987 and garment exports expanded when the U.S. increased its import quota for Haitian textiles. However, the disturbing events of 1987 aborted a recovery when firms began to close and moved their operations. Also, the small-scale handicraft industry was particularly affected by the events.

1.9 During 1986-87 internal and external imbalances continued to be brought down (Table 1.1 above). Inflation was stabilized as Central Bank financing of fiscal deficits was only 0.3% of GDP on average compared to 2.8% of early 1980s. Estimates reveal that employment grew at 1.6% in 1986 and this trend continued until the third quarter of 1987. However, external payment arrears were accumulated.

1.10 The momentum of the reforms was lost, however, because of a series of political crises after July 1987. To stem, and eventually reverse, the downward spiral of poverty resulting from declining real growth and rising unemployment, the previous report proposed a core program with the following objectives: (i) to achieve a real GDP growth of 2% per year and increase employment at about 3% per year, which would barely offset the growth rates of population and labor force respectively; and (ii) to improve the provision of social services, especially in health and education.

1.11 The strategy outlined to meet these objectives was to strengthen the reform efforts by adopting a mix of policies of exchange rate, taxes, tariffs, wages, interest rates, pricing of utilities, and public expenditures. The aim was to provide incentives to the private sector, maintain competitiveness, and mobilize public and private savings.

1.12 Competitiveness was to be enhanced by wage restraint and depreciation of the official exchange rate to align it with the parallel exchange rate. Anomalies in the new Tariff Code, especially those pertaining to raw materials and some finished goods were to be reviewed. Public sector savings were to be raised by leasing State lands at market rates (to eliminate rents to the middle-men), reconsidering exemptions given under various taxes, taxing public enterprises--corporate tax and custom duties--and containing public sector wage bills. Agricultural production was to be increased by favorable relative prices to growers of rice, mangoes, and coffee. Producer prices for sugar were to be freed, cross-subsidization among three sugar factories was to cease, and capacity utilization (50%) of the factories was to be raised. Industry (assembly industry, pharmaceuticals, food processing, enamelware) was to be encouraged by revision of the Investment Code, and adequate support to production and trade was to be provided by transport, power, and water sectors. This called for better operations, maintenance and rehabilitation of irrigation systems, and strengthening of public institutions. Finally, health and education services were to be improved with available resources while promoting non-governmental organizations (NGOs) in this sector.

1.13 The conclusion of the previous report was that the reforms of 1986-87, supported by enhanced external assistance, began to stabilize the economy and provided incentives for production and trade, which yielded benefits in terms of higher growth rates and job creation. These reforms were a start and need to be continued. Long-term development problems have to be tackled. The country's problems are pervasive and acute. Therefore, there is an urgent need to consolidate and safeguard the reform efforts.

II. RECENT ECONOMIC POLICIES AND PERFORMANCE

A. Macroeconomic Overview

2.1 The policies that induced a modest turnaround in economic activity during 1986-87 could not be sustained as a result of political crises. Economic developments from 1988 have been characterized by work stoppages, uncertainties for private investors, shortfalls in public revenues, curtailment of external assistance, and accumulation of external payments arrears.

2.2 Table 2.1 below shows the economic performance during 1988-90. During 1988-89 real GDP growth declined by 1.5% per year, which resulted in much larger declines in per capita income and consumption. Output in all sectors declined. Savings as a percent of GDP declined from 5.2% in 1986-87 to 3.0% in 1990, while investment as a percent of GDP during the corresponding years declined from 12.4% to 11.0%. Inflation rose from 9.5% per year of September 1988 to 15% per year in September 1989, and 30% in January 1991. Correspondingly, the premium on the U.S. dollar in the parallel market increased from about 20% in September 1988 to over 35% in September 1989, and over 50% at the end of 1990. As a result of the foreign exchange crunch in July 1989, the Central Bank obtained a decree requiring exporters to surrender 50% of their foreign exchange receipts.

2.3 The fiscal deficit (before grants) remained constant at about 5.6% of GDP. This constancy was maintained by cutbacks in capital outlays and not by reduction in current expenditures. Public sector receipts and expenditures each increased by about 0.7% of GDP. Moreover, as external financing dropped sharply, the Central Bank financed more than a third of the deficit. The balance of payments position further deteriorated during 1988-89. Exports and imports of goods and services decreased. The current account deficit was constant at 6.7% of GDP during 1988-89 and estimates for 1990 suggest that the deficit widened to 8.0% of GDP.

2.4 To correct the above imbalances, the Government adopted an economic program for 1989-90, supported by an IMF Standby. It aimed to strengthen public finances in an effort to stabilize the balance of payments, reduce inflationary pressures, and reverse the decline in investment and economic activity. The program called for an improvement in the public sector's savings, lowering its overall deficit to 4.5% of GDP, with Central Bank financing limited to no more than 0.6% of GDP. The Government adopted a number of measures to increase fiscal revenues, introduced new controls in the public enterprises (including their wage bill), and raised wheat flour and millfeed prices. While government spending remained within acceptable levels, revenue collections and performance of public enterprises deteriorated sharply. Factors responsible for declining public revenues were tax enforcement difficulties related to political crises, inability to monitor public enterprises, insufficient cost recovery efforts, and rapid increase in contraband trade. As a result, government revenue fell from 10% of GDP in 1989 to 8.3% in 1990, widening the fiscal deficit to 6.0% of GDP. Net domestic financing of this gap was about 2.0% of GDP as the budget was partly supported by external assistance after the provisional Government took office in March 1990. Domestic credit expanded more rapidly than contemplated, new external payment arrears of about US$20 million were incurred, and the objectives of inflation and balance of payments were not achieved.

2.5 The Government took actions to strengthen the monetary and external policies. In December 1989, the existing ceilings on deposit and lending rates of the commercial banks (except the maximum of 22%) were removed. As a result, interest rates increased and were positive in real terms during early 1990 but turned negative again soon thereafter as inflation creeped up. In early 1990, the parallel foreign exchange market was legalized and export surrendering requirement (at the official rate) was reduced from 50% to 40%. These actions depreciated the gourde by 8% in real effective terms in 1990. However, these actions were insufficient to correct the external imbalance and international reserves fell by US$23 million in 1990. The collapse of world coffee prices contributed to current account deficit which increased to 8.0% of GDP in 1990 from 6.7% in 1988-89. The gap was partly covered by a small increase in external assistance.

2.6 The new Government (during February-May 1991) has taken some measures to improve its fiscal revenues, counter the contraband activity, promote tourism, and encourage the private sector. Import duties have been reduced on rice, pork, iron, tin sheets and tools. All taxes and duties on rice have been removed and only a US$2.50 tax per bag is being levied (price of each rice bag is US$40 now). Moreover, rice imports do not need an import license now. There are no price controls, but the Government did intervene to control the prices of some essential items during March-April 1991. This was for a short duration as hoarding and speculation drove up the prices of some essential items. The import licensing system is now flexible and even cement can be imported freely. The Government has strengthened the Customs Administration by tightening up control over ports, changing custom officials, and introducing new rules, which has resulted in increasing revenues and lowering of contraband activity. A small bureau of tourism has been established and negotiations with tourist agencies/shipping lines are in incubation.

Table 2.1: SELECTED ECONOMIC INDICATORS, 1980-90

Indicator	1980-85	1986-87	1988-89 Est	1990 Prelim
Average Growth Rates	(% per year)			
Real Gross Domestic Product at Market Prices	-0.9	0.6	-1.5	-3.0
Agriculture a/	-1.3	1.1	-1.9	n.a.
Industry a/ b/	-2.5	-2.1	0.5	n.a.
Services a/	-0.8	2.8	-0.6	n.a.
Real GNP per Capita at Market Prices	-2.6	-0.4	-3.4	n.a.
Private Real Consumption per Capita	-3.1	2.4	-3.9	n.a.
Export Volume c/	-1.3	-7.2	-3.8	n.a.
Import Volume c/	-2.9	-3.8	-10.4	n.a.
Consumer Price Index	8.3	2.0	10.2	25.2
Unemployment Rate (end of period) d/	29.8	n.a.	n.a.	n.a.
Ratios to GDP	(% of GDP at current prices)			
Gross Domestic Investment	16.4	12.4	12.0	11.0
Public	10.0	6.9	6.6	n.a.
Private	6.4	5.5	5.4	n.a.
National Savings	8.2	5.2	5.3	3.0
Public	0.5	0.1	0.2	-0.2
Private	7.7	5.1	5.1	3.2
Public Sector Balance Before Grants e/	-9.4	-6.7	-5.6	-6.0
Public Sector Balance After Grants e/	-6.0	-1.9	-3.6	n.a.
Central Bank Financing	2.8	0.3	1.2	2.2
External Current Account Balance	-8.2	-7.2	-6.7	-8.0
	(US$ million)			
Net Change in Reserves (-means drawdown) f/	-130.8	-80.0	91.0	23.0
External Debt Disbursed and Outstanding, end of period	687.4	777.0	830.0	968.0

n.a.: not available
a/ In real terms, at factor cost.
b/ Includes mining, manufacturing, construction, and water and electricity.
c/ Goods and nonfactor services.
d/ Estimated from available data on total labor force and civilian employment only. End of 1980-85 period figure refers to 1983.
e/ Overall budget balance of General Government, major public enterprises and nonconsolidated public sector.
f/ Cumulative during period.

Source: Statistical Appendices of this and previous Bank reports; ILO and IMF.

Balance of Payments and External Debt

2.6 The structure of trade detailed in Chapter VI (para. 6.1) reveals a very narrow range of items of current receipts. As shown in Table 2.2, trade imbalance is largely offset by official grants and loans, and workers remittances from abroad.[3/] Receipts from invisibles are in deficit despite the declining, yet positive contribution of tourism. During 1988-89, tourism netted US$46 million. However, the number of tourist arrivals has declined by 7.8% per year during 1986-89 from 202,091 in 1986 to 148,737 in 1989, a 30% drop in total, because of the civil disturbances and health risks of malaria and AIDS. Shipping, including freight, insurance, port charges, and other receipts, are not in Haiti's favor. The overall balance of payments was in deficit during the 1980s, except for 1986-87. Haiti's international reserves position continues to be precarious.

2.7 There was a sharp drop in external assistance during 1988-89. The United States, which is Haiti's main donor, suspended its aid program of $100 million in late 1987, partially resumed it in 1989, then suspended it again in early 1990.[4/] In April 1990, at an informal subgroup meeting of the Caribbean Group for Cooperation in Economic Development (CGCED), donors expressed willingness to support the development efforts of the next elected Government.

2.8 The stock of publicly guaranteed external debt rose sharply during 1985-87 and amounted to $830 million during 1988-89. About 75% of total debt is on concessional terms.[5/] Debt service as a percent of total exports was 14.4% during 1988-89. Arrears of about US$20 million, mostly to bilateral agencies, were incurred during early 1991.

3/ Emigration is 0.5% of population per year. In 1989, workers remitted US$ 122 million from abroad.

4/ A large part of bilateral aid, mainly humanitarian assistance, is currently channeled through non-governmental organizations.

5/ In September 1989, Haiti cleared its arrears to the IMF.

Table 2.2: SUMMARY BALANCE OF PAYMENTS, 1983-89

	1983	1984	1985	1986	1987	1988	1989
	(US$ million)						
Exports, GNFS	285	317	304	291	277	274	260
Imports, GNFS	455	481	468	423	449	426	424
Net Factor Income	-24	-19	-14	-16	-16	-18	-22
Net Current Transfers	42	45	48	52	56	63	59
Current Account Balance	-151	-139	-130	-96	-132	-100	-120
Grants	69	78	87	106	121	130	107
Government Organizations	56	63	73	94	99	73	51
Private Organizations	13	14	14	12	22	57	56
Loans (net)	74	57	17	24	43	34	16
Official Sources a/	63	65	42	29	52	34	16
Commercial Sources b/	10	-8	-25	-4	-9	0	0
Other Capital (net) c/	-9	-17	-12	-6	-2	-10	-8
Capital Account Balance	134	118	92	124	162	154	115
Net Change in Arrears d/	-12	-6	9	2	-2	-4	-2
Net Change in Reserves e/	29	26	4	-31	-27	-72	-110
	(in percent of GDP)						
Exports, GNFS	3.5	3.5	3.0	2.6	2.6	2.5	2.1
Imports, GNFS	5.6	5.3	4.7	3.8	4.2	3.9	3.5
Net Factor Income	-0.3	-0.2	-0.1	-0.1	-0.1	-0.2	-0.2
Net Current Transfers	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Current Account Balance	-1.9	-1.5	-1.3	-0.9	-1.2	-1.0	-1.0
Grants	0.8	0.8	0.9	0.9	1.1	1.2	0.9
Loans (net)	0.9	0.6	0.4	0.2	0.4	0.3	0.1

a/ Includes IMF Trust Fund Loan.
b/ Includes short-term capital.
c/ Changes in net foreign assets of commercial banks, private capital, and errors and omissions.
d/ Minus sign denotes a decrease of arrears.
e/ Minus sign denotes a drawdown.

Source: Statistical Appendix, IMF.

III. DEVELOPMENT OBJECTIVES AND POLICIES

Priority Objectives and Strategy

3.1 Haiti's absolute poverty is unmatched in the Western Hemisphere. A comparison of social and economic indicators reveals that in the 1980s Haiti was falling behind even other low-income developing countries. Haiti is caught in a vicious downward spiral characterized by a population growth rate of over 2% per year, rising infant mortality, high adult illiteracy, low school enrollment rate, a shortage of cultivable land, and dismal economic performance in terms of declining GDP, rising prices, and a high unemployment rate of over 30%. It is further constrained by weak development management capability and acute scarcity of financial resources. Immediate actions are needed to arrest this deterioration.

3.2 Rapid economic development is possible in Haiti. Economic development consists not only of growth in per capita income but also an improvement in the quality of life by alleviating poverty and achieving progress in education, health and nutrition, and protection of the environment. The new Government envisions and intends to implement a development strategy leading to this economic transformation.

3.3 Economic transformation of Haiti needs an approach to development based on the forces of markets but harnessed by a cautious and judicious Government. Rapid development of low-income developing countries reveals a history of a complementary role for the private and public sectors, stable macroeconomic environment, openness to trade, and competitiveness (domestic and international). Private trade and production needs to expand through the Government providing a stable macroeconomic environment by maintaining fiscal discipline, low inflation, eliminating barriers to entry of new entrepreneurs, such as licensing, permits and quotas and eliminating distortions in tariffs, taxes and duties, maintaining a market determined exchange rate, providing access to financial institutions, and providing adequate infrastructure support. History of development in many developing countries suggest that the Government will be most productive if it invests in people (mainly primary education, basic health care, nutrition and family planning), in infrastructure (maintenance and rehabilitation of transport, water, sanitation and irrigation systems), and concurrently concentrates in institution building (restructuring public utilities, improving the quality of the civil service, transferring technology, and defining and protecting property rights).

3.4 Economic development needs an efficiently operating private sector, aided and abetted by a responsible Government. The private sector and the public sector are not substitutes but are intrinsically bound together in making the whole of economic gain greater than the sum. Fiscal discipline will result in reduction in wasteful public spending, and lower money financing and taxation to cover the fiscal deficit. This translates into lower inflation and more take-home pay which will be beneficial to all Haitians, particularly the poorer segment of the population. Elimination of export taxes will result in farmers receiving higher farmgate prices, thus enhancing production. Distortions in tariffs and misalignment of the exchange rate will only encourage contraband activity which is detrimental to consumers. Eliminating barriers to entry of new entrepreneurs along with access to credit will enable more production, exports and employment. Tariff protection and import licenses have resulted in collusion among importers, generation of "rents" and subsidies to producers of rice, sugar, flour, maize and sorghum, which are not in the interests of the common Haitian. Similarly, inefficient public enterprises provide inadequate services at higher prices and further, financially burden the average Haitian when these enterprises operate in deficit. Trade with the global economy not only opens the domestic economy to international competition and lower consumer prices, but brings in its train, medical, engineering and scientific technology. Technological change will increase productivity and produce sustainable economic development as reflected in higher quality of life and improvements in health and education.

3.5 The country's <u>main development objectives</u> are to:

(i) achieve a minimum real GDP growth averaging about 2.7% per year during 1992-94 and 4.2% during 1995-99. This would translate into a real per capita income growth of 1.7% per year during the 1990s, which would constitute a reversal of more than a decade of negative growth and increased poverty;

(ii) increase employment at a minimum of 4% per year. This job creation rate is high, but given the already high unemployment rate, it is imperative that the employment rate exceed the estimated labor force growth of 2.2% per year;

(iii) improve the efficiency in the provision of social services, especially in health and education. Growth in income should reduce poverty and infant mortality and raise life expectancy. At the same time, better primary health care and education, family planning and nutrition can, in their turn promote growth; and

(iv) achieve economic efficiency and equitable development through democratic means.

3.6 The <u>strategy</u> for attaining these objectives should be to:

(i) strengthen the public finances, provide macroeconomic incentives for the private sector, including a drastic reduction in inflation, enhance competitiveness, and improve the financial sector. This calls for a further opening up of the economy and removal of barriers to entry to make the domestic economy more competitive which translates imports into lower domestic prices. For policy purposes, this needs an appropriate mix of prices, cost recovery, wages, real exchange rate, taxes, tariffs, interest rates, public expenditures, and credit control. Incentives can be provided by focusing on eliminating the distortions and monopoly power remaining after the reform efforts of 1986-87. These are removal of all quantitative restrictions, exchange rate surrendering requirement and the interest rate ceiling, lowering import duties, revising anomalies in tariffs and the Investment Code, and initiating a comprehensive tax reform. The unification of the exchange rate should align domestic prices with those abroad. This will create an environment conducive to private investment in agriculture (e.g. mangoes, tropical fruits, vegetables, and coffee), and industry (e.g. assembly units, shoes, enamelware, food processing, and pharmaceuticals). More jobs can be created by such productive opportunities. The restructuring of public enterprises is also needed;

(ii) support production and trade with efficient public services (transport, water, sanitation and power). Improved operations, maintenance and rehabilitation of transport, irrigation and power systems are needed. For this, the financial position of most of the public utilities should be strengthened by improving cost recovery efforts, retrenchment and reduced wage bills; management must be strengthened, and the authorities should consider the advantages of selling or leasing some of the public enterprises; and

(iii) improve the service and internal efficiency in health and education sectors such that greater coverage and higher quality is attained with available resources. Non-governmental organizations should be promoted in these sectors.

3.7 The policies to implement this strategy derive from the current economic conditions in Haiti, the medium and longer term development needs, and the administrative capacity to implement the policies. The proposed policies pertain to both macroeconomic and sector areas. A stable macroeconomic environment is one of the most important public goods that the government can provide. When in the past, government spending was not controlled, the result was often large fiscal deficits, excessive borrowing and/or monetary expansion, quickly followed by inflation, chronic overvaluation of currency, and loss of export competitiveness. Restoring the confidence of the private sector is now a major challenge for the Government after the country's history of macroeconomic instability.

3.8 The key <u>macroeconomic</u> policy issues are detailed under public finance in Chapter IV, exchange rate and monetary policies in Chapter V and industry and trade in Chapter VI. Imbalances in fiscal accounts is the major policy issue. Thus, fiscal policies need to focus on strengthening of public finance while reducing the size of the public sector. Fiscal discipline should be achieved, and public savings be raised to undertake new public investment needed critically in infrastructure, health and education sectors. Actions are needed to improve tax administration, mobilize counterpart funds by recourse to cost recovery in social services, rationalize public expenditures through retrenchment and reduction in the wage bill, and raise revenues by introducing a value added tax. To create a favorable macroeconomic environment the Government would need to reduce inflation and maintain a market determined exchange rate. Monetary policy issues pertain to ceasing of Central Bank financing of the fiscal gap, gradual reestablishment of uniform reserve requirements, and removal of the maximum legal limit rate of 22% on interest rates. Fiscal imbalances have resulted in too much reliance on reserve requirements as a source of deficit financing. This has contributed to widening the spread between deposit and lending rates. Alternative credit control instruments such as open market determined rate should be explored. Appropriate market based incentives for saving and investment are essential if domestic resources are to play their proper role in financing development. Since the root of most problems is the fiscal imbalance, it is preferable to use fiscal instruments of expenditures and taxes as a solution. Trade is to be promoted by eliminating remaining distortions, instituting a 5% uniform tariff rate, and removing the foreign exchange surrendering requirement, thereby reducing incentives for contraband activity. The Investment Code should be revised, and exemptions of taxes and duties to public enterprises should be eliminated so as to promote domestic competition, especially in cement and flour.

3.9 The Government can foster domestic competition by: (i) avoiding public interventions, except as a last resort when markets fail; and (ii) providing public goods, which traditionally are "law and order" issues of protecting private property and environment. An efficient domestic economy requires public goods, such as a regulatory framework that enhances competition and protection of well defined legal and property rights. For instance, property rights and the tenure system will provide much needed security for the small farmer. It also requires adequate public investment in infrastructure, so as to increase returns to private investment. Opportunities for partnership between public and private sectors perhaps in tourism need to be sought out and exploited. The private sector should be encouraged to provide services often associated with public domain: social services, transport, telecommunications, agricultural research and extension, small-scale rural credit and environment protection.

3.10 In agriculture, the main policy needs are to correct the bias against export crop production by relative price changes, provide the administrative and legislative framework to enable credit access to farmers and legal titling and tenure security. Rehabilitation of irrigation systems and research on several promising crops would also enhance production. In the transport sector, earmarking user charges for much needed road maintenance, and additional investments to supplant the dilapidated infrastructure are needed measures. The power sector is crippled by the financial position of EdH. Restructuring and privatization of EdH should be examined. To attain higher service coverage levels in water and sanitation the Government should consider merging SNEP and POCHEP, bringing in professional managers, and privatizing the water services. The health sector should place emphasis on reducing inefficiencies, and focus on preventive medicine, provision of water and sanitary facilities, and malaria prevention. A national policy is needed in the education sector. The emphasis should be on primary education. Private and public investment is needed to build more schools.

3.11 The successful implementation of macroeconomic and sectoral policies detailed in this report should help reverse more than a decade of economic decline and sharp reductions in the living standards and the provision of essential services. However, some aspects of the policies could impose additional hardship on certain segments of the population. These vulnerable groups are the rural and urban poor, elderly people living on pensions, the unemployed and underemployed, and the laid off workers of the public sector as a result of its rationalization.

3.12 In order to protect these vulnerable groups during the process of adjustment, the Government should design and implement a social sector program that focuses on ameliorating the additional hardships. The program's components should include: (i) creating employment to improve incomes of some of the vulnerable groups through labor-intensive small projects and schemes; (ii) providing complementary social services, such as feeding and sheltering the high-risk groups, maternal health and child care, food aid for low-income pregnant and lactating women and under-nourished children of 1-5 years old, and quick disbursing lump-sum supplement income for impoverished pensioners; and (iii) opening multiple community resource centers. Such a program should explicitly seek resources and support from the external donors, private sector, and non-governmental organizations.

3.13 The role of the Government is at the very core of development when it <u>invests in institutions</u>. By defining and protecting property rights, providing legal, judicial and regulatory systems, and improving the efficiency of the civil service, the Government introduces a set of rules, and thus, a stable and favorable environment for the functioning and expansion of the private sector. It also facilitates the Government in laying a strong foundation for long term development by harnessing the chaotic forces of the market place.

3.14 Haiti is beset by institutional weaknesses which result in haphazard policy implementation. Investment in institution building should be an ongoing development process. In the arena of public spending, there are a number of inconsistencies as a result of chaotically complex planning, budgeting, monitoring and disbursement systems. For instance, the Ministry of Planning and External Cooperation (MP) is in theory responsible for working with various planning units in sectoral ministries to draw up five-year development plans which are then translated into annual investment budgets. But, in fact, the MP does not have the capacity to plan effectively, neither do the sectoral ministries have such capacity. Long term planning was defined in the past by MP without taking into account the financial and economic constraints of such a development plan. Moreover, the objectives of the plan were not linked to the proposed projects, as most of these projects were donor financed and MP had no jurisdiction to coordinate, evaluate, or monitor the projects. Further the Ministry of Economy and Finance (MEF) sets the overall investment limits for the MP taking no account the fact that donor disbursements would not take place if counterpart funds were not available to finance the Government's share of project costs. This complex and obfuscating system is inconvenient and impractical. Major institutional changes in the form of three-year rolling public sector investment programs (PSIP), and project selection and monitoring by the respective sectors should be emphasized. The MEF should be in charge of budgeting and disbursement. The MEF should be responsible for executing project analysis and the performance of sectoral ministries and public enterprises the investment program. The MP's main roles should be to prepare a three-year rolling PSIP in light of the possible availability of domestic and external resources and to focus on donor coordination of its financing.

3.15 Coordination between the Government and donors needs dramatic improvement, particularly in the education, health, transport and agriculture sectors. A central unit should be established for such coordination. Much duplication exists because of lack of knowledge by MP of the work of government agencies, NGOs and donors. Donors do not have any responsibility for informing the ministries or each other of their activities. The coordinating unit can be useful here.

3.16 Haiti should urgently attend to its developmental problems. It needs massive investments in critical sectors of the economy. Therefore, it has to depend heavily on external capital inflows. Haiti's recent return to democracy, along with its commitment to policy changes should have a positive effect on aid flows.

IV. PUBLIC FINANCES

Overview

4.1 Haiti had a tradition of "fiscal discipline" until 1980 when public expenditures were in line with revenues. Despite some fiscal reforms during 1980-85, revenues as a percent of GDP were shrinking by 1989 for reasons of erosion of the tax-base, a complex, inefficient and poorly designed revenue system, tax evasion and fraud. The public investment program had become too diffuse with too little information and coordination. Moreover, public investment during 1980-85 concentrated on the creation of monopolistic industrial enterprises which soon became "white elephants", resulting in unsustainable fiscal deficits. Thus, fiscal policy was less effective in being able to revive a stagnant economy.

Current Revenues

4.2 During the 1980s, current revenues averaged 10% of GDP at a time when important changes were made in the structure and administration of the tax system. Most of the structural shifts, such as the increased emphasis on taxes on domestic transactions in lieu of taxes on international trade, have occurred because of changes in the shares of the various indirect taxes to total revenues even though the proportion of direct and indirect taxes has not changed significantly.

TABLE 4.1: COMPOSITION OF CURRENT REVENUES, 1980, 1985, 1989 AND 1990
(in percent of GDP)

	1980	1985	1989	1990 Prelim.
Indirect Taxes	6.8	7.7	6.7	n.a.
Taxes on International Trade	5.5	3.0	1.8	
Export Taxes	2.3	0.6	0.0	
Import Taxes	3.2	2.4	1.8	
Taxes on Goods and Services	1.3	2.8	3.1	
General Sales Tax	0.0	1.9	1.8	
Direct Taxes	1.4	1.7	1.6	n.a.
Taxes on Property	0.1	0.2	0.2	
Taxes on Income and Profits	1.2	1.5	1.4	
Other Taxes	1.3	1.8	1.3	n.a.
Tax Revenues	9.5	11.2	9.6	8.3

n.a.: not available.

Source: Statistical Appendix, IMF.

4.3 While revenues from international trade taxes accounted for 58% of government revenues in 1980, in 1989 they accounted for only 19%. Revenues from export taxes initially declined in 1981/82 with the depletion of the country's bauxite mines. In 1986/87 this trend continued as trade distortions were phased-out. Revenues from import taxes also declined steadily (the import tax revenue to GDP ratio fell from 3.3% in 1989 to 2.3% in 1986) as recorded import levels declined when quantitative restrictions and specific tariffs were introduced to protect the domestic industry. Since 1987 import tax revenues have declined further fluctuating around 1.7% of GDP. The ratio of import duties to imports fell from 10.3% in 1986 to 8.5% in the subsequent years, reflecting increased contraband activity. Since 1989, import taxes and taxes on petroleum products constitute about one third of total revenues. Reduced import revenues have been offset by rising taxes on petroleum products.

4.4 Revenues from taxes on goods and services increased from 1.3% of GDP in 1989 to 3.1% of GDP in 1989 and currently provides about one third of total revenues. This growth has resulted from the elimination of taxes on cooking oil, sugar, flour and the move away from other excise taxes into petroleum and cigarettes taxes.

4.5 The general sales tax (GST) was introduced in 1983 to increase revenues, broaden the tax base, replace excise taxes on consumption goods and simplify the tax system into a more efficient and equitable one. In 1985, the tax rate was increased from 7% to 10%, cement sales and telecommunications services were taxed, and the excise taxes on flour, cooking oil and "other excise" were significantly reduced. The GST covers imports, services and commodity sale. About 62% is collected through customs, 20% from public enterprises (flour, cement and communications), and 18% through the Direction Generale des Impots. Up to FY87, businesses and service establishments with a turnover of less than Gdes. 250,000 and Gdes. 150,000 respectively were exempted from paying the tax. Exports and commodities subject to excise duties were also exempted (petroleum products, alcoholic and non-alcoholic beverages, tobacco and cigarettes), as well as electricity and water services, cooking oil, agricultural output, medicines, newsprint, newspapers and books, medical and legal services, banking and insurance operations, educational services and activities of non-profit organizations. Since FY88, however, some of the exemptions have been eliminated. (Turnover limits were reduced to Gdes. 100,000 for businesses and Gdes 125,000 for service establishments. Dairy and alcoholic beverages, cigarettes, milk and refined sugar, together with legal and professional services are not subject to the GST.) However, GST revenues have not increased as a proportion of GDP.

4.6 The income tax yields revenues equivalent to about 1.4% of GDP. The 1986 reform simplified the tax by replacing the previous 10 brackets with a maximum rate of 50% with a new structure of 5 brackets and a maximum rate of 30%. The same scale was applied to corporations and individual. However, following the reform, income tax revenues failed to increase. In 1988, some exemptions were eliminated and the maximum rate for corporations was increased to 35%. Yet, collections have remained below 1985 levels.

4.7 Property taxes include real estate taxes and fees for mortgage registrations as well as user charges for public lands. Although they do not represent an important component of total revenues they increased noticeably following the 1986 reform when real estate values were reassessed. Several other taxes including urban real estate taxes, patents and many other minor taxes have generated a fairly steady share of revenues. There is scope to increase property taxes.

4.8 Under current economic conditions, a key policy objective should be to promote private investment. Complex changes in the tax system should be avoided and a simpler tax structure should be instituted. Improving fiscal performance will take time. A realistic strategy should recognize that in the near term, fiscal revenues should increase to 10% of GDP. This can be achieved by broadening the base of the value added tax which was introduced in 1983, and raising the tax rate on and collecting property taxes. Thus, it would be essential to allocate resources to improve tax administration by concentrating efforts in those taxes that can yield the highest revenue while minimizing administration costs. One initial step in this direction would be to further reduce all import tariffs across the board to 5% of the CIF value of imports.

Current Expenditures

4.9 Until 1986 current expenditure hovered around 7% of GDP, but since then it has averaged 8.4% of GDP. A disaggregation of current expenditure indicates that the armed forces, and education and health services have absorbed the additional resources, mostly through increases. As a result, the wage bill's share in total expenditure increased from 71% in 1982 to 82% in 1989. These increases have reflected to a large extent, the rising inefficiency of Haiti's public administration.

4.10 One factor distorting the allocation of current expenditures has been the relationship between capital expenditure and the current expenditure component of investment programs. Investment programs end up generating additional current expenditures that increase the demand for budgetary resources. Since such resources cannot be increased either the investment services do not materialize in full or other programs need to be curtailed.

Public Investment

4.11 Public investment is financed from three sources: the General Government's budget, foreign donors and institutional lenders, and direct interventions by NGO's. Two thirds of public investment has been allocated to agriculture and public works projects. Insufficient amounts have been allocated to improve and extend coverage of the educational system. Most investments in infrastructure and in human capital are financed by foreign donors and charitable institutions. A substantial and growing share of foreign aid finances NGO programs which could, in principle, be considered private investment.

4.12 The diversity of financial sources increases the difficulties of project coordination. Within the Haitian administration, both the MEF and the MP have shared responsibilities in the area of public investment. The MEF is responsible, through the budgetary process, for the allocation of resources to line ministries and public enterprises. The MP is responsible for the overall public sector investment program but has no responsibility regarding public enterprises. As a result, there is no clear definition of overall responsibility for public investment. On the other hand, because donors channel a substantial part of their funding directly to public agencies and NGOs, neither the MEF nor the MP have relevant information on the projects involved. Thus, the total amount allocated is not known. Moreover, donor records show that the investment levels are much higher than those recorded by the MP. Despite all of this, the fact is that public investment has fallen drastically, from 10.8% of GDP in FY84 to just 5.8% in FY89, reflecting both the curtailment of the external resources and the decrease in domestic resource mobilization efforts. The latter fell from 16.5% of GDP on average during FY81-85 to 11.2% of GDP during FY86-89. There is a need to redefine the roles of MEF and MP. MEF should be responsible for budgetary allocation for public investment and performance review of line ministries and public enterprises. The MP should be responsible for investment programming and donor coordination.

4.13 Both the overall level and the structure of investment expenditures were significantly below the country's needs. Public sector savings have decreased when donor financing has been curtailed. (Domestic resource mobilization efforts have been positively correlated with the flows of externally financed investments.) The reallocation of budgetary resources has favored current expenditures, particularly wages. This rising trend needs to be reversed, as it is incompatible with two important Government's objectives: (i) increasing efficiency in resource use; and (ii) providing the counterpart funding to external assistance necessary to support a larger public investment program. Increasing public savings however will not be an easy task, particularly because of the need to reallocate public investment to the education and health sectors, where the recurrent expenditures needed to utilize and maintain new investments are high.

Public Enterprises

4.14 Currently, six public enterprises operate in Haiti: the Minoterie d'Haiti (MdH--a flour mill), Ciment d'Haiti (CdH), with a single cement plant, Electricite d'Haiti, Telecommunications d'Haiti (TdH--telephone company), Centrale Autonome d'Eau Potable and Societe Nationale d'Eau Potable, (water), and Authorite Portuaire Nationale (APN) which is the Port Authority in Port-au-Prince. These enterprises remain from previous attempts to expand the public sector through the direct monopoly of various goods and services. Other public enterprises were closed during the 1980s not long after their establishment. For most of these enterprises, however, it is difficult to remain a source of revenue to the Treasury while providing services--under monopolistic conditions--to a fraction of Haiti's population. Currently the full exploitation of monopoly power is not feasible, not because of low tariffs or prices, but because the enterprises have become extremely inefficient in their operations as a result of rising costs (e.g., CdH sells a bag of cement at the equivalent of about US$6 when the cement could be imported at US$3 per bag; in addition, because of shortages caused by the limited number of import licenses granted, the local market price may reach up to US$8 per bag). Contraband activity affects the policy choice of public enterprises for they cannot further increase the prices. Public enterprises have to reduce costs and increase productivity.

TABLE 4.2: FINANCIAL INDICATORS OF PUBLIC ENTERPRISES, 1986-89
(in millions of 1980 gourdes)

	1986-87	1988-89
Telecommunication Company		
Operating surplus	70.7	98.0
Capital expenditures	48.2	51.0
Overall surplus	-6.4	12.0
Water Supply Companies		
Operating surplus	0.5	1.9
Capital expenditures	3.1	7.5
Overall surplus	-0.8	-4.0
Port Administration		
Operating surplus	16.0	19.4
Capital expenditures	12.7	1.4
Overall surplus	0.4	8.0
Electricity Company		
Operating surplus	26.2	23.0
Capital expenditures	73.8	33.2
Overall surplus	-47.7	-10.1
Flour Mill		
Operating surplus	39.8	8.3
Capital expenditures	7.8	7.9
Overall surplus	0.3	-21.1
Cement Company		
Operating surplus	12.8	8.5
Capital expenditures	4.1	2.7
Overall surplus	8.1	-0.4
Total Public Enterprises		
Operating surplus	144.1	119.9
Capital expenditures	136.9	83.1
Overall surplus	-47.5	-20.3

Source: Government of Haiti.

4.15 The consolidated deficit of public enterprises averaged 47 million constant 1980 gourdes until 1987, equivalent to 1.8% of GDP. Most of the deficit originated from EdH, Teleco and the water companies' operations. Other public enterprises showed small overall surpluses. In recent years, this situation has changed. Teleco has obtained significant operating surpluses while capital expenditures have remained fairly constant, leading to overall surpluses. The water companies have also increased operating surpluses after 1987 although higher capital expenditures have led to increased overall deficits. The Port Authority's operations have been in surplus, with capital expenditures in the last two years lower than in the past. However, there is a dramatic decline in the efficiency of the Port Authority. The electricity company has substantially reduced its overall deficit after 1987 at the expense of serious cuts in capital expenditures rather than from increased operational efficiency. The flour mill's performance has deteriorated after 1987 generating a very high overall deficit in FY89. Finally, the cement company, which historically generated surpluses, showed a deficit for the first time in 1989.

4.16 Overall, this mixed performance highlights the uneven financial management of these enterprises. In some cases, public monopolies that used to be sources of revenue have become a burden for the public finances. In the past, transfers from public enterprises were not a negligible component of Treasury revenues. Until FY85, these revenues fluctuated around 1% of GDP but have declined continuously thereafter. However, to some extent these transfers have been financed through net Central Bank borrowing by the enterprises. For example, the flour mill's contribution to the Treasury has been possible only because the mill's recourse to Central Bank credit increased by the same amount. Between 1987 and 1988, while the international price of wheat increased more than 20%, and the domestic cost of materials (bags) increased, the domestic price per bag of flour was reduced. In 1989, the price of wheat increased by 26.6% while the price of flour increased by 6.7%. As a result, the flour mill's debt-equity ratio worsened from 0.93 in 1987 to 2.70 in 1989, as did the liquidity ratio and the flour mill's profits.

4.17 When net foreign flows were at their peak, much of the investment was directed towards public enterprises that have not only become a fiscal burden but are also unable to provide adequate services. In the past government operation of these enterprises as state monopolies resulted in generating revenue for the budget. In recent years, they have become a drain on the budget. Moreover, they do not pay income tax, sales tax, or any other taxes. In the absence of privatization or leasing arrangements and given their history of inefficiency, they will increasingly require Central Bank financial support. MdH and CdH were private owned until their nationalization in the early 1980s. While in the private sector, both MdH and CdH competed internationally to export cement, and were generating overall surpluses. Since in recent years, these two enterprises have become a fiscal burden, the Government should contract private firms to manage and improve their finances, open up these enterprises to international competition and pricing so that domestic consumers benefit and exports are resumed. Private participation by selling stocks and shares should be considered by the Government. Private monopolies should not be replaced by public monopolies and vice-versa.

Interventions to eliminate these public monopolies should be given high priority. In other cases, such as power, water or telecommunications, an adequate regulatory framework is necessary. In most cases, these enterprises are in deficit and provide poor service. In others, such a Teleco, they generate revenues for the Government. Further creation and expansion of public enterprises should be avoided because the public sector is overstretched and its resources are needed to invest in people and infrastructure. Talented managers and professionals are used to run these public enterprises, while their services are most needed elsewhere in the Government to ensure development.

Finances of the Consolidated Public Sector

4.18 In the consolidated public sector, which includes major public enterprises and the General Government, total revenue including grants increased from 15% of GDP in 1980 to almost 20% in 1985 and then averaged slightly less than 17% in the following three fiscal years. Current expenditures followed the same trend as did total revenue. Registered current account deficits or surpluses have been small compared to overall deficits determined by the level of public investment. Public investment by public enterprises has remained fairly constant as a share of GDP while other public investment has decreased since 1985. By 1985, total expenditures of the consolidated public sector reached 17% of GDP. After the reduction in foreign aid in 1985, total expenditures declined to 16% of GDP.

Table 4.3: SUMMARY OF THE PUBLIC SECTOR'S OPERATIONS, 1986-90 a/
(in percent of GDP)

	1986	1987	1988	1989	1990
Government Revenue b/	11.0	10.2	10.1	10.0	8.3
Government Expenditure c/	16.3	17.2	15.8	14.7	14.3
Public Sector Deficit before Grants	-5.6	-7.9	-5.8	-5.5	-6.0
External Grants	4.4	4.8	3.1	2.6	2.3
Foreign Financing	1.5	2.3	1.5	0.8	1.5
Central Bank Financing	-0.3	0.8	1.2	2.1	2.2

a/ Does not include Central Bank losses.
b/ Excludes grants.
c/ Includes investment financed by external grants and concessional loans.

Source: Statistical Appendix; IMF.

4.19 The financing of the overall deficit has varied over time (Table 4.3). Until 1985, about 65% of the deficit was financed from external sources and the remaining 35% by the Central Bank. After 1985, a significant effort was made to reduce Central Bank financing of the deficit. In 1989, however, the Central Bank financed 42% of the overall deficit. Such financing (i.e., the inflation tax) amounted to about 4.0% as a ratio of GDP, which is very high.[6/]

4.20 External funding has been the most important source of financing expenditures. External flows decreased noticeably during the last years of the Duvalier administration and subsequently continued as reflected by the decrease in the average of external finance to GDP from almost 8% during the early 1980s to 3.8% in 1989.

Main Issues

4.21 Haiti implemented a spend and tax policy during the 1980s. The need to finance expenditures resulted in raising the required revenues through changes in the tax base. Even during years of expenditure cuts, as in 1986 and 1989, reductions were mostly in capital expenditures while current expenditures were maintained at about 18% of GDP. The root of most policy problems in Haiti is the fiscal imbalance. Therefore, fiscal instruments of expenditures and taxes have to be used to rectify the situation. The immediate task is to improve tax administration.

4.22 Despite the Government's relatively optimistic prospects for fiscal improvement, resources will hardly be enough to finance an adequate public investment program. At best, resources can be mobilized to provide counterpart funds for a higher level of public investment financed from external resources. Recourse to cost recovery schemes should mobilize additional domestic resources for this purpose. The availability of counterpart funding for foreign financed projects could also be addressed through reducing current outlays. Rationalization of public expenditures through retrenchment should free resources for improving efficiency. Additionally, improved tax administration should raise fiscal revenues. Broadening the base of value added tax and increasing the tax rate on and collecting property taxes will also contribute to raising revenues. However, equally important to generating counterpart funds, is to address the issue of the public sector's absorptive capacity, particularly to broaden services in the health and education sectors.

6/ The inflation tax is calculated as (monetary base/GDP) x inflation. In 1989, the monetary base was Gdes. 2768 million, GDP amounted to Gdes. 11747 million, and average inflation was 18% per year.

V. FOREIGN EXCHANGE AND MONETARY POLICY

Overview

5.1 Haiti's banking system comprises the Central Bank (Banque de la Republique d'Haiti, BRH); two state-owned commercial bank (Banque Nationale de Credit - BNC, Banque Populaire Haitienne - BPH); four locally incorporated banks; and four branches of foreign banks (Citibank, the Bank of Boston, the Bank of Nova Scotia and Banque Nationale de Paris). Apart from BNC and BPH, other locally incorporated banks are the Banque de l'Union Haitienne (BUH) and Sogebank (formerly a branch of the Royal Bank of Canada, which became locally incorporated in 1986). Apart from these, there are six small development finance institutions (the Banque Nationale de Developpement Agricole et Industrielle, BNDAI; the Bureau de Credit Agricole-BCA; the Societe Financiere Haitienne de Developpement-SOFIHDES; the Fonds de Developpement Industrielle - FDI; the Haitian Development Foundation; two mortgage banks--Banque de Credit Immobilier, BCI and Sogebel.

5.2 Monetary policy in Haiti is determined by the absence of domestic bond financing and by the need to finance the remaining gap in the overall public sector deficit after external financing has been taken into account. A sharp reduction in external assistance since 1987 has led to inflationary Central Bank financing of the deficit, contributing to inflation of 30% by end-1990. During the Duvalier years, fiscal deficits increased and inflation rose with higher levels of external assistance. In recent years, the authorities have cut public expenditure to reduce deficits in the face of a reduction in external assistance. However, Central Bank financing remained high, leading to increased inflation and exchange rate misalignment. In both cases, fluctuations in external assistance were the source of disturbances in the monetary system. Inflation moderated reflecting a major stabilization effort undertaken after the dislodging of the Duvalier Government in early 1986. Stabilization, together with the import liberalization, caused prices to drop by 15% at the end of 1987.[8/] Between 1980 and the end of the Duvalier regime average inflation was about 8% per year; during 1986-87 average inflation was about 2.3% per year.

5.3 Exchange rate developments in the parallel market mirrored the inflation rate. In early 1986, the premium on the US dollar was 20% above the official exchange rate. This difference narrowed down to 8% in February 1987 as a consequence of the stabilization effort and increased external assistance. Subsequently, as pressures persisted, the differential widened and reached 48% in January 1989.

8/ The consumer price index (CPI) is biased towards beans, the prices of which fell sharply. Hence, inflation as estimated by changes in CPI, suggests a sharp decrease.

5.4 In January 1990, the parallel market was legalized when banks and some dealers were authorized to deal in the parallel market, and the export surrender requirement at the official exchange rate of G 5/US$ was reduced (para. 2.5). These changes fell short of what was needed to provide a neutral and undistorted incentive framework for the economy. In fact, the current surrender requirement is equivalent to a 15% export tax at the parallel rate of G 8/US$. After the surrender requirement was reduced, the parallel exchange market was legalized and monetary policy was tightened. However, the fiscal deficit continued to widen. This situation forced the Central Bank to enter into costly short-term borrowing arrangements with local commercial banks and to accumulate additional arrears on external payments in order to meet its petroleum imports and debt servicing obligations, both of which remain in the official market.

5.5 In order to accommodate fiscal needs, monetary policy had been conducted through the use of commercial banks reserve requirements. The aim has been to absorb liquidity and to have differential reserve requirements for various deposits because of their allocative effects in financial intermediation. Table 5.1 below shows that the system has evolved into a differentiated treatment of the less liquid deposits.

Table 5.1: RESERVE REQUIREMENTS, 1979-90

	Demand Deposits	Savings Deposits	Time Deposits less than one year	Time Deposits more than one year
November 1979-April 1980	30	30	30	30
November 1979-November 1980	32	32	30	30
November 1979-January 1983	34	34	20	10
November 1979-March 1983	36	36	20	10
November 1979-July 1986	40	32	20	10
November 1979-June 1987	46	38	24	10
November 1979-August 1989	49	38	24	10
November 1979-June 1989	60	38	12	10
since August 1989	60	43	20	10

Source: Central Bank of Haiti.

5.6 Total reserves required following these changes became lower during 1980-86. After 1986, required reserves have been increasingly used as an instrument to reinforce stabilization efforts. Table 5.2 shows that commercial banks have preferred long term deposits in the recent months.

5.7 Until January 1990, interest rates paid on deposits were always regulated. Between December 1989 and April 1990 real interest rates were positive. However, as inflation increased after April 1990, real interest rates turned negative again.

Table 5.2: STRUCTURE OF BANK DEPOSITS, 1982-90
(in percent of total deposits)

	1982	1984	1986	1988	OCT. 89	SEPT. 90
Demand deposit	30.0	27.5	30.3	35.5	34.7	29.3
Savings	39.2	46.5	54.4	52.2	49.9	40.7
Time	30.5	26.0	15.4	12.3	15.4	30.0
Total	100	100	100	100	100	100

Source: Central Bank of Haiti.

5.8 The rationale for using differential reserve requirements has been clearly to finance fiscal deficits. The cost of each asset should be determined by the market and not imposed by administrative regulations. If there are reasons to increase reserve requirements they should be equally shared by all types of deposits. Even with uniform reserve requirements the cost of operating more liquid deposits will always be higher. There is no further reason to make liquidity artificially more expensive. Different reserve requirements make the response of the money supply to changes in the high-powered money (currency plus reserves) less predictable. This makes monetary management very difficult.

Table 5.3: MONEY DEMAND, 1980-88
(in percent)

	1980	1982	1984	1986	1988
M1/GDP a/	9.2	12.6	12.2	12.3	16.8
M2/GDP b/	21.9	26.9	25.9	25.2	31.3

a/ M1 includes currency plus demand deposits.
b/ M2 includes M1 plus time deposits inclusive of saving deposits.

Source: Central Bank of Haiti.

5.9 Table 5.3 above shows that during 1980-88 monetary policy and inflation did not prevent an increase in the demand for money and quasi-money. Money demand was not only stable as required for the conduct of monetary policy but also expanding despite the regulated interest rates on deposits. Fortunately, these regulations have been removed and competition for deposits reestablished in January 1990.

5.10 Despite this favorable evolution of the liabilities of commercial banks, domestic credit did not expand. The main reason was the worsening of prospects for private investments because of the lax fiscal policies followed and the overall decline in the economy. Credit to the private sector as a percent of GDP decreased from 14% in 1980 to 11.5% in 1988. Segmentation of capital markets by any kind of regulation should be avoided. Whatever the real needs for specialized financial services, they should be met by the financial intermediaries. This will enhance development of a financial market and instruments.

Main Issues

5.11 One undesirable feature of the regulatory framework of the financial system has been that interest rates for loans are subject to a maximum limit. The measures undertaken a year ago to eliminate all the interest rate regulations, except the maximum legal rate of 22% initially turned interest rates positive in real terms, but the subsequent acceleration of inflation and the decreased demand for private sector credit turned rates negative in real terms in the last half of 1990 and have discouraged efficient resource allocation and the development of domestic financial instruments. As a first step, the Government should eliminate the interest rates ceiling. The reliance on reserve requirements to help finance the public sector and serve as an instrument of monetary control has contributed to the emergence of a large spread between lending and deposit rates in the banking system. Hence, it would be desirable to explore the use of alternative credit control instruments such as open market operations. Open market operations, however, are likely to generate additional interest costs to the Treasury, that would need to be phased in gradually and accommodated within tight fiscal limits. Meanwhile, it is feasible to narrow the reserve requirements while concurrently intensifying the fiscal efforts.

5.12 It would be desirable that uniformity of reserve requirements be gradually reestablished. The overall reserve requirements will have to be increased in order to minimize the impact on the money supply of any further injections of high-powered money (currency plus reserves) required to finance deficits.

5.13 Two short-term actions are critically needed regarding exchange rates: (i) the unification of the exchange rate regime at the current market determined rate; and (ii) the elimination of the export surrendering requirement. If the Government were to require foreign exchange to service its external obligations (i.e., petroleum imports and debt service), it could purchase it from the commercial banks. Alternatively, the Government could retain the proceeds from surrendering requirement, but pay for the foreign exchange at the market determined rate. Prudential regulations need to be introduced. The supervisory powers of the Central Bank have to be enhanced.

VI. INDUSTRY AND TRADE

Overview

6.1 Haiti's industrial sector is characterized by two separate structures that emerged under different trade regimes: the import-substitution industries serving the local market, and until recently highly protected from external competition; and the export assembly sector, operating under a simulated free trade regime. The overall industrial structure is dominated by three industrial groupings, accounting for 70% of the industrial value added: food products (35%), electrical and electronic equipment (22%); and textiles, leather and clothing (13%). The local industry--dominated by foodstuffs, beverages, household goods and building materials--comprises around 500 small, medium and large family-owned enterprises, and a small number of partially-or-wholly-owned public enterprises, which began to be restructured from early 1986. Small enterprises employing between 5-50 workers make up 57% of the total number and employ around 10% of the industrial labor force; medium enterprises, employing between 51-300 employees, make up 35% of the total manufacturing units and employs 47% of the industrial labor force; and large enterprises, employing over 300 employees, make up 8% of the units and 43% of the industrial labor force.

6.2 The structure of Haiti's imports and exports corresponds to that of open economy. Imports of food products represent 25% of total imports, fuel 21%, manufactured goods and transport equipment 37%. Agricultural exports account for 33% of total exports with a predominance of coffee and cocoa, and manufactured products represent 68%. Recorded international trade has been decreasing since 1985. However, the official data does not capture a substantial part of trade that has taken place unofficially. During 1985-89 registered imports fell 24% and exports by 29%. The decline in trade has been accompanied by some changes in structure. Imports of manufactured products have been reduced by 43% and those of transport equipment by 35% because of slowing down of the assembly industry. Exports of the main agricultural products, coffee and cocoa, decreased by 46% and those of the small non-assembly industry by 81%. The most dynamic export component has been the assembly sector. Following the liberalization measures introduced in 1986-87, exports increased by 71% in a single year. However, as a result of political instability and the uncertain investment climate, production declined by 13% per year after 1987, some industries were closed and their operations moved to neighboring countries.

6.3 After 1986, contraband imports and underinvoicing of exports have increased substantially. Table 6.1 provides estimates of unreported trade during 1986-89. As much as half of trade transacted may not have been officially registered in 1989. The relatively high tariff structure, and the remaining quantitative restrictions, together with the implicit 15% export tax (para. 5.4) and the opening-up of the provincial ports are the main causes of the growing illegal trade.

Table 6.1: ESTIMATES OF UNREPORTED TRADE, 1986-89

		1986	1987	1988	1989
		--------(US$ million)--------			
Exports					
Source:	BRH	191	210	180	159
	OECD	494	472	n.a.	n.a.
	US	371	379	394	367
Imports					
Source:	BRH	303	311	284	259
	US	376	433	436	479
		---------(in percent)--------			
Unreported Exports					
Source:	OECD	61.3	55.5	n.a.	n.a.
	US	48.5	44.6	54.3	56.7
Unreported Imports					
Source:	US	19.4	28.2	34.9	45.9

Source: Central Bank of Haiti; World Bank staff estimates.

The 1986/87 Reforms

6.4 Until 1986, Haiti's trade system was highly distortionary. As a result of high export taxes, farmers were receiving farmgate prices equivalent to about half of border prices. Domestic industry had developed under protection during the 1970s. However, by the early 1980s, excessive protection had become a serious impediment to economic growth. Industries became inefficient in the absence of economies of scale while the small size of the domestic market encouraged the creation of monopolies. In the public sector, the highly protected and inefficient public enterprises became an additional obstacle to growth as they claimed increasing amounts of resources, crowding-out private investment. In this distorted environment, only the export assembly industries were able to develop during the second half of the 1970s by taking advantage of the opportunities that the US market provided.

6.5 In 1985, the nominal tariff was 200% for "luxury goods" and the average rate of effective protection for all goods was over 100%. Import quotas, licenses and prohibitions were applied to 111 commodities. Prices of most consumer items were 60% higher than border prices. The export tax on coffee was equivalent to 26% of international prices during 1980-84, 22% in

1985 and 10% in 1986. It distorted coffee production, discouraged investment in that sector and reduced export capacity.

6.6 A number of reforms were initiated during 1986-87. In July 1986, the Government reduced the number of commodities subject to quotas, licensing, or prohibitions to 35 and abrogated the import licensing and quota law. A new import licensing law, without formal ceilings, was introduced for seven agricultural commodities (rice, maize, millet, beans, sugar, chicken parts and pork meat parts). Quantitative restrictions were eliminated and replaced by ad-valorem tariffs averaging 20%. Cereals remained subject to a 50% tariff and gasoline to a 57.8% special tariff. All specific tariffs were replaced by ad-valorem ones and for approximately 300 of the 2,000 tariff positions were reduced. In 1987, export taxes were eliminated.

6.7 In February 1987, the Government revised the entire tariff structure. The reform was applied with a nine months grace period. The new tariff structure consists of 99 chapters and more than 5,000 positions. It is still complex and makes the task of the customs officials difficult. With the exceptions of cereals and gasoline, rates vary between zero and 40%. Effective protection rates were reduced to 30% for consumer and final goods, 10% for equipment; raw materials and some other inputs were 20%. The average level of effective protection after the reforms was reduced from 100% to less than 40%. Moreover, 95% of industrial firms have now less than 65% of effective protection. In addition to these changes, the authorities streamlined the various customs procedures and rationalized petty taxes on trade. Over a dozen of these were eliminated in September 1987. Import notifications for recording purposes are automatically processed at the Ministry of Commerce and Industry. Customs clearance procedures have been simplified. An administration charge of 1% of the CIF value applies to all imports with the exception of pharmaceuticals and petroleum and its proceeds are used to cover the costs of an independent foreign firm responsible for import verification.

Impact of the Reforms

6.8 The immediate impact of the reforms was evidenced in the wake of a successful stabilization effort during 1987-88. Coffee producers saw their prices increase to 70% of border prices. Industrial production, exports and employment increased substantially. Twenty two new enterprises were registered with the Social Security Agency during April-June 1988. However, other factors contributed to this successful response. The US increased Haiti's textile quota and exports of garments doubled between January and June 1987. Substantial capital inflows from bilateral and multilateral sources eased the foreign exchange constraints and the balance of payments recorded surpluses during 1986-87 after six consecutive years of deficits. However, the expansion of trade and employment was not sustained because of the civil unrest that followed the 1987 elections and which drastically changed Haiti's economic environment. Some foreign firms closed their operations, foreign customers canceled or postponed orders, and concessional aid was curtailed. As the political instability was perceived as weakness of successive governments, illegal activities flourished and expanded their share in the economy.

Remaining Distortions

6.9 The 1986 reforms supported the objectives of realigning domestic prices to world prices on agricultural commodities to the extent that export taxes were eliminated. Major agricultural commodities were granted special protection: imports of maize, sorghum, rice, and beans were subject to licensing requirements and to a 50% tariff; licenses and a 40% tariff were also introduced for meat imports; and sugar and flour imports continued to be monopolies subjected to 40%-50% tariffs. The sector's allocation of resources continues to be distorted in favor of import substituting crops. Exportables are implicitly taxed through: (i) protection granted to import-substitution crops. Despite the massive rice, flour and sugar contraband (US$60 million per annum-about 50% of agricultural imports), tariff protection and import licenses have generated subsidies to rice, maize, sorghum, sugar and flour producers. In 1990, the nominal protection coefficient for these products was roughly: 1.3 for rice, 1.5 for maize, 1.5 for sorghum, 1.5 for flour, and a lower bound of 1.5 for sugar; and (ii) the 40% export surrendering requirement at the official exchange rate equivalent to a 15% tax on reports.

Table 6.2: NOMINAL PROTECTION FOR SELECTED PRODUCTS, 1982 AND 1990 a/
(ratio of domestic to border prices)

	1982	1990 b/
Coffee	0.74	--
Cocoa	0.71	--
Maize	1.25	1.50
Rice	1.20	1.34
Sorghum	1.35	1.45
Wheat Flour	1.25	1.49
Sugar (raw)	2.40	1.49

a/ Nominal protection coefficients are not strictly comparable over time because of different methodologies utilized in the estimates.
b/ Domestic border prices calculated with a parallel exchange rate of G 7.5/US$1.

Source: World Bank, Haiti: Agricultural Sector Study, 1982 estimates; mission estimates.

6.10 The beneficial effects of the trade reform of 1986-87 were aborted by historical events. It could be said that the current system, if well administered, would have provided a reasonable framework for economic development. However, illegal trade has become widespread and thus, the analysis of recorded trade becomes misleading. Customs administration is weak. The current tariff structure is too complicated. A uniform tariff would be less distortionary and would make customs administration more efficient. Existing tariffs, although may appear at first moderate, are too high because they provide an excessive incentive for contraband. During FY86-88 that custom duties averaged 13% of the value of registered imports. Now overall maximum tariff of 5% would allow better enforcement. Since actual imports are at least twice the amount officially reported, revenues are likely to remain stable, if not increase. A low uniform tariff would also permit the elimination of all import exemptions, with the corresponding gain in economic and administrative efficiency.

6.11 Another source of complexity has been introduced by the present exchange rate system. There are problems of undervaluation of imports. The effective tariff is lower than the nominal 20% average one when imports are valued at the official exchange rate. To correct this valuation problem, the registered CIF value of imports is currently increased bv 30%. A 20% nominal tariff is converted into a 26% tariff. The final cost oi imports with a 20% nominal tariff is currently 45.6% higher than its nominal CIF value. The 30% valuation correction at the official exchange rate is still low because of the misalignment of the exchange rate, and the valuation rate should equal to the free market rate. Moreover, this method of correcting undervaluation of imports is too rigid and leads to fluctuations in the effective tariff creating unnecessary confusion on the amount of taxes to be paid. Finally, only imports which arrive through Port-au-Prince are subject to these duties. Provincial ports, reopened in 1986, may receive as much as half of the traffic but provide less than 5% of total revenues.

6.12 Following the reform, export procedures have been simplified. Each exporter must have a Professional Identify Card. All exports require that the Ministry of Commerce and Industry issue a "permis d'exporter". This license is given in two days on presentation of the invoice stamped by a commercial bank and the Central Bank. This and other routine procedures involved in the exporting process do not appear to be serious obstacles to trade. More pervasive, however, is the intervention of the Central Bank in the foreign exchange market which constitutes a serious obstacle to trade (para. 5.3).

Main Issues

6.13 Because of the increased contraband trade, official trade statistics have become irrelevant. Central Bank cross-checking with US and OECD trade data is urgently required. A 5% uniform import tariff rate should be instituted because existing import tariff rates are still too high and provide incentives for contraband activity. A uniform import tariff would be simple to administer and may even increase fiscal revenues as more trade can be expected to be reported. It would permit elimination of import exemptions leading to gains in economic and administrative efficiency. The Investment Code should be revised and public enterprises exemptions should be eliminated, so as to promote domestic and international competition, especially in flour and cement. The foreign exchange surrendering requirement of 40% should also be eliminated and the exchange rate regime should be unified at the current market determined rate. If the Government were to require foreign exchange to service its external obligations (i.e., petroleum imports and debt service), it could purchase it from the commercial banks. Alternatively, the Government could retain the surrender requirement proceeds, but pay for the foreign exchange at the market determined rate.

6.14 The high rates of import duties along with remaining quantitative restrictions and other distortions (paras. 6.9-6.10) constitute a serious obstacle to trade and serve as barriers to entry of newcomers, hurt consumers, and encourage contraband activity. The high tariffs, implicit 15% export tax due to the foreign exchange surrendering requirement, and the correction factor of 30% due to dual exchange rates are sources at confusion and complexity.

VII. AGRICULTURE [8/]

Overview

7.1 Haiti's territory covers roughly 2.7 million ha. In 1987, approximately one million ha were cultivated, half a million were used as pasture and only 100,000 remained as forests. About 7% of cultivated land is irrigated. The agriculture sector accounts for roughly 35% of GDP and employs 65% of the total labor force. Crop production accounts for 85% of the sector's value added. In 1985, the last year for which disaggregate information on value added per crop is available, agriculture's main crops and their respective share of total crop value added were rice (13.8%), coffee (10.9%), sweet potatoes (10.0%), beans (9.5%), bananas (8.2%), yam/malanga (7.4%), mangoes (4.6%), sugar cane (4.6%), maize (4.3%), oranges/grapefruit (4.3%) and sorghum (4.0%). Livestock production--destined to the domestic market--included beef (36,000 ton), pork (12,000 ton), chicken (9,000 ton) and milk (50,000 ton).

7.2 The Ministry of Agriculture, Natural Resources and Rural Development (MARNDR) is responsible for the sector; other Ministries playing important roles include Community Development, and Planning, each of which runs regional development projects with agricultural components; Commerce and Industry, which is responsible for export promotion; Economy and Finance, which oversees public agro-industries; and Public Works, Transport and Communications, which builds and maintains rural roads.

8/ This chapter summarizes the main conclusions of the IBRD Report No. 9357-HA, "HAITI, AN AGRICULTURAL SECTOR REVIEW", March 11, 1990.

7.3 The bulk of Haiti's agricultural practices is characterized as traditional. Market relations continue to be centered around a family/community structure. The shortcomings of this framework have become increasingly evident as population growth has posed a major stress on Haiti's resources. The sector faces continuing stagnation, severe environmental degradation, and decreases in productivity and growth. The key factor hampering the development of a framework conducive to growth has been the State's failure to supply much needed public goods. The most blatant government failure has been the lack of enforcement of property rights through better land titling services and a reliable judicial system. Other serious shortcomings include the absence of public sector leadership in technology generation and transfer, in the maintenance of public irrigation systems, and of prudential regulations that could contribute to the development of rural financial markets. Finally, the sector's efficiency and growth has also been hampered by restrictions to international trade and government interventions in the financial markets.

Sectoral Performance

7.4 Between 1985 and 1989, agriculture's average annual growth rate was -0.5%, continuing the negative trend that began in 1980. Value added has been decreasing even though land and labor resources devoted to the sector have been increasing. Land and labor productivity losses have mainly resulted from the deterioration in the quality of the sector's capital stock reflecting a political and economic environment in which investment has not taken place. Yields, with the exception of rice, show a negative trend. Agricultural imports have been soaring despite protectionist polices--in 1988 they exceeded exports by roughly US$65 million.

Economic Policy Framework

7.5 The 1986 reforms aimed at realigning the domestic prices to world prices of agricultural commodities. Thus, export taxes were eliminated. Seven major commodities were granted special protection (maize, sorghum, rice, beans, meat, sugar and flour). In spite of this, allocation of resources in this sector continued to be distorted in favor of import-substituting crops (see para. 6.9).

7.6 These policies have exacerbated the difficulties faced by exportables. Coffee producers face severe problems because the relative price of coffee with respect to competing crops (i.e., maize and sorghum) has not improved--despite the elimination of the export tax--because of the fall in the world price of coffee. These difficulties have been compounded by the outbreak of the coffee rust disease. The coffee sector needs new investment to undertake replanting and pruning. Despite their promising prospects, mango exports have stagnated during the past five years because new investments needed to increase output have not been undertaken. Investments have been discouraged by uncertainty, a consequence of an extremely unstable political environment, and policies that have been detrimental to the export sector.

7.7 Sugar remains the most distorted commodity. Although nominal protection is relatively high, the industry allegedly cannot break even on its domestic production. To help the mills, the Government transferred the monopoly on raw sugar imports and over 50% of the refined sugar import permits to the mills. These licenses include tax exemptions--all the import-monopoly rents are thus captured by the importers. With international prices ranging between US$0.11-0.15/lb and the domestic ex-mill price at roughly US$0.25/lb, these rents amount to US$7-11 million per annum--equivalent to 12% of import duties and 4% of fiscal revenues.

7.8 Protectionist policies have been detrimental to: (i) consumers who must pay higher prices; (ii) the Government and all the beneficiaries of public goods--as the economic rents generated by import constraints have been appropriated by the contraband industry and the sugar mills; (iii) the agricultural export sector; (iv) the environment--since the protected import-substituting commodities are annual crops whose production in the hillsides hastens the erosion process whereas coffee growing is ecologically sound; and (v) the agricultural sector in general since they promote inefficient allocation of resources. For the economy to achieve an efficient allocation of resources, trade and pricing polices should be neutral and should not favor any particular sector at the expense of others. Moreover, given Haiti's weak institutions, the trade regime should contain as little discretion as possible and the level of protection should be sufficiently low so as to make contraband unprofitable. Thus, it is recommended that: (i) all quantitative import restrictions be eliminated; (ii) agricultural commodities' import tariffs be set at a 5% uniform level, and all imports be subject to the consumption tax; (iii) protection to the sugar industry be gradually decreased; and (iv) the foreign exchange surrendering requirement be eliminated.

7.9 Credit Markets. Lack of access to the formal credit market has limited farmers' production activities. As of mid 1988, less than 1% of the total credit outstanding from banking institutions had been channeled to agriculture, most of it from the government-owned National Bank for Agricultural and Industrial Development (BNDAI). With the closing of BNDAI in 1989, the level of outstanding credit has probably been much lower. Another Government institution--the Bureau de Credit Agricole--channels credit to farmers at subsidized interest rates; however, it does not have access to external resources. Commercial banks have played an extremely limited role in the sector as a consequence of the country's farm size distribution. Recorded world experience has indicated that commercial banks seldom lend to small farmers because of high transaction costs, the inability of using untitled land as collateral, and the existence of interest rate caps which promote credit rationing and discrimination vis-a-vis more risky and more costly to service customers. The cooperative system is the only source of formal credit available to farmers. Cooperatives mainly operate in urban areas. Their potential expansion to rural areas will depend on changing existing laws to allow payment of competitive rates on savings deposits and on developing an adequate legal and regulatory framework.

7.10 The Government has an important role to play in the development of financial institutions related to agriculture by providing prudential regulations and adequate supervision. To facilitate farmers access to institutional credit, the Government should: (i) eliminate the 22% cap on commercial bank lending rates, the legislation that precludes the use of land as collateral, and the fixed 12% rate on credit union loans; and (ii) develop a suitable regulatory and supervisory framework for credit unions.

7.11 Land Tenure. Haiti's land titling system is under severe stress. An official cadastre does not exist and the titled land complying with all necessary legal requirements is exceedingly small. Nevertheless, individual property rights are recognized. Compliance with full legal formalities have been replaced by an informal system with partial legal compliance which provides some degree of land tenure security. The lack of legal titling prevents access to formal financial markets, hindering investment and technological change. Lack of tenure security also has a negative environmental impact as it discourages on-farm investments such as terracing and tree planting. More importantly, the modernization of agriculture requires that traditional family/community based economic relations be extended to market type relations, with well defined/enforced property rights. While the advantages of a formal titling system are enormous, the dangers are great in attempting such a reform without having in place a well functioning land administration/legal process which preserves the rights of those who have traditionally farmed the land.

7.12 Rather than attempt a compulsory national titling program, the Government should establish the legislative and administrative framework to permit the issuance of titles at a pace consistent with their demand. Land titling should be provided by the National Cadastre Office at subsidized rates--for a limited period--to encourage land registration once appropriate procedures are in place. Steps should be undertaken to facilitate the process of land registration which at present is controlled by a few notaries. Complementary measures that ensure that acquired titled rights do not carry restrictions regarding land transferability should be undertaken. Legislation preventing foreigners from acquiring land and legislation preventing land from being used as collateral should be abolished.

7.13 State-owned lands comprise between 5% and 10% of total cultivable land. They are generally leased at below market rates, and the leases are not transferable outside the beneficiary's immediate family. Current leasing arrangements have negative equity considerations arising from the non-transparent system of rent transfers to lessees who benefit from below market rates. Moreover, the non-transferability of the leases has negative efficiency implications on the environment and growth since access to credit is limited because the land cannot be used as collateral and erosion is enhanced since cultivation practices may be biased towards substituting annual crops for perennial crops. There is no reason for the Government to be engaged in the real estate business, much less so when such an activity serves primarily as an unclear and untargeted rent transfer mechanism with negative efficiency implications. The State should divest most of its land; however, caution should be exercised to prevent land grabbing at prices below its real value.

7.14 Irrigation. Public irrigation systems have deteriorated considerably because of poor maintenance. At the core of this problem is the fact that users' contributions to cover operation and maintenance (O&M) costs are minimal. In the rehabilitated gravity systems, the absence of users' fees to recover O&M costs stems from the Government's unwillingness to set and enforce them. Given current yields and cropping intensities, these payments would represent between 1% and 3% of a farmer's annual income and are within the capacity of farmers to pay. Pumping systems are not economically efficient, their O&M costs being excessively high compared to the land's productivity and cannot be fully repaid by users. Despite these difficulties, the rehabilitated gravity schemes have experienced important increases in cropping intensity and yields. Average cropping intensities have doubled, and yield increases have ranged from 60% to 300%. These improvements still fall short of the projects' objectives because neither the supporting technology is available, nor is there an effective extension service, particularly relating to water management.

7.15 A number of rehabilitation projects are currently being undertaken with donor support. Rehabilitation efforts should continue provided that: (i) the choice of projects is conditioned on introducing adequate cost recovery mechanisms to cover O&M costs. Priority should be given to gravity systems where O&M costs are within farmers' capacity to pay; (ii) mechanisms to recover adequate water fees are introduced; (iii) design standards are upgraded to enhance the systems' reliability and limit siltation in the canals; and (iv) catchment protection becomes part of all water resource development projects.

7.16 Research and Extension. Productivity changes and production increases could be rapidly achieved provided that properly designed and sustained research and extension programs are implemented. Past research and extension impact has been disappointing. Food grain production technology, except for rice, has largely failed. An examination of government institutions, external donors, NGOs and farmers' organizations reveals serious problems in the direction, coordination and cooperation of the numerous agencies involved in technology generation and dissemination. There is no one agency/institution capable of assuming responsibility for research and extension. Collectively, there are more than sufficient human and financial resources available to accelerate technology transfer.

7.17 A unified program of research and extension should be centered around several promising crops. Crop-specific action programs should assist in coordinating research, extension, input supplies, and resource management. It is critical that farmers support this initiative--they should not only participate in transferring technology but should also contribute to sustaining the program without requiring large amounts of external assistance. In the short-term, the most promising improvements can be achieved in the irrigated rice-growing areas. Current annual rice imports of roughly 70,000 ton indicate that production can increase significantly without a negative effect on producer prices. In the better irrigated areas of the Artibonite Valley, a program based on improved water management techniques could increase of average farmer's annual income by 60%. Other areas would need prior rehabilitation before significant improvements are achieved. In the areas that do not suffer from drainage problems, the gross annual income per hectare could more than double, from roughly US$3,000 to US$7,000. In the most destitute areas with serious drainage problems, gross annual incomes could increase from US$1,000/ha/year to US$6,000/ha/year. Rehabilitation costs per hectare are estimated at roughly US$1,000 and US$3,000, respectively. The improvement of these systems could have a significant payoff. Sorghum, maize and bean yields could increase by 15% in the short term if crop-management extension programs are successfully implemented.

7.18 Forestry. The Government needs to develop adequate safeguards aimed at protecting the remaining forests and vital ecosystems from further destruction; increasing wood production through the management of State forest lands and through the promotion of agro-forestry by farmers; and reducing the pressure on the country's vegetation through conservation of household energy. Thus, the Government should: (i) increase forested areas by transferring State land to the MARNDR to be rezoned as "public domain" for environmental protection; (ii) improve forest management; and (iii) strengthen the legal and institutional framework that regulates forestry and environmental issues.

VIII. THE TRANSPORT SECTOR

Overview

8.1 Haiti's transport system consists of about 3,500 km of main roads, 1,000 km of rural roads, 40 km of a privately-owned railway used for the transportation of sugar cane, two international airports, five domestic airfields, two international ports, ten cabotage ports and about 40 mooring points. The center of the system is in Port-au-Prince where the major airport and seaport are located, accounting for about 80% of road traffic origin/destination. Although the road network is relatively small, it is broadly adequate to meet the country's needs, except for penetration roads and bridges to improve access to remote areas. The road network has, however, deteriorated seriously because of inadequate maintenance and requires a serious rehabilitation effort.

8.2 The sector's institutional framework was developed over a long period of time with substantial assistance from external donors. The Ministry of Public Works, Transport and Communications (MTPTC) through its Department of Transport (DDT), is responsible for overall sector management, including policy formulation and investment planning and coordination. DDT is also responsible for the road subsector. MTPTC also has jurisdiction over most public transport agencies, except the National Port Authority (APN), which is under the direct supervision of the Ministry of Finance. Traffic management within city limits, roads safety, vehicle registration and inspection are the responsibility of the Service de Circulation Routiere (SCR), which is a branch of the Police. Generally, these activities are poorly enforced, especially in Port-au-Prince. The MTPTC is overly centralized and bureaucratic, and needs a major streamlining and modernization effort to improve its efficiency. In addition, over the last few years, the MTPTC's implementation capacity has been seriously hampered by insufficient budgetary resources, low salaries, and excess personnel. The MTPTC still employs a significant number of good professionals and dedicated staff that could allow for an efficient administration provided a serious reorganization eliminates excess personnel and restores financial allocations to an adequate level.

8.3 The sector policy framework is broadly appropriate. The road transport market is competitive, with government intervention limited to the provision of infrastructure, and to the setting of appropriate road user charges, safety and vehicle inspection, axle road controls and passenger fares. Because of the lack of enforcement, the private sector operates in fact in a state of "quasi pure liberalism". The key issues in the sector are: (i) the high transport costs arising from the poor condition of the network; (ii) permanent traffic congestion in Port-au-Prince caused by lack of appropriate traffic management; and (iii) the chronic lack of resources for infrastructure maintenance to maintain the network at a normal serviceable level, necessitating periodic costly rehabilitation and reconstruction works.

8.4 Establishment of a good maintenance system and rehabilitation of roads are the main objectives of current policy. Financial resources for road maintenance are allocated through the budget but have become negligible over the past four years. The sector generates a fairly constant 20% share of tax revenues which is enough to finance not only maintenance but infrastructure expansion. However, these revenues are not allocated for road maintenance but are utilized for general budgetary purposes.

8.5 The blueprint for investment in transport is the Transport Master Plan (TMP) prepared in the 1970s. This plan was designed to achieve the least cost solution for expanding international traffic capacity in Port-au-Prince while developing an improved local transit network. The latter was to be achieved through improved road maintenance, expansion and upgrading of existing roads and drainage structures, and minor improvements in secondary ports to be used for coastal shipping (cabotage). The TMP however, was never updated and has now become obsolete.

8.6 Sea transport is the dominant mode for international freight and air transport for international passenger traffic. Since the opening-up of secondary ports, cabotage ships are also involved in international traffic. Substantial excess capacity now exists in the Port-au-Prince port after the opening-up of the secondary ports. Yet, port handling costs are extremely high, mainly because of overstaffing; in addition, work is mostly performed overtime at double the normal cost. Although handling of international traffic is more efficient in Port-au-Prince, there is lack of demand for its services as duties and taxes in secondary ports and along the beaches can easily be avoided. Moreover, the decrease in export volumes following a period of political instability has resulted in lower international freight activity, particularly in Port-au-Prince, than forecasted in the TMP. On the other hand, traffic around the secondary ports has increased in a pattern not foreseen in the TMP. International passenger traffic at the international airport in Port-au-Prince increased significantly until 1985. However, following the years of political instability, tourism was affected significantly. In general, the original facilities are sufficient to handle the existing traffic, although terminal operations may need to be improved, and the master plan of the airport may need to be updated.

8.7 Road transport accounts for about 80% of domestic traffic. A recent condition inventory survey indicates that about 60% of the main road network of the country is in very poor condition, requiring major rehabilitation and in some cases, reconstruction. This situation will require priority attention in view of the high economic and social impact of the road infrastructure network. In this respect, priority should focus on the network with the highest traffic levels or potential. A detailed traffic survey undertaken indicates that about 90% of the vehicles are concentrated on about 700 km of the network, which should receive immediate attention.

8.8 The TMP did not foresee the extent of rural migration towards the cities, especially to Port-au-Prince, and its effects on traffic. Expansion of the city road network did not keep pace with traffic growth and specific investments to alleviate the more serious congestion problems were not feasible. Political instability resulted in a lack of coordination among the agencies involved and in insufficient financial resources and deteriorating administrative capacity to address these problems. As a result, traffic congestion has become chronic and needs to be addressed urgently in view of its economic impact. It is for instance estimated that 70% of the overall transport fuel bill is concentrated in Port-au-Prince.

Main Issues

8.9 The single most important issue in the sector is the lack of financing to carry out an acceptable road maintenance and rehabilitation program. In an increasing proportion, road taxation has become unrelated to budgetary allocations for road maintenance and rehabilitation. Although, road user charges have been broadly adequate (except for heavy vehicles), they have been used to finance general government expenditures rather than road maintenance, particularly since 1984. As fiscal tightening increased in subsequent years, this problem became more severe. Moreover, resources have not been efficiently used by MTPTC and mostly allocated to pay excess personnel. At the same time, the tax base has been eroding over the last few years. In particular: (i) petroleum taxes have progressively fallen below comparable levels in European countries; (ii) import and vehicle registration taxes are low; and (iii) substantial tax evasion exists. It is for instance estimated that more than 50% of new vehicles are imported illegally.

8.10 A key issue is that flexibility in budgetary allocations has been extremely harmful to road maintenance and rehabilitation programs because it has encouraged an inefficient funding behavior. In view of the shortcomings of the existing budget allocation mechanism, it may be desirable to develop a direct linkage between user charges and maintenance and rehabilitation expenditures, especially at this time when a major rehabilitation effort is required to avoid further erosion of the capital invested. A key government objective should be to charge road users for the services provided, and then to specifically earmark those funds for road maintenance, and possibly rehabilitation. A special dedicated fund could come from a combination of petroleum taxes and vehicle registration/licensing fees collected from the users, to be used for a well defined annual maintenance program and pollution control. Earmarking a fraction of petroleum taxes entails an equivalent reduction of budgetary resources. Earmarking schemes should be used to guarantee funding stability. However, in the event that additional petroleum taxes could not be introduced, a viable alternative would be the introduction of circulation permits. These would require a charge of G 1,000 per vehicle per year, which would be adequate to finance road maintenance requirements estimated at G 50 million per year. The use of circulation permits would not distort energy prices. Moreover, they would allow price discrimination among road users and also the use the marginal cost pricing in public transportation.

8.11 Continued road deterioration requires rehabilitation of many roads. In Port-au-Prince, most of the paved network is about 40 years old and in need of major repairs and rehabilitation. Drainage is generally poor; road deterioration in the city is accelerated by heavy rainfalls; and there is a lack of appropriate run-off control and sewer infrastructure. In the inter-city network, about 500 km of paved roads, less than 20% of the network, support more than 80% of the traffic. Rates of return on investments would be high if the rehabilitation program were to concentrate on heavy traffic roads. Heavy congestion also exists in all the main axes, especially in the Carrefour Road, which provides the main exit from Port-au-Prince to the Route du Sud and which needs to be expanded. In the past, projects with high rates of return which would alleviate congestion could not be carried out because expropriation issues had not been resolved. Finally, emphasis should be given to construction of penetration roads service remote rural areas.

8.12 The Government needs to overhaul its transportation-related agencies. During the last five years the MTPTC has experienced a substantial deterioration; the share of personnel in total expenditures is not congruent with its effectiveness; and labor productivity is negative. The number of employees needs to be reduced. The resources freed could then be used for road rehabilitation--seven jobs could be generated for each MTPTC position eliminated. With appropriate labor intensive techniques (such as pavers in Port-au-Prince and community maintenance on the intercity network) the road program would have significant employment effects.

8.13 The inability of the past administration to increase MTPTC productivity has limited access to external resources. Simplified procedures should be introduced to contracts with the private sector for the expansion of capacity and maintenance. While, the local construction industry has the capacity to carry out these tasks efficiently, procedures for processing contracts should be simplified and standardized to attract the most qualified firms. However, greater private sector emphasis should not preclude maintaining some capacity in the MTPTC to undertake emergency operations.

MTPTC's areas of operation are ever growing. Apart from transport, public works and communications, it now covers urban development too. These areas are in need of additional investment.

IX. ELECTRIC POWER

Overview

9.1 Haiti has limited energy resources. Wood, the primary source of fuel, accounted for about 76% of the country's total energy consumption in 1990. Imported petroleum products, the main source of commercial energy, represented about 18% of total energy consumption, while baggasse and hydropower represented 5% and 1%, respectively. No petroleum deposits have been identified, although there is hydrocarbon potential. Under present conditions, however, it is not economic to mine the country's largest lignite deposit (Maissade) for power generation.

9.2 Unsatisfied energy demand is likely to restrain Haiti's economic growth potential. In particular, a reliable supply of power is essential to the growth of the export assembly industry and to the reestablishment of tourism as a source of foreign exchange earnings. Key objectives for the energy sector as a whole should be to meet overall demand while balancing wood supply and demand on a sustainable and ecologically sound basis, minimizing the oil import bill, and developing the power system economically but within the sector's financial capability. Achieving these goals will require: increasing the economic efficiency of energy use, for which there is considerable scope; developing indigenous energy supplies to the extent consistent with efficient resource allocation; ensuring that oil is imported on a least-cost basis; and analyzing the possibilities of importing substitute fuels which are more economical.

9.3 Three institutions have responsibility for energy. The Ministry of Agriculture, Natural Resources and Rural Development (MARNDR) deals with forestry and agriculture; Electricite d'Haiti (EdH) with electricity; and the Ministry of Public Works, Transport and Communications (MTPTC) through its division Bureau des Mines et de L'Energie with substitute fuels (including indigenous fossil fuels) and energy efficiency. In addition, the Ministry of Commerce, which oversees the petroleum supply industry, is responsible for addressing the issue of the least-cost procurement of oil. The Ministry of Planning plays no effective role in the sector. Given such a fragmentation of responsibilities, coordination is vital to ensure a coherent and balanced approach to the sector as a whole.

9.4 The use of wood as the main source of fuel has caused progressive deforestation leading to soil erosion problems and has adversely affected utilization of the country's hydrological resources. While only 54 MW of hydroelectric generation are installed, the undeveloped potential is estimated at about 120 MW. Total installed capacity is 186 MW but only about 130 MW are available because of old and poorly maintained diesel units, siltation in reservoirs and reduced river flows during the dry season. One example of inadequate utilization is the 47 MW Peligre hydroelectric power plant.

9.5 Electricity service is provided to about 45% of the population in Port-au-Prince and to 3% of the population in the rest of the country. The service is provided through the interconnected system, including Port-au-Prince which, with 148.[illegible] MW, has 80% of the system's generating capacity, and through the isolated provincial systems which have 37.6 MW of installed capacity. In 1990, the maximum demand in the interconnected system was estimated at 90 MW. However, only about 40 MW of this demand was met because of both the abnormally dry season which reduced hydro generation considerably and the lower thermal generation which resulted from financial constraints and limited purchases of spare parts and fuel. These constraints have forced EdH to limit electricity services to about four hours a day, considerably reducing the utility's revenues and aggravating further its financial situation.

Main Issues

9.6 The country is under an electrical power crisis. Because of the lack of funds, spare parts needed to make two main diesel generating units operational. The electrical power crisis has severely impaired the efficient capacity utilization in productive sectors. The poor service has annoyed consumers resulting in revenue losses for EdH. Donors have financed the lease of 13 small diesel generating sets for five months in order to bring efficiency to an acceptable level. This will not sustain reliability of service, because of the lack of reserve capacity. The power crisis should be resolved immediately if growth is to be restored in the productive sectors and tourism. With a significant revenue shortfall, EdH is unable to solve its immediate crisis. Even supplies of fuel from the petroleum company cannot be assured with EdH current resources. Over the medium term, it will be necessary to contract out the operations and maintenance of all diesel plants to improve the service.

9.7 Edh's average electricity price is equivalent to US$0.16/kwh, making it the second most expensive in the Western Hemisphere. Such a relatively high price in relation to average user income creates greater incentives for misuse of electricity. As a result of theft and technical losses, total losses in 1989 amounted to 40% of electricity generated in the interconnected system and 25% in the isolated provincial systems.

9.8 To reduce non-technical losses EdH needs to speed-up the loss reduction program planned under the ongoing IBRD financed Fifth Power Project. The required investments in metering devices should be undertaken by the company. However, enforcement of payment will require the Government's intervention. Over the medium-term, costs should be reduced through the rehabilitation and proper maintenance and operation of all diesel plants. A staff reduction plan is also necessary. With 1,700 employees, EdH has a customer/employee ratio of 72. This ratio should be considerably higher if EdH is to attain a reasonable level of efficiency: a target of at least 100 customers per employee should be achieved. However, under the best possible scenario of efficiency, operating costs would still remain fairly high.

9.9 Electricity tariffs should be designed to allow EdH to generate sufficient cash generation. During past periods of political instability, technical and non-technical losses increased costs far above long run marginal cost. If tariff revenues were to be properly collected, the use of marginal cost pricing as reference in setting tariffs would permit the achievement of financial equilibrium in the company. Introduction of a new tariff schedule should take into account the time required to restructure the company and increase the efficiency of existing plants.

9.10 Price differentiation should be introduced to increase revenues and to allow for further capacity expansion once marginal costs are recovered. Subsidies for electricity consumption, however, should be avoided. Tariffs should provide revenues to cover financial charges and contribute to finance new investments. However, during the process of restructuring the company and of restoring efficiency, tariffs should be adequate to cover financial charges but should not be expected to generate a significant portion of the resources required to undertake new investments.

9.11 In view of the problems faced by EdH, it is appropriate to examine prospects for privatization in the electric sector. As in the case of most other public enterprises, the issue of privatization arises with the need to introduce reduction in public expenditures and improve discipline in management. Under the current circumstances, autonomy from the Government interference is recognized as the most fundamental requirement for EdH. Although the staff is well qualified, their autonomy has been constantly hindered by government interference and, in some cases, union sabotaging. Moreover, donor assistance has not been well utilized. Past government interference needs to be avoided and effective autonomy need to be in place to reverse this situation. Well designed externally financed projects need to be properly and promptly executed if they are to lead to increased operational efficiency. A restructuring and rehabilitation of EdH is essential before final decisions are made determining the privatization of the company. Urgent emphasis should be placed on improving efficiency.

X. WATER AND SANITATION

Overview

10.1 Haiti's water and sanitation services are among the worst in the Western Hemisphere. Only 60% of the urban population (towns of more than 2,000 inhabitants) and 25% of the rural population have access to safe water through wells, standpipes or connections, which are often shared by more than one family. In Port-au-Prince, 20% of the population has its own house connections and, in most connections, water runs only a few hours per day. Sanitation conditions are also deficient: 40% of the urban population and 15% of the rural population have safe excreta disposal through latrines or septic tanks; sewerage systems are non-existent. These extremely deficient conditions contribute to the high infant mortality rate and high incidence of enteric and water related diseases.

10.2 The poor services largely reflect the low level of investment undertaken in the sector. Over the past ten years, investments have averaged about US$5 million annually compared to US$30 million required to bring Haiti near Western Hemisphere standards. During the 1980s, investments were concentrated in small towns and rural areas leading to a 10% increase in coverage. However, provision of water to urban areas and sanitation facilities country-wide faltered. Neglect in rehabilitation and maintenance operations, together with an inefficient management, has hampered expansion coverage throughout the country.

Sector Institutions

10.3 The Ministry of Public Works, Transport and Communications (MTPTC) is responsible for establishing water supply and sewerage policies and for overseeing the performance of the operating agencies reporting to the MTPTC which are responsible for water services: Centrale Autonome Metropolitaine d'Eau Potable (CAMEP) for the Port-au-Prince area; and Service Nationale d'Eau Potable (SNEP) for the rest of the country. In addition, the Ministry of Public Health and Population (MSPP) has an Execution unit, POCHEP, which constructs water systems in small towns and turns them over to SNEP for operation. The MSPP is also responsible for basic sanitation. No specific agency, however, is responsible for sewerage systems. Although the MTPTC is the sector's lead agency, the MSPP regulates the quality of water and the Ministry of Agriculture, Natural Resources and Rural Development (MARNDR) regulates the use of water resources. An evaluation of the supervisory ministries reveals that the institutional arrangements are not adequate and that coordination is practically non-existent.

10.4 SNEP is grossly overstaffed. SNEP has 350 staff, many of them in Port-au-Prince, where it does not have operations. Although SNEP has a cadre of good professionals in staff and management positions, the institution is very inefficient. Because of low salaries, most professionals have other jobs. Management is weak; the staff is unmotivated and reticent. SNEP lacks funds to appropriately maintain facilities - small systems inhibit commercial-type operation and the tariffs have not been increased in the larger ones. KfW has been providing SNEP with funds for urgent repairs and GTZ has been assisting SNEP to improve its operations, maintenance procedures and financial system, but further improvements in performance require increasing professionals' salaries. Efficiency has also been affected by falling water flows from existing sources, reflecting the continuing deforestation in the country.

10.5 Until recently, CAMEP had been inefficiently operated and was nearly bankrupt. In late 1988, the Government sought assistance from CCCE and IDA to carry out essential investments and support a major institutional strengthening program of CAMEP. The Government put in place a competent management team and allowed CAMEP to increase tariffs sharply. Within a year, the company's operations had improved: the number of staff per 1,000 connections was reduced from 25 to 19 and the working ratio of operating costs (excluding depreciation) to revenues improved from over 1 to 0.75. Without additional external funding, however, only limited improvements are possible.

Moreover, the uncontrolled private sector well drilling in the aquifers near Port-au-Prince is increasing the risk of saline intrusion - which would render several wells useless - and force CAMEP to look for more expensive water sources.

10.6 Other sector institutions have performed poorly. POCHEP can undertake investments in water systems but cannot operate and maintain them. The MSPP's efforts in sanitation have been insignificant. The MTPTC has not provided leadership in the sector. The MARNDR has failed in devising a comprehensive strategy for water resource management.

Constraints to Sector Development

10.7 The lack of financial resources has affected investment and contributed to maintaining poor water and sanitation services. Other factors, however, have further constrained the coverage and quality of services: the institutional set-up is weak and disorganized. The responsibilities of SNEP and POCHEP overlap, which results in no agency feeling fully responsible for overseeing the operation of water systems in small towns. Moreover, POCHEP being under the MSPP undermines IPTC's ability to define a comprehensive strategy for the sector. Furthermore, MARNDR's being responsible for water resources resulted in the water supply agencies being unprotected against agricultural interests in the allocation of water. The Government has failed to impose full cost recovery in the larger cities, and to introduce transparent subsidies for the small towns and the rural areas where full cost recovery is not practical. The Government has lacked the will to professionalize management and curtail excessive and reticent staff, particularly in SNEP. The scarcity of water resources has constrained development plans, particularly those of CAMEP. The declining yields of existing springs and the risk of saline intrusion in the coastal aquifers near Port-au-Prince have become serious threats.

Main Issues

10.8 The Government should strive to attain service coverage levels of 80% for urban water and 50% for rural water and sanitation country-wide over the next ten years. Port-au-Prince should urgently attain standards comparable with those of major Latin American cities. Predicated on the adoption of the reforms proposed below, the sector should be able to invest the US$30 million per year needed to attain these goals provided donor financing is available.

10.9 To improve performance, the Government will have to radically change the sector institutional set-up, policies and management. First and foremost, it should merge SNEP and POCHEP into a streamlined agency responsible for water services in rural and urban areas of the country, except for Port-au-Prince. Assigning responsibility for urban/commercial and rural/residential sub-sectors to a single agency may inhibit the transparency of financial management. But neither an urban/commercial nor a rural/residential agency standing alone could economically have the regional presence to deliver adequate services country-wide. That merger would eliminate the present overlap of responsibilities, make one agency responsible and accountable for both investments and operations, and place the whole sector under a single ministry, the MTPTC.

10.10 To facilitate financial management, the Government should introduce clear financial policies for that national agency. Tariffs should fully recover operating and investment costs in the larger water systems. Such tariffs, however, should carry no surcharge to subsidize consumers in other systems as the burden would be excessive for the customers of the larger system. The Government should provide fiscal resources to cover the cost of new investments and major repairs for the water systems of small towns and the rural areas. These financial policies will require that the national agency maintains separate accounting of the commercial and the social segments of its operations.

10.11 Just as it has done in CAMEP, the Government should appoint in the new national agency a team of well-paid modern managers and professionals under a strong general manager. It also should reduce the combined staff of SNEP and POCHEP by at least one-third to avoid clutter and pay better salaries to key and remaining staff. This would not disrupt services, as most of the staff recommended for dismissal works for SNEP in Port-au-Prince and has no responsibility for operations.

10.12 For the medium-term, the Government should consider privatizing water services in Port-au-Prince to foster their efficiency. However, successful privatization would require a low-risk private sector environment and an adequate regulatory framework to reduce monopoly profits. Alternatively, the government. The latter could assign responsibility for managing basic sanitation (and not only sewerage) to the water operating agencies. These agencies are in a good position to increase sanitation facilities through the leverage which water services provides. This, however, would require that the Government ensure adequate resources to undertake the needed sanitation investments and that the agencies develop systems sufficiently transparent to account for the use of such resources.

10.13 The Government should establish a small autonomous agency to regulate the use of water resources in the coastal aquifers, especially those near Port-au-Prince. On a country-wide basis, however, preventing declines of the yields of springs will require efforts well beyond those which such an agency could contribute. Remedies, like planting of forests, would not be sufficient long-term solutions. The Government would urgently need to introduce policies to make it uneconomical to deplete the forested areas.

XI. HEALTH AND NUTRITION

Overview

11.1 Haiti's health status is at the bottom of the scale among the Latin America and Caribbean countries. With an average population growth rate of

1.8% per year, food availability has been decreasing. Almost 50% of households consume less than 75% of the recommended calorie intake, and nearly 36% consume less than 75% of recommended proteins. The infant mortality rate of 119 per 1,000 is close to the average of Sub-Saharan Africa; maternal mortality rates approach 367 per 100,000; the child mortality rate hovers around 22 per 1,000; and life expectancy is estimated to be only 54 years. The causes for these conditions are multiple, varying from lack of access to basic health facilities, inadequate food intake and inadequate environmental sanitation, including lack of safe water. Poor health conditions, however, have largely originated from the country's absolute poverty levels and the inefficient use of resources rather than from the total resources spent in health and nutrition. The latter have had a diminished impact on improving health conditions.

Health

11.2 Diseases often associated with underdevelopment, such as diarrhea, tetanus, measles, malaria, intestinal parasites, typhoid, poliomyelitis, and TB, account for the highest portion of the mortality and morbidity rates mentioned earlier. Diarrhea alone accounts for 75% of the registered deaths during the first year of life, for 50% of deaths in the 1-4 age group, and for 20% of the total number of deaths registered in the country during the early 1980s. Infectious and parasitic diseases are major causes of morbidity and mortality among adults and children. The incidence of malaria is increasing due to weakened vector control and the dismantling of the National Endemic Disease Service, an agency that ran into serious funding problems after the 1987 cut of external assistance. AIDS has reached epidemic proportions. As of November 30, 1990, Haiti had reported 2,456 AIDS cases. Most of these diseases could be prevented or treated early at relatively low cost through adequate oral rehydration, immunization and health education programs.

11.3 Malnutrition is strongly associated with illness in Haiti and is a major factor in the high child mortality rate. In a 1978 survey, 27% of the children were severely or moderately malnourished, and only one-quarter of the children under five years of age were in the normal range of weight. The causes of malnutrition are multiple and include inability of many families to acquire required food, and inadequate environmental sanitation, including lack of safe water. The target population of those considered at risk for malnutrition include 867,000 children under five years old, 300,000 pregnant women and 139,000 lactating mothers. Malnutrition rates vary only slightly by geographical region. On the whole, urban areas tend to have less malnutrition than rural areas, but studies done on marginal urban neighborhoods show pockets of poverty with worse malnutrition levels than those in rural areas.

11.4 Haiti is one of the most experimented countries in the world with respect to nutritional programs. Nonetheless, malnutrition indicators continue at an alarmingly high level. The cause of this is twofold: first, stagnant household incomes have restrained poor peoples' ability to buy or produce their way out of malnutrition; and second, the institutional context for delivering nutritional services, including direct food aid, is characterized by a dispersion of efforts, weak administrative capacity, and lack of accountability and sustainability.

Health Care System

11.5 The Ministry of Public Health and Population (MSPP) is responsible for all government policies and public activities in health. The MSPP is one of the largest ministries, representing 11% of the fiscal budget in 1987. It oversees the following autonomous entities: the University Hospital; the Haitian Agency for the Creation of Commune Pharmacies--an externally financed pharmaceutical procurement and distribution agency which is being restructured in the aftermath of the suspension of foreign aid; and POCHEP. Underlying financial, organization, and managerial weaknesses have undermined the MSPP's capacity to implement the Government's health policy.

11.6 Operations are divided into four geographic regions. Regional offices are charged with administering and supervising the execution of health interventions by the public sector. The regional office acts as the liaison between the district level and the center, orchestrating district planning and budgeting. The district is the most decentralized level of administration. There are 15 districts in Haiti, comprised of 20 sub-districts and 136 communal sections. Health districts are staffed by an administrative unit which oversees the functioning of hospitals, health centers, and dispensaries.

11.7 The major shortcomings that limit the effectiveness and efficiency of service delivery at the district level include: (i) an inefficient allocation of financial resources; there is no control over the amount of resources made available by the center, and much of the operating budget goes to pay additional salaries or is absorbed by district hospitals; (ii) an imbalance in the distribution of human resources; under the present institutional structure, the district level has little control over staffing decisions, and wide disparities exist in staffing patterns throughout the country; (iii) inadequate logistics and planning; because of the limited operating budget at the local level, insufficient attention has been given to support services such as building maintenance information, and purchase of materials and equipment; (iv) limited management information; a general reluctance of health institutions to submit reports stems from the fact that feedback from the center level is very seldom received; and (v) lack of supervision; despite the existence of norms, the supervision carried out in the field is very limited.

11.8 The health care system incorporates several separate programs which, in the past, created discontinuity in delivery of services at the local level. Currently, the vaccination program is the only priority program that operates country-wide with some impact because of donor financing and the leadership of officials in charge. However, this effort draws on human and financial resources from other programs. As the immunization program has become increasingly successful, the diarrheal disease control program has become less effective and functional. The malaria program has been reduced to the distribution of antimalaria drugs to patients at health centers, but the number of cases of malaria has multiplied tenfold. The tuberculosis program has never been adequately staffed nor given sufficient financial resources. The nutrition program is ineffective for similar reasons. Only the AIDS program seems to draw enough attention to have positive prospects of development. The MSPP's definition of priorities targets the principal causes of infant and child mortality and morbidity, but, in practice, program implementation faces the same obstacles as in the past: program targets are attained at the expense of other programs.

11.9 Other providers of health services include NGOs, which run about 50% of the health facilities. NGOs have operated mostly autonomously, which has led to a lack of integration of NGO programs into the planning and information systems of the health sector. In 1982, the Association of Private Health Organizations (AOPS) was established as an umbrella organization to coordinate NGO activities in the health sector and integrate them with the public sector activities. AOPS main objective is to provide primary health care (PHC) services--in particular vaccination, growth monitoring, education, and family planning (FP)--to mothers and children. AOPS's initial goal of covering one million people by 1988 has not been attained. Coverage was estimated at 300,000 at the end of 1988. The creation of AOPS has not increased the integration of activities between the private and public sectors.

<u>Health Financing</u>

11.10 In light of Haiti's overall poverty, aggregate expenditures for population, health and nutrition services are substantial. Funding of health expenditures reached 5% of GNP in 1987, and per capita spending increased from US$14.4 to US$23.2 during 1981-87. The budget of the MSPP reached US$29 million or 16% of total government expenditures in 1987 from 11% in the recent past. Following large salary increases in 1982 and 1987, and continuous hiring of personnel, the wage bill reached 87.5% of the Ministry's budget in 1988. Charges to patients are defined at the central level for all categories of institutions. Bilateral and multilateral assistance (excluding water sanitation projects) represented an average disbursement of about US$12-13 million a year over the past five years. However, political circumstances resulted in the withdrawal of a significant portion of external support. Most significant, the large USAID program (about US$5 million per year) was curtailed and is now being channelled entirely through the private sector.

11.11 There are three principal sources of financing services. Households use a portion of their income to pay for such services directly. This includes all payments made for medical care and drugs, and for traditional country medicine (healers, midwives). This component is the largest source of funding, representing 41% of total expenditure for population, health, and nutrition activities. The second source, or about 23% of total expenditure is the portion of government revenues used to finance health services. The third source, about 36% of total funding is externally provided funds, public and private, which are used to pay for the current operating expenditures of many private clinics and hospitals, particularly in rural areas, and for most public investment.

Main Issues

11.12 The overriding problem of Haiti's health system is its extreme inefficiency. Progress in improving health conditions has been extremely unsatisfactory, particularly when compared to many other countries where mortality and morbidity rates have been reduced more rapidly at considerable lower expenditures.

11.13 Past political instability has constrained the expansion of basic programs and the integration of NGO's and MSPP programming. The result has been a costly system which has achieved very poor results in improving health conditions. The existence of an oversized public sector, where incentives to eliminate inefficient programs and methods have been lacking has hampered progress in addressing health related issues. The existence of a large number of NGOs operating in the area of curative medicine has aggravated this situation. However, it would be more efficient to allocate resources for disease prevention, given that the social returns of these programs are far higher curative health ones. Water supply and sanitation and the malaria prevention programs should be given the highest priority, as malaria is a major impediment to tourism growth and foreign investment. Nutrition programs, in particular, would become more effective if the incidence of diarrheal diseases were drastically reduced. The establishment of a viable financing program to undertake investments that allows for the rapid expansion of water and sanitation facilities is of the highest priority.

11.14 Breastfeeding is an important method of protecting infants during their first year of life. A campaign for breastfeeding should be instituted to improve the health, nutrition, survival possibilities of poor infants. Existing programs could be used for immediate action in this area. Food delivery to high risks groups should be targeted to small infants. Present weaning diets are inadequate in both composition, quantity and frequency. An excellent product, the AK-1000 developed by the Government of Haiti, has only a very limited use today because of the low coverage of the PHC system. The introduction of a system that allows for better regional targeting of public resources and a more efficient delivery of integrated services at the local level would be critical.

11.15 The demographic challenge facing Haiti since the early part of this century has resulted in a relentless pressure of population on its limited natural resources. The relatively high population growth of 1.8% per year is a result of high total fertility rate (combined with reduced infant and child mortality), and the inability of contraceptive distributive systems to rapidly expand in rural areas. The 1987 survey suggests that total fertility rate had risen and is now about 6.8, and that less than 5% of married women use modern contraceptives. A series of activities are needed to strengthen family planning, maternal and child health. These activities are: (i) delivery of family planning services at the clinical and community level; (ii) implementation of procedures for screening and referring women at obstetric and reproductive risk; and (iii) spread of knowledge about family planning programs through mass media, printed materials and video cassettes.

XII. EDUCATION

Overview

12.1 Education suffers from low primary school enrollment and poor quality. The enrollment ratio in grades one to six is only 50%, despite steady increases over the last two decades. Deteriorating economic conditions, together with high schooling costs and inacessibility of schools from isolated rural areas have affected enrollments. The private sector has absorbed the bulk of the rising demand for education, with its contribution to primary education having increased from 40%, 20 years ago to 72% today. Quality is low, especially in the private rural schools. In rural areas, only 20% of teachers meet the minimum certification standard.

12.2 The Ministry of Education Youth and Sports (MENJS) is responsible for all government policies and public activities in education. The Minister is supported by a cabinet of advisors and a secretariat and oversees six technical directorates. Much of the administrative control of the MENJS is vested in the general directorate to which four regional directorates report. The central administrative structure in Port-au-Prince concentrates the managerial and budgetary functions and absorbs a significant share of the education budget. The effectiveness of MENJS in setting norms, supervising, and administering is limited, and the regional directorates remain almost inoperative. The MENJS has been unable to finalize sector policies needed to sustain the educational reform introduced in 1982 and to ensure its efficient implementation. Two decentralized institutions also report directly to the MENJS: the National Pedagogical Institute (IPN), responsible for curricula, textbooks, and teacher training programs, and the National Institute for Vocational Training.

12.3 The 1982 educational reform had a profound impact on the education sector. The reform program, prepared with the assistance of the United Nations Scientific and Cultural Organization (UNESCO), sought to make education more responsive to the socio-economic and cultural conditions of Haitian society. The primary education was divided into two cycles of four and two years duration, followed by three years of basic secondary education. After the first cycle students are expected to be functionally literate, especially in Creole. At the end of the second cycle, students are expected to be fluent in French. Other reform innovations were: (i) the use of Creole as the medium of instruction into the second cycle; (ii) the follow-up of the cohorts of students by the same teacher during two years, to improve efficiency in the first cycle; (iii) the introduction of more application-oriented curricula and syllabi; (iv) the modernization of the instructional methodology; and (v) the upgraded and intensified supervision of teachers. A comprehensive evaluation of the reform was made in 1989. It showed that the public was not well informed of the tenets of the reform, and that its mandatory introduction was highly unpopular among those parents who doubted the efficacy of the proposed use of Creole as a vehicle to French literacy. Furthermore, the reform program was overly centralized and ambitious, and it overwhelmed the sector's financial and administrative capacity. The MENJS was unable to retain a sufficient number of teachers, school principals and inspectors, or make available the manuals and textbooks required for new cohorts of students entering the system. The quality of teachers was not improved.

12.4 Although the private sector applied varying aspects of the reform, it did not adopt it fully or systematically. The Government which came to power in 1986 modified some elements of the reform and allowed both Creole and French to be used in the primary schools. By 1989, only one-third of all primary school students were in schools that conformed to all provisions of the reform. The reform was responsible, however, for improving access to basic education during the first years of its implementation, for a moderate reduction in repetition and dropout. Nonetheless, no significant difference in achievement has been found between students using the reformed and the traditional curricula. The learning achievements, which vary enormously among schools, are related mostly to the quality of the school management, which is best among urban schools run by religious orders.

12.5 Public expenditures in education increased dramatically in 1987 without yielding tangible benefits. In order to attract and keep qualified teachers, salaries were increased by 70% and were brought in line with the rest of the civil service. In 1989, public expenditures in education amounted to G 304 million, of which G 187 million corresponded to current expenditures and G 117 million to investment. Most investment expenditures (95% in 1989) are financed by external donors. Current expenditures in education have increased to 20% of the government budget in 1990 compared to 15% in 1980. However, as the demand for education services increased, the government budget was unable to respond to the new requirements and the public schools registered decreasing enrollment shares with private schools filling the gap. Instructional delivery was not improved because of lack of in-service training and inadequate instructional materials such as books.

12.6 Households finance half of the direct costs of education while the government and external donors equally share the remaining half. Yearly schooling operating costs per student average US$105 in the public primary schools and about twice as much in the high quality private urban schools. Yearly costs in rural schools financed by NGOs are estimated at US$107 per student while in other rural schools, they are only US$36 per student. Variations in costs reflect quality differentials.

12.7 The definition of pre-schooling is not clear. Hence, the number of children having access to pre-school varies widely from 50,000 to 300,000. Most of the pre-schools are private centers. Most programs include a nutrition program, which is particularly important for children under six (the population with the greatest likelihood of developing handicaps related to malnutrition).

12.8 Secondary education services essentially depend on private schools, which comprise 84% of all schools. Most schools are located in the capital and are beyond most Haitians' ability to pay. The vocational and technical training sector is poorly developed and in need of relevant programs directed at specific skill creation and employment opportunities. The education reform program stressed the importance of developing vocational and technical training, but no significant action has been initiated. A Directorate (Institut National de Formation Professionelle-INFP) in the Ministry of Education is in charge of technical education, directly and through other departments in other ministries. INFP has developed programs for on-the-job training, for training in the informal sector and for the starting of new businesses. Private sector institutions are heterogeneous and have developed without coordination among church-sponsored centers, industry-sponsored training programs and other profit institutions. The private sector represents about 80% of the 500 technical training institutions.

12.9 Informal education programs have concentrated on two main areas: literacy and community development. Literacy programs for adults include national campaigns as well as smaller programs directly linked to projects with other specific objectives. However, recent experiences with national campaigns by the Catholic Church-sponsored "mission Alpha" and the Communautaire (ONAAC) have not been encouraging. They had to be terminated, due mainly to the lack of funding and the absence of post-literacy programs for the participants.

Main Issues

12.10 The shortcomings of Haitian education are linked to the country's financial and political difficulties and to the poverty of the population. The emphasis should be in primary education. The most salient issues include: (a) the limited enrollments; (b) the low quality of instruction; and (c) the inefficient management of educational resources.

12.11 Only 50% of primary school-aged children attend school because of the lack of schools, the poor health of children and the cost of education. Although about 74% of Haiti's population lives in rural areas, mostly in dispersed settlements, there is only one primary school for every five square kilometers. There are also few roads and no adequate transportation in large portions of the territory. The direct and indirect costs of schooling and the traditional reliance on child labor also make education inaccessible to many, particularly the children of large and poor families. As a result, there are large rural-urban disparities in school attendance; 34% of rural children complete the first four grades as compared to 52% of urban students. As in many poor countries, female enrollments lag behind, but the gender gap is mostly seen in Port-au-Prince; equal percentages of 11-year old boys and girls are enrolled in rural areas.

12.12 The low quality of instruction is associated with poor teacher training and recruitment practices, limited inservice training and classroom supervision, the uncoordinated development of curricula and instructional material, the absence of achievement testing and of standardized examinations for public and private school graduates, and the poor physical conditions of schools. However, the inefficiency of primary education has been mainly caused by interruptions in the cohort's education. While repetition rates are not high, late entrants and reentrants as well as dropouts are frequent.

12.13 The low repetition rates may, however, mask the deficiencies in the system because of the poor quality of teaching. Official requirements for teaching are ten years of formal education, corresponding to six years of elementary school plus four years of the secondary level. However, about 80% of rural teachers and 33% of urban teachers, do not attain this level of education. Government teacher training schools (ecoles normales) have only provided 17% of teachers in urban areas and 5% in rural areas.

12.14 The inefficient management of educational resources is due primarily to the lack of a clear national policy on educational priorities and programs, and to the poor management of MENJS's human and financial resources. Although sector policies were developed during the first years of implementation of the reform, these policies are not implementable in the current environment. An updated national policy on educational priorities should include: an institutional assessment of the sector entities and the definition of their respective mandates; the evaluation of the reform and the finalization of the curricula; the financing plan for the sector and the amount, modalities and conditions of the contribution of the national budget to private education to ensure free enterprise efficiency, expanding coverage and quality of teaching; the official approval of a set of educational materials along with official support in production, distribution and use; the definition of cost recovery procedures in public schools; the definition of an action plan to reduce dropout, repetition and the incidence of overaged students, and the updating of school construction norms and definition of maintenance norms and modalities. Given the contributions of the private sector to education and its role in attracting needed foreign contributions to the private sector to education and its role in attracting needed foreign contributions to the sector, a long-term private investment program in collaboration with the authorities is also needed. The inefficient use of human and financial resources is primarily linked to the lack of personnel management in MENJS. Staff records are neither accurate nor updated; only 5,000 of the 13,700 employees are registered on the payroll. The staff turnover rate is unknown, recruitment and relocations are often done on an informal basis, and payroll lists of the Ministry of Finance do not agree with those of MENJS.

12.15 Notwithstanding the recent political and economic instability and current financial constraints, several factors are favorable to the improvement of the quality of basic education in Haiti today: (i) Haiti has many dedicated educators with good expertise; (ii) the unabated demand for education even among the poorest rural families has been associated with the development of a responsive and cost-effective private sector; (iii) the recent evaluation of the 1982 reform provides well-defined and broadly accepted areas for further sectoral development; (iv) a successful experience with public subsidies to private rural schools initiated under IDA's Fourth Project has helped identify options for an improved partnership and future investment; above all (v) the Government's support which had been lacking since the launching of the reform can now be harnessed for the benefit of the sector; and (vi) the United Nations Development Programme (UNDP) and other agencies and donors are committed to supporting the development and implementation of a realistic sector policy.

XIII. MEDIUM-TERM GROWTH AND BALANCE OF PAYMENTS PROSPECTS

Overview

13.1 This chapter illustrates the macroeconomic and balance of payments prospects over the medium term taking into consideration: (i) the deterioration in Haiti's economic activity as a result of political crises; (ii) the impact of macroeconomic and sectoral policies proposed in the preceding chapters; and (iii) the prospects of increased capital inflows following the assumption of office by the new Government in February 1991.

13.2 The deterioration in economic activity during 1988-90 was elaborated in chapter II. Estimates suggest a negative real GDP growth rate, low savings and investment rates, rising inflation, depreciating gourde widening the spread between the parallel and official exchange rates, contraband as a major economic activity, and shortfalls in fiscal revenues. Foreign exchange reserves were low as exports declined and external assistance were sharply reduced.

13.3 The macroeconomic policies proposed in earlier chapters intend to stem the economic deterioration and pave way for recovery during 1991-94. Three key macroeconomic issues are identified: (i) raise public sector savings to finance new investment needed in critical sectors, while monetary financing of fiscal deficit is to cease; (ii) follow a tight monetary policy with full flexibility of interest rates by eliminating the interest rate ceiling; and (iii) eliminate the remaining distortions such that the exchange rate is realigned, and domestic prices are in parity with international prices. In the short term, the public finances should be improved, including the Government taxing the rents resulting from lower import prices of petroleum products, improving tax revenues by enforcement and administrative reform, eliminating all quantitative restrictions, price controls, lowering import duties to reduce corruption and rents from contraband activity and focus on cost recovery in road transport, water, sanitation, irrigation, electricity, and some health and education services, particularly from those with ability to pay. The operating costs in public enterprises have to be dramatically reduced by retrenchment and reduced wage bills with emphasis on improving efficiency, and some privatization should be considered. The cap on interest rates should be eliminated. The exchange rate should be corrected by unifying the exchange rate at the current market rate and eliminating the export surrendering requirement.

13.4 The sectoral policies elucidated in preceding chapters should promote private investment, employment and incomes, reduce public agencies' inefficiencies and losses. In agriculture, the main issues are elimination of the remaining distortions, relative price shifts in favor of export crops, reducing protection in sugar, increasing cultivable land, credit access to farmers by freeing interest rates, enabling use of land as collateral by legal titling; and rehabilitating irrigation systems. In industry, the dynamism of manufacturing, particularly assembly industry, should be recaptured by revising the Investment Code, instituting a 5% uniform tariff, and providing infrastructure support. The policies in the transport sector should be directed at improving operations and maintenance, rehabilitation of roads, and appropriate user charges should be paid for services. In the electric power sector, restoring financial health to the EdH by price increases, later, its restructuring are the policies proposed; the water and sanitation sector needs new investment, better service, and possible merger of SNEP/POCHEP. The health sector issue is one of inefficiency. Finally, emphasis is on primary education, encouraging foreign contributions and private schools.

13.5 The commitments and disbursements of official aid to Haiti was uneven during the 1980s as a result of the political events. Net disbursements, including grants and IMF credit, averaged US$110 million per year during 1980-85 and peaked at US$145 million per year during the reform years of 1986-87. Official aid, essentially humanitarian, has been channeled through NGOs from 1988. Aid prospects during the medium term are uncertain, but Haiti's recent return to democracy along with its commitment to policy changes should have a positive affect on aid flows. Aid commitments from official sources are projected to increase from the low levels of late 1988-89 to at least the levels of 1980-85. Haiti needs to mobilize additional domestic resources to provide counterpart funds to higher aid flows. Implementation of policies detailed in earlier chapters should promote agricultural and manufactured exports and induce new direct foreign investment. To rehabilitate the dilapidated infrastructure massive investment is needed. Haiti, therefore, has to depend heavily on external capital inflows. External debt does not pose a serious problem because a high proportion of its total debt is on concessional terms.

<u>Macroeconomic Framework</u>

13.6 Projecting the future course of economic growth in any country is difficult. Given the array of uncertainties that Haiti faces in 1991, medium-term prospects cannot be anything but an indication of the nature of things to occur, highly conditional upon the speed and effectiveness of policy implementation by the Government, and its strength of commitment in addressing the deep-rooted structural problems.

13.7 The macroeconomic framework and assumptions underlying the projected scenario, within the above policy analysis and aid environment, is as follows:

(i) Real GDP growth is targeted to be around 2.7% per year during 1992-94, and 4.2% per year during 1995-99. The major sources of growth during 1992-94 are projected to be in the export volumes of manufactures (3.3% p.a.), agricultural commodities such as mangoes, other tropical fruits and vegetables (5.2% p.a.) and coffee (3.6% p.a.), and in non-factor services, especially tourism (3.0% p.a.). This is to be achieved by providing incentives and support to farmers and encouraging private manufacturing, especially the assembly industry, by elimination of existing distortions, and developing tourism by introducing package tours/excursions to nearby islands and countries, in collaboration with major cruise shipping lines. However, tourism growth is conditional upon malaria prevention, and the law and order situation in the country.

(ii) Different categories of imports are linked to specific components of GDP through import elasticity coefficients. Imports of food and other consumer goods are driven by private consumption; petroleum and non factor service imports are dependent on GDP; imports of intermediate goods is affected by manufacturing value added; and capital goods imports are a function of total investment. The implied elasticity of all imports to GDP during is unity. Elasticities are approximated from past data. Import volumes of intermediate and capital goods are expected to increase in comparison with imports of consumer goods. Total import growth in volume terms is around 2.5% per year during 1992-94.

(iii) The assumption of the two-gap framework underlying the analysis is that the availability of foreign financing constrains investment, particularly public investment.[9] Investment is linked to GDP growth rate through the incremental capital output ratio (ICOR) which during 1990s is expected to be lower at 5.0 compared to 7.8 of 1989-90. The reasons for lower ICOR are greater capacity utilization, better operations and maintenance, overall efficiency gains from infrastructural sectors, and productivity increases in agriculture.

(iv) To raise gross domestic savings rate from a negative trend of 1986-1991 to that of 17% per year during 1992-94, public consumption is held constant and private consumption increases by only 2.3% per year. Such a restrained growth on consumption is necessary to ensure that the additional incomes generated by higher GDP growth are channeled into savings required to finance development. Thus, gross domestic investment is projected to increase at 3.0% per year from 11% of GDP in 1990 to 14.5% of GDP in 1994. Beyond 1994, these trends continue as gross domestic investment is projected to increase to 15.5% of GDP by 1999.

(v) Exports (GNFS) growth of 3.2% is lower than imports (GNFS) growth of 4.4% during 1992-94, as such resource balance is expected to be unfavorable. However, by 1999 total exports growth outstrips total imports growth. As mentioned above, export growth is projected in other agriculture, manufactures, and tourism. Tourism is a potential source of growth in foreign exchange and employment. After payment of external

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9/ The two-gaps are the gap between domestic savings and investment needs, and the difference between import payments and export receipts.

debt obligations, international reserves are projected to be the equivalent of one month of imports during 1992-94, and about two months of imports during 1995-99.

13.7 A summary of the results of projection are in Tables 13.1 below. Haiti's terms of trade are projected to be a mildly unfavorable until 1992 after which they improve and remain stable. Until 1992, import prices are projected to increase faster than export prices as a result of higher price of petroleum imports. Should the policies elaborated in earlier chapters be implemented, restoration of growth in output is projected. In contrast to the negative real GDP growth rates of recent years, growth rates during 1992-94 are projected to be positive, but low. However, the growth rates could rise rapidly to 4.2% per year during 1995-99. This transfers to moderate increases in per capita income and consumption. Domestic savings are projected to increase from 4.?% of GDP in 1990 to 8.4% of GDP in 1994. Beyond 1994; these trends continue as gross domestic savings are projected to increase to 9.6% of GDP by 1999. The fiscal gap is projected to narrow from 6.1% of GDP in 1991 to 5.7% of GDP in 1994 as fiscal revenues are projected to increase considerably from 9.0% of GDP in 1990 to 12.5% of GDP in 1994. However, beyond 1994, the fiscal gap widens to 7.2% of GDP by 1999 as public investment--financed from external sources--increases faster than fiscal revenues.

Table 13-1: RECENT AND PROSPECTIVE MACROECONOMIC INDICATORS PROJECTING A POLICY PROGRAM

	Growth Rates (percent per yr.)				Share of GDY (%)		
	Actual	Prel.	Projected		Actual	Projected	
	1990	1991	1992-94	1995-99	1990	1994	1999
Gross Domestic Product	-3.0	-5.0	2.7	4.2	100.6	100.0	99.9
Gross Domestic Income	-2.5	-5.2	3.0	4.2	100.0	100.0	100.0
Consumption	-2.6	-7.4	2.1	3.9	96.4	91.6	90.3
Public	0.0	0.0	0.0	0.0	10.4	10.0	8.2
Private	-2.9	-8.3	2.3	4.4	86.0	81.6	82.1
Gross Domestic Investment	-8.0	3.6	9.5	5.6	11.1	14.5	15.5
Exports, GNFS	-6.6	-0.9	3.2	5.4	10.7	11.2	11.9
Imports, GNFS	-6.1	-10.2	4.4	4.8	17.5	17.3	17.8
Gross Domestic Savings	-23.8	52.1	16.6	7.3	3.6	8.4	9.7
Memorandum Items:							
National Income, p.c.	-5.9	-8.1	0.6	1.7	3.0	2.7	2.4
Private Consumption, p.c.	-4.8	-10.1	0.3	2.3	2.6	2.3	2.1

Source: Statistical Appendix and Bank staff estimates.

Table 13-2: ACTUAL AND PROJECTED BALANCE OF PAYMENTS, 1990-99
(US$ million)

	Actual	Prel.	Projections			
	1990	1991	1992	1993	1994	1995-99
Resource Balance	-180.6	-155.7	-160.2	-164.0	-169.4	-212.3
Exports, GNFS	246.4	258.0	272.3	288.9	310.9	417.8
Imports, GNFS	427.0	413.6	432.4	452.9	480.3	630.1
Net Factor Income	-34.1	-38.9	-42.4	-47.3	-54.6	-95.8
of which: Interest on Public Debt	15.7	15.3	15.1	14.7	14.8	18.1
Net Private Transfers	77.1	86.8	90.8	93.6	98.5	122.7
Current Account Balance	-137.6	-107.7	-111.7	-117.7	-125.5	-185.4
Capital Account	115.0	118.1	118.1	134.9	158.5	210.5
Direct Investment	9.4	11.3	11.7	13.1	14.0	17.8
Capital Grants	75.0	81.8	82.7	82.4	83.7	99.8
Net Loans	17.7	17.9	23.7	39.4	60.8	92.9
Disbursements	36.2	40.3	49.5	65.6	84.5	125.2
Repayments	18.5	22.4	25.8	26.2	23.7	32.3
Other Inflows (net)	12.9	7.0	-0.0	0.0	0.0	0.0
Net Change in Reserves	22.6	-10.4	-6.4	-17.2	-33.0	-25.1
Memorandum Item:						
Total Debt (US$ million)	844.3	861.8	887.3	902.5	960.4	1218.9
Total Debt/GDP	32.0	44.0	43.5	43.2	43.7	43.6
Debt Service (US$ million	55.9	56.4	57.0	49.0	46.5	58.4
Debt Service/XGS a/	22.3	21.4	20.5	16.6	14.7	13.8
Debt Service/GDP	2.1	2.9	2.8	2.3	2.1	2.1
Debt Service/Current Reve	25.5	32.0	24.3	19.5	16.9	16.7
Total Interest/GDP	1.0	1.3	1.2	1.1	1.0	0.9

Source: Statistical Appendix, IMF and Bank staff estimates.

13.8 Haiti's deteriorating macroeconomic situation can be reversed by implementing macroeconomic policies elaborated in preceding chapters, complemented by sectoral policies of pricing, gains in efficiency, and agricultural productivity and an expenditure and investment program. To undertake such a program Haiti depends heavily on external capital inflows. The current account deficit is stabilized as the resource balance improves moderately because the value of exports (GNFS) are projected to increase faster than the value of imports (GNFS). The debt-service payments is projected to remain almost constant. As the illustrative projections show, Haiti needs official grants and concessional loans. Barring some major exogenous shocks, the implementation of growth, trade and resource mobilization policies would avoid further deterioration of the external current account balance as shown in Table 13.2 above, enabling Haiti to cover the current account deficits, and meet all its projected external obligations of debt-service, and imports, and gradually increase reserves, with the external capital inflows projected on the assumptions specified above in para 13.5.

13.9 The projected capital inflows have been assumed to consist of grants and concessional loans only. No commercial borrowing has been assumed. Provided this is adhered to, the projected debt service payments relative to GDP, export receipts, and current revenues would remain manageable. Table 13.2 above shows that the projected debt service payments to exports ratio declining from 21.4% in 1991 to about 15% in 1994 as the arrears to bilateral creditors accumulated in 1991 are paid off. Debt service payments as a ratio of current revenues are projected to decrease from 32.0% of current revenues in 1991 to 16.9% in 1994 because the current revenues are projected to increase rapidly.

<u>Public Sector Investment Program</u>

13.10 A recurrent theme in the earlier chapters on various sectors is the urgent need of rehabilitating the existing systems, such that adequate infrastructure support for production and trade can be ensured. This calls for massive investment by the public sector. The new Government's intention is to undertake the preparation of a public sector investment program (PSIP). The program needs to emphasize rehabilitation of existing facilities, labor intensive projects to help address Haiti's unemployment problem, projects complementary to the private sector activities, and projects requiring only limited recurrent and counterpart funding. Based on these criteria, a tentative composition of PSIP for the period 1991-94 is shown in Table 13.3 above. Rehabilitation of infrastructure is given primary importance, and these projects constitute 73.7% of all projects. The main sector objectives include the rehabilitation of roads, bridges, ports and airports, strengthening of the planning, operation and maintenance of transport, water and power facilities, continued development of the sectoral institutions through training and technical assistance, and extending the telephone network to rural areas. The emphasis is on rehabilitation and safety improvements of main roads, and national highways, electric power sub-stations, water supply projects in rural areas, telephone network in rural areas, and public works which deals with very small repair jobs. Most of these projects are labor intensive and should generate reasonable employment. The productive sectors are also emphasized with a proportion of 17.4% of total projects. The objectives in the agriculture sector are to increase food production and agricultural exports, and strengthen and promote farmers associations. In manufacturing, the objectives is to improve the efficiency of public enterprises. Such projects deals with rural development, and improving mango, cocoa and coffee production. Tourism in another area where a number of projects can generate income and employment. Projects in the social sectors deal with rehabilitation of primary schools, instituting health care programs in hospitals, and developing public housing.

Table 13.3: TENTATIVE COMPOSITION THE 1991-94 PSIP
(in percent)

SECTORS	1991-94
Productive	17.4
Agriculture	8.3
Manufacturing	1.0
Tourism	8.1
Infrastructure	73.7
Transport	29.8
Communications	1.4
Power	7.0
Water	25.6
Public Works	9.9
Social Sectors	8.9
Education	3.2
Health	2.9
Public Housing	2.8
Total Projects	100.0

Source: Bank staff estimates.

External Financing Requirements for Investment

13.11 Gross external capital requirements, inclusive of amortization and changes in net reserves, are projected to total US$487 million during 1992-94 (Table 13.4 below). Net foreign investment is projected to be US$39 million for the same period. Thus, official grants and highly concessional loans are projected to provide almost all of the gross financing requirements during 1992-94. Disbursements from ongoing projects are projected to cover US$71 million or 15% of gross requirements during 1992-94. Donors have been identified for disbursements amounting to US$52 million, or about 10% of gross requirements. The unfilled financing gap, defined as financing gap requirements less identified donor disbursements, is projected to total about US$327 million during 1992-94 which is 75% of capital requirements, most of which is projected to be bilateral grants during the initial years. For this financing gap external donors are sought.

13.12 This report lays out the general strategy for the country to resume economic growth and development. However, the most pressing issues need to be addressed within the next 18 months. The order of priorities should be to: (i) achieve a viable macroeconomic situation by reducing imbalances in external and internal accounts by means of drastically addressing the fiscal issues and ceasing Central Bank financing of the fiscal deficit, instituting a market determined exchange rate regime and the further opening up of trade; (ii) define investment priorities and strengthen institutions to undertake investment in infrastructure; and (iii) tackle the problems in the social sectors. The new Government intends to undertake a development strategy that will increase the quality of life for all Haitians. The severity of Haiti's development problems, warrants speedy and effective implementation of rational policies and the strengthening of institutions outlined in this report, upon which provision, external assistance at concessional terms will then enhance restoration of economic growth and promotion of social development.

Table 13.4: CAPITAL AND EXTERNAL FINANCING REQUIREMENTS, 1991-94
(US$ million)

	1991 Est.	1992	1993	1994	Total 1992-94
Current Account	-108	-112	-118	-125	-355
Amortization	-22	-26	-26	-24	-76
Reserve Accumulation a/	-10	-6	-17	-33	-56
Capital Requirements	-140	-144	-161	-182	-487
Financing (Gross) b/	140	144	161	182	487
Foreign Investment	11	12	13	14	39
Official Grants	82	83	82	84	249
Committed	52	-	-	-	-
Financing Gap	30	83	82	84	249
Concessional Loans	47	47	66	86	201
Ongoing	41	33	24	14	71
Identified	6	15	18	19	52
Financing Gap	-	1	24	53	78
Memorandum Item:					
Financing Gap Requirements	36	99	124	156	379
Bilateral					
Grants	30	83	82	84	249
Concessional Loans	-	1	24	53	78
Multilateral					
Concessional Loans	6	15	18	19	52

Note: (-) = 0

a/ a negative sign indicates reserve accumulation.
b/ disbursements.

Source: World Bank estimates and projections.

APPENDIX

HAITI

TOWARDS RESTORATION OF GROWTH AND DEVELOPMENT

STATISTICAL APPENDIX

Table 1.1: POPULATION BY SEX AND AGE: 1950, 1971, 1982 CENSUSES AND ESTIMATES FOR 1982-83 TO 1988-89
(in thousand)

	1950	1971	1982	1983	1984	1985	1986	1987	1988	1989
Total Population	3097	4330	5053	5293	5396	5930	6050	6160	6270	6383
BY SEX										
Male	1505	2090	2450							
Female	1592	2240	2604							
BY AGE										
0 - 04	375	603	730							
05 - 14	798	1180	1251							
15 - 24	575	821	969							
25 - 64	1214	1531	1805							
65 and over	134	195	298							

Source: IHSI, Recensement general de la population et du logement, 1971 (1979); Resultats anticipes du recensement general, 1982 (1984); World Bank, International Economics Department.

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

	Population (000)			Annual Growth Rates (%)		
	1950	1971	1982	1950-71	1971-82	1950-82
TOTAL	3097	4330	5053	1.61	1.41	1.54
Urban a /						
Port-au-Prince	152	507	720	4.98	3.59	4.5
Towns over 10,000 in 1982	98	180	235	5.90	3.24	4.98
Cap-Haitien	24	46	64	2.94	2.45	2.77
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	2881	3823	4011	1.18	0.98	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.

Source: 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 '000)

	URBAN			RURAL	TOTAL
	Port-au-Prince	Other Towns over 10,000	Towns 5-10,000		
Crude Birth Rate	38.9	32.4	36.6	36.6	36.7
Crude Death Rate	13.2	12.7	18.1	18.1	17.2
Natural Growth Rate	25.7	19.7	18.5	18.5	19.5
Net Migration Rate	6.7	4.8	[illegible]	-9.2	-5.4
Actual Growth Rate	32.4	24.5	12.1	9.3	14.1

Source: IHSI, Note sur les parametres demographiques pour la periods intercensitaire 1971-82 (June 1983); Resultats anticipes du recensement general, 1982 (1984)

Table 2.1 HAITI: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT CURRENT PRICES, FY75-89
(million gourdes)

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Total Expenditures	3904.7	4786.0	5379.0	5444.0	6154.0	7957.0	8468.0	8180.0	8996.0	9903.5	10868.5	11876.5	11668.3	11936.2	12660.3
Consumption	3360.7	4092.3	4612.0	4604.0	5105.0	6719.0	7066.0	6950.0	7665.0	8462.5	9437.9	10651.2	10268.3	10552.5	11202.3
General Government	325.6	371.5	411.2	468.6	531.6	736.4	825.6	848.5	871.1	973.8	1197.2	1167.6	1096.5	1066.7	1176.2
Private	3035.1	3720.8	4200.8	4135.4	4573.4	5982.6	6240.4	6101.5	6793.9	7488.7	8240.7	9483.6	9171.8	9485.8	10026.1
Gross Domestic Investment	544.0	693.7	767.0	840.0	1049.0	1238.0	1402.0	1230.0	1331.0	1441.0	1430.6	1225.3	1400.0	1383.7	1458.0
Public	289.5	439.4	527.5	527.7	480.2	572.0	889.0	728.8	849.1	1014.0	823.5	643.5	756.1	604.9	626.9
Private	254.5	254.3	239.5	312.3	568.8	666.0	513.0	501.2	481.9	427.0	607.1	581.8	643.9	778.8	831.1
Resource Balance	-297.0	-391.0	-440.0	-443.0	-557.0	-648.0	-1124.0	-755.0	-848.0	-821.5	-821.5	-658.5	-856.3	-882.2	-912.9
Exports, GNFS	528.5	736.5	905.0	1018.0	1094.0	1580.5	1243.0	1465.0	1427.5	1586.5	1520.0	1458.0	1412.1	1382.0	1441.7
Imports, GNFS	825.5	1127.5	1345.0	1461.0	1651.0	2228.5	2367.0	2220.0	2275.5	2408.0	2341.5	2116.5	2268.4	2264.2	2354.6
GDP at Market Prices	3607.7	4395.0	4939.0	5001.0	5597.0	7309.0	7344.0	7425.0	8148.0	9082.0	10047.0	11218.0	10812.0	11054.0	11747.4
Net Factor Income from Abroad	-35.0	-36.0	-60.5	-73.5	-66.5	-79.4	-73.7	-83.9	-122.5	-99.0	-73.0	-83.6	-73.0	-96.7	-124.2
GNP at Market Prices	3572.7	4359.0	4878.5	4927.5	5530.5	7229.6	7270.3	7341.1	8025.5	8983.0	9974.0	11134.4	10739.0	10957.3	11623.2
Net Current Transfers	88.0	141.0	154.5	143.5	170.5	260.0	324.0	248.5	212.5	225.0	240.8	260.1	281.3	337.2	316.1
Gross Domestic Saving	247.0	302.7	327.0	397.0	492.0	590.0	278.0	475.0	483.0	819.5	609.1	566.8	543.7	501.5	545.1
Gross National Saving	300.0	407.7	421.0	467.0	596.0	770.6	528.3	639.6	573.0	745.5	776.9	743.3	752.0	742.0	787.0

Source: IHSI; BRH and Ministry of Economy and Finance.

Table 2.2 HAITI: GROSS DOMESTIC PRODUCT BY EXPENDITURE AT CONSTANT PRICES, FY75-89
(million gourdes at FY76 prices)

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Total Expenditures	4258.1	4786.0	4967.6	5145.2	5363.1	5752.3	5855.6	5348.7	5493.9	5437.9	5453.1	5488.1	5555.8	5470.0	5474.8
Consumption	3677.5	4092.3	4248.8	4347.6	4434.0	4818.3	4811.6	4472.0	4569.6	4470.8	4617.8	4774.1	4809.3	4731.1	4743.2
General Government	356.2	371.5	382.9	448.8	464.6	552.4	562.0	533.6	508.2	526.1	596.5	537.8	500.0	473.0	493.3
Private	3321.3	3720.8	3865.9	3898.8	3969.4	4265.9	4249.6	3938.4	4061.4	3944.7	4021.3	4236.3	4309.3	4258.1	4249.9
Gross Domestic Investment	580.6	693.7	716.8	797.6	929.1	934.0	1044.0	876.7	924.3	967.1	835.3	714.0	746.5	738.9	731.6
Public	332.0	439.4	494.4	501.1	425.3	434.3	668.4	559.9	570.1	640.4	467.1	378.1	400.5	356.1	328.7
Private	248.6	254.3	224.4	296.5	503.8	499.7	375.6	316.8	354.2	326.7	368.2	335.9	346.0	382.8	402.9
Resource Balance	-209.4	-391.0	-551.6	-517.2	-397.1	-410.3	-659.6	-330.7	-437.9	-336.9	-372.1	-375.1	-465.0	-457.4	-490.9
Exports, GNFS	654.1	736.5	726.9	797.8	893.3	1133.0	862.6	1058.5	958.1	1017.0	956.0	868.4	836.0	829.0	824.5
Imports, GNFS	863.5	1127.5	1278.5	1315.0	1290.9	1543.3	1522.2	1389.2	1396.0	1383.9	1328.1	1243.5	1301.0	1286.5	1315.4
GDP at Market Prices	4048.7	4395.0	4416.0	4628.0	4966.0	5342.0	5196.0	5018.0	5056.0	5071.0	5081.0	5113.0	5090.8	5012.6	4983.9
Net Factor Income from Abroad	-38.2	-36.0	-55.9	-69.5	-58.0	-57.4	-51.0	-54.9	-74.8	-54.4	-36.6	-38.6	-34.8	-44.3	-53.3
GNP at Market Prices	4010.5	4359.0	4360.1	4558.5	4908.0	5284.6	5145.0	4963.1	4981.2	5016.6	5044.4	5074.4	5056.0	4968.3	4930.6
Net Current Transfers	96.0	141.0	142.7	135.6	148.6	188.0	224.0	162.5	129.8	123.5	120.8	120.2	133.9	154.5	135.6
Terms of Trade Adjustment	-101.3	0.0	133.4	118.5	-38.4	-38.5	-63.2	-141.8	-82.3	-105.2	-93.9	-11.8	-26.1	-43.8	-19.1
Gross Domestic Income	3947.4	4395.0	4549.4	4746.5	4927.6	5303.5	5132.8	4876.2	4973.7	4965.8	4987.1	5101.2	5064.7	4968.8	4964.8
Gross National Income	3909.3	4359.0	4493.5	4677.0	4869.6	5246.1	5081.8	4821.4	4898.8	4911.4	4950.5	5062.6	5029.9	4924.5	4911.5
Gross Domestic Saving	269.9	302.7	300.6	398.9	493.6	485.2	321.2	404.2	[illegible]	495.0	369.3	327.1	255.4	237.7	221.6
Gross National Saving	327.7	407.7	387.4	465.0	584.2	615.8	494.2	511.9	459.0	564.2	453.5	408.7	354.6	347.9	303.9

Source: IHSI; BRH; Ministry of Economy and Finance; and Bank staff estimates.

Table 2.3: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN AT CONSTANT PRICES, FY80-89

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
					(million gourdes at FY76 prices)					
GDP at Factor Cost	5108.0	4961.0	4652.0	4656.0	4673.0	4620.0	4646.0	4657.8	4615.3	4589.4
Agriculture	1723.0	1699.0	1627.0	1566.0	1621.0	1629.0	1671.0	1666.0	1635.2	1602.4
Mining	67.0	57.0	70.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0
Manufacturing	970.0	856.0	843.0	888.0	836.0	812.0	789.0	773.0	766.8	778.8
Construction	288.0	298.0	269.0	286.0	291.0	328.0	308.0	317.0	319.6	323.4
Utilities	36.0	38.0	41.0	42.0	45.0	44.0	47.0	46.0	50.0	51.8
Transport & Communications	99.0	103.0	97.0	106.0	92.0	86.0	88.0	98.9	104.8	108.2
Commerce	963.0	904.0	864.0	906.0	877.0	885.0	868.0	890.0	872.2	846.0
Financial Services	13.0	14.0	15.0	16.0	16.0	9.0	10.0	10.0	10.2	9.3
Restaurants & Hotels	35.0	32.0	32.0	31.0	28.0	29.0	23.0	28.9	23.8	20.5
Housing	250.0	254.0	259.0	264.0	269.0	274.0	280.0	285.0	290.6	292.4
Government	149.0	167.0	143.0	161.0	188.0	195.0	202.0	177.3	176.1	176.8
Other	515.0	539.0	392.0	385.0	405.0	323.0	355.0	360.7	361.0	374.8
Net Indirect Taxes	234.0	235.0	366.0	400.0	398.0	461.0	467.0	433.0	397.3	394.5
GDP at Market Prices	5342.0	5196.0	5018.0	5056.0	5071.0	5081.0	5113.0	5090.8	5012.6	4983.9
					(annual percentage change)					
GDP at Factor Cost	6.8	-2.9	-6.2	0.1	0.4	-1.1	0.6	0.3	-0.9	-0.6
Agriculture	0.9	-1.4	-4.2	-3.7	3.5	0.5	2.6	-0.3	-1.8	-2.0
Mining	-4.3	-14.9	22.8	-92.9	0.0	20.0	-16.7	0.0	0.0	0.0
Manufacturing	14.0	-11.8	-1.5	5.3	-5.9	-2.9	-2.8	-2.0	-0.8	1.6
Construction	2.9	3.5	-9.7	6.3	1.7	12.7	-6.1	2.9	0.8	1.2
Utilities	9.1	5.6	7.9	2.4	7.1	-2.2	6.8	-2.1	8.7	3.6
Transport & Communications	-18.9	4.0	-5.8	9.3	-13.2	-6.5	2.3	12.4	6.0	3.2
Commerce	10.8	-6.1	-4.4	4.9	-3.2	0.9	-1.9	2.5	-2.0	-3.0
Financial Services	-7.1	7.7	7.1	6.7	0.0	-43.8	11.1	0.0	2.0	-8.8
Restaurants & Hotels	0.0	-8.6	0.0	-3.1	-9.7	3.6	-20.7	25.7	-17.6	-13.9
Housing	2.0	1.6	2.0	1.9	1.9	1.9	2.2	1.8	2.0	0.6
Government	3.5	12.1	-14.4	12.6	16.8	3.7	3.6	-12.2	-0.7	0.4
Other	24.4	4.7	-27.3	-1.8	5.2	-20.2	9.9	1.6	0.1	3.8
Net Indirect Taxes	18.8	0.4	55.7	9.3	-0.5	15.8	1.3	-7.3	-8.2	-0.7
GDP at Market Prices	7.2	-2.7	-3.4	0.8	0.3	0.2	0.6	-0.4	-1.5	-0.6

Source: IHSI

Table 2.4: KEY MACROECONOMIC INDICATORS, 1990-99

	Prel.	Est.	Projections							
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP Growth Rate	-3.0	-5.0	2.0	2.7	3.5	3.8	4.0	4.2	4.4	4.5
GNP Growth Rate	-3.5	-6.0	1.5	2.4	3.2	3.4	3.6	3.7	3.8	3.8
GNP/Capita Growth Rate	-5.4	-7.9	-0.5	0.4	1.1	1.4	1.6	1.7	1.7	1.8
Pvt.Cons/Capita Growth Rate	-4.8	-10.1	-1.0	0.1	1.9	1.7	2.3	2.1	2.7	2.8
Total DOD _1/ (in US$)	844.3	861.8	887.3	902.5	960.4	1031.6	1101.1	1203.5	1326.3	1432.2
DOD/XGS _2/	336.2	327.8	319.8	306.7	303.4	297.2	289.0	286.3	286.1	279.8
DOD/GDP	32.0	44.0	43.5	43.2	43.7	43.6	43.0	43.1	44.1	44.0
Debt Service (in US$)	55.9	56.4	57.0	49.0	46.5	49.2	51.7	57.9	64.3	68.9
Debt Service/XGS	22.3	21.4	20.5	16.6	14.7	14.2	13.6	13.8	13.9	13.5
Debt Service/GDP	2.1	2.9	2.8	2.3	2.1	2.1	2.0	2.1	2.1	2.1
Debt Service/Current Revenue	25.5	32.0	24.3	19.5	16.9	16.6	16.2	16.6	17.1	16.9
Interest/XGS	10.4	9.4	8.5	7.7	7.2	6.9	6.5	6.2	5.9	5.7
Interest/GDP	1.0	1.3	1.2	1.1	1.0	1.0	1.0	0.9	0.9	0.9
Gross Investment/GDP a/	11.0	12.0	13.5	14.5	14.5	15.0	15.0	15.5	15.5	15.5
Domestic Savings/GDP a/	4.2	6.6	7.7	8.4	8.4	8.8	8.9	9.4	9.5	9.6
National Savings/GDP a/	6.0	9.7	11.0	11.6	11.3	11.3	11.0	10.9	10.4	9.8
Public Investment/GDP	4.8	5.5	5.5	5.6	5.7	6.0	6.2	6.6	6.9	7.2
Public Savings/GDP	-0.2	0.3	1.1	1.5	2.0	2.5	3.0	3.5	3.5	3.5
Private Investment/GDP	6.2	6.5	8.0	8.9	8.8	9.0	8.8	8.9	8.6	8.3
Private Savings/GDP	6.2	9.4	9.9	10.1	9.3	8.8	8.0	7.4	6.9	6.3
Ratio of Public/Private Investment	0.8	0.8	0.7	0.6	0.7	0.7	0.7	0.7	0.8	0.9
Government Revenue/GDP	8.3	9.0	11.5	12.0	12.5	12.5	12.5	12.5	12.5	12.5
Government Expenditure/GDP	14.3	15.1	18.5	17.6	18.2	18.5	18.7	19.1	19.4	19.7
Deficit (-) or Surplus (+)/GDP	-6.0	-6.1	-7.0	-5.6	-5.7	-6.0	-6.2	-6.6	-6.9	-7.2
Export Growth Rate (G&NFS)	-6.6	-0.9	2.4	3.3	4.0	4.7	5.1	5.5	5.9	6.0
Exports/GDP (G&NFS)	9.3	13.2	13.3	13.8	14.2	14.4	14.6	14.8	15.2	15.5
Import Growth Rate (G&NFS)	-6.1	-10.2	4.9	4.7	3.7	4.9	4.3	5.4	4.7	4.8
Imports/GDP (G&NFS)	16.2	21.1	21.2	21.7	21.9	22.2	22.3	22.5	22.7	22.9
Current Account (US$)	-137.6	-107.7	-111.7	-117.7	-125.5	-142.7	-158.6	-183.2	-207.0	-235.5
Current Account/GDP	-5.2	-5.5	-5.5	-5.6	-5.7	-6.0	-6.2	-6.6	-6.9	-7.2
Terms of Trade Index	92.8	90.2	94.6	98.1	99.7	100.5	100.7	101.0	101.2	101.3

a/ Projections are in constant prices.
IBRD projections.

Table 2.5: NATIONAL ACCOUNTS, 1990-99

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Consumption	10918	10110	10194	10386	10748	11106	11540	11966	12476	13020
Public	1176	1176	1176	1176	1176	1176	1176	1176	1176	1176
Private	9742	8934	9018	9210	9571	9930	10364	10790	11300	11844
Gross Domestic Investment	1253	1299	1491	1644	1702	1827	1901	2046	2136	2233
Resource Balance	-777	-584	-643	-690	-713	-751	-771	-810	-829	-850
Exports, G&NFS	1211	1200	1228	1268	1319	1380	1451	1531	1621	1717
Imports, G&NFS	1987	1784	1871	1959	2031	2131	2222	2341	2450	2567
Gross Domestic Product	11395	10825	11042	11340	11737	12163	12670	13202	13783	14403
Terms of trade adjustment	-64	-87	-50	-19	-4	5	8	11	15	19
Gross Domestic Income	11331	10738	10992	11321	11733	12187	12678	13213	13798	14423
Net Factor Income	-161	-268	-326	-365	-415	-472	-538	-618	-724	-849
Gross National Product	11234	10557	10716	10975	11322	11711	12132	12585	13059	13554
Gross National Income	11170	10469	10666	10955	11319	11715	12140	12596	13074	13574
Gross Domestic Savings	413	628	798	935	986	1081	1138	1247	1322	1402
Gross National Savings	615	959	1170	1293	1319	1382	1399	1456	1452	1436
	(annual growth rate)									
Consumption	-2.6	-7.4	0.8	1.9	3.5	3.3	3.9	3.7	4.3	4.4
Public	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	-2.9	-8.3	0.9	2.1	3.9	3.7	4.4	4.1	4.7	4.8
Gross Domestic Investment	-8.0	3.6	14.8	10.3	3.5	7.4	4.0	7.7	4.4	4.5
Exports, G&NFS	-6.6	-0.9	2.4	3.3	4.0	4.7	5.1	5.5	5.9	6.0
Imports, G&NFS	-6.1	-10.2	4.9	4.7	3.7	4.9	4.3	5.4	4.7	4.8
Gross Domestic Product	-3.0	-5.0	2.0	2.7	3.5	3.8	4.0	4.2	4.4	4.5
Gross Domestic Income	-3.5	-5.2	2.4	3.0	3.6	3.9	4.0	4.2	4.4	4.5
Gross National Product	-3.5	-6.0	1.5	2.4	3.2	3.4	3.6	3.7	3.8	3.8
Gross National Income	-4.0	-6.3	1.9	2.7	3.3	3.5	3.6	3.8	3.8	3.8

IBRD projections.

Table 3.1: BALANCE OF PAYMENTS, FY80-89
(US$ million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
A. Exports of Goods & NFS	316.1	248.6	293.0	285.5	317.3	304.0	291.6	281.5	273.4	259.3
1. Merchandise (FOB)	226.2	158.2	195.3	195.1	229.0	217.2	216.2	200.5	196.7	194.7
2. Non-Factor Services	89.9	90.4	97.7	90.4	87.8	86.8	75.4	81.0	76.7	64.6
B. Imports of Goods & NFS	445.7	473.4	444.0	455.1	481.6	468.3	423.3	451.8	425.6	423.5
1. Merchandise (FOB)	284.1	316.0	269.8	281.7	298.4	283.0	253.1	273.1	242.1	245.6
2. Non-Factor Services	161.6	157.4	174.2	173.4	183.2	185.3	170.2	178.7	183.5	177.9
C. Resource Balance	-129.6	-224.8	-151.0	-169.6	-164.3	-164.3	-131.7	-170.3	-152.1	-164.2
D. Net Factor Income	-15.9	-14.7	-16.8	-24.5	-19.8	-14.6	-16.7	-15.2	-17.4	-22.0
1. Factor Receipts	3.1	4.1	3.6	4.7	4.5	4.7	4.6	5.2	6.2	4.6
2. Factor Payments	19.0	18.8	20.4	29.2	24.3	19.3	21.3	20.4	23.7	26.6
of which: Interest payments	7.2	9.4	13.4	16.4	18.3	13.1	13.7	13.5	13.0	15.5
E. Net Current Transfers	52.0	64.8	49.7	42.5	45.0	48.1	52.0	56.3	63.4	59.3
1. Current Receipts	106.4	126.6	97.0	89.8	90.0	95.4	105.4	113.2	124.1	122.8
2. Current Payments	54.4	61.8	47.3	47.3	45.0	47.2	53.4	56.9	60.7	63.5
F. Current Account Balance	-93.5	-174.7	-118.1	-151.6	-139.1	-130.8	-96.4	-129.3	-106.2	-126.9
G. Long-Term Capital Inflow	112.4	174.6	110.9	136.2	141.8	118.7	136.6	179.6	172.8	130.4
1. Direct Investment	13.0	8.3	7.1	8.4	4.5	4.9	4.8	5.0	10.1	9.4
2. Official Capital Grants	33.4	66.1	69.2	69.3	78.2	87.3	106.7	121.8	129.5	106.6
3. Net LT Loans	33.1	90.3	44.4	35.3	46.9	39.7	33.0	55.2	34.4	15.5
a. Disbursements	48.5	105.5	53.1	45.6	62.6	65.2	43.8	67.0	48.3	28.9
b. Repayments	15.4	15.2	8.7	10.3	15.7	25.5	10.8	11.8	13.9	13.4
4. Other LT Inflows (net)	32.9	10.0	-9.8	23.2	12.2	-13.2	-7.9	-2.4	-1.2	-1.1
H. Total Other Items (net)	-31.1	-35.9	-14.2	-14.5	-29.4	7.4	-9.0	-14.8	-6.3	-12.5
1. Net Short Term Capital	2.8	1.7	-4.4	15.6	-1.2	-9.5	-0.2	-4.0	-1.0	0.0
2. Capital Flows N.E.I.	0.6	0.4	-8.1	-5.6	-8.2	13.6	-7.1	-8.4	-6.5	-1.0
3. Net Change in Arrears	0.0	20.5	0.4	-12.2	-6.3	9.6	2.4	-2.9	2.9	-4.5
4. Errors and Omissions	-34.5	-58.5	-2.1	-12.3	-13.7	-6.3	-4.1	0.5	-1.8	-7.0
I. Changes in Net Reserves	12.2	36.0	21.3	29.9	26.7	4.7	-31.2	-35.5	-60.3	9.0
1. Net Credit from IMF	-2.9	13.8	28.9	25.8	21.8	-9.4	-17.6	-13.2	-4.3	-2.4
2. Other Reserve Changes	15.1	22.2	-7.6	4.1	4.9	14.1	-13.6	-22.3	-56.0	11.4
(- indicates increase)										
Memorandum Items:										
International Reserves	20.8	4.9	15.5	13.0	17.2	6.9	8.1	16.0	14.8	14.7
Gold	12.0	7.7	7.1	7.3	6.2	5.9	7.6	7.5	7.5	7.1
Gross Reserves including Gold	32.8	12.6	22.6	20.3	23.4	12.8	15.7	23.5	22.3	21.8
Gross Reserves in Months of Imports	0.8	0.3	0.6	0.5	0.6	0.3	0.4	0.8	0.6	0.6

Source: BRH; IMF; and Bank staff estimates.

Table 3.2: COMPOSITION OF MERCHANDISE EXPORTS, FY80-89
(US$ million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89 p_/
Total Exports, f.o.b.	226.2	158.2	195.3	195.1	229.5	217.2	216.2	200.5	196.7	194.7
Agricultural exports	118.5	52.9	55.2	72.5	68.4	66.5	72.3	48.3	46.6	46.2
Coffee	90.9	33.1	35.9	52.5	45.8	48.6	57.5	34.4	32.5	34.7
Cocoa	4.5	3.4	2.2	4.7	4.5	6.9	5.0	5.4	4.0	3.0
Essential oils	5.4	4.9	5.7	7.7	5.6	4.3	4.3	4.6	3.2	3.6
Sugar	6.4	0.0	0.0	1.7	6.4	4.3	4.1	2.6	2.9	0.0
Sisal & sisal twine	9.5	7.3	9.7	5.3	5.7	2.4	1.4	1.3	3.9	5.0
Meat	1.8	4.2	1.7	0.6	0.4	0.0	0.0	0.0	0.0	0.0
Bauxite	19.6	16.6	21.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Light manufactures	68.0	79.6	98.9	100.5	124.7	126.9	129.7	131.8	138.1	133.6
From domestic materials	31.2	26.4	30.0	24.2	27.6	29.4	27.9	27.5	32.8	30.6
From imported materials a/	36.8	53.2	68.9	76.3	97.1	97.5	101.8	104.3	105.3	103.0
Other exports b/	20.1	9.1	19.9	22.1	36.4	23.8	14.2	20.3	12.0	14.8

a/ Only domestic value added by the export assembly industry is included.
b/ Includes items such as soya cake, minor manufactured exports and, in FY80, cement worth US$700,000.

Source: BRH; Customs Administration; and IMF.

Table 3.3: VOLUME, UNIT PRICE AND VALUE OF PRINCIPAL COMMODITY EXPORTS, FY80-89

(volume in thousands of metric tons; unit price in US dollars per metric ton; value in million of US dollars) a/

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
COFFEE										
Volume	25.0	13.5	14.6	23.7	23.4	17.7	16.6	12.0	14.3	13.6
Unit price	3641.8	2451.9	2462.3	2217.1	1957.3	2752.3	3471.0	2866.7	2272.0	2544.6
Value	90.9	33.1	35.9	52.5	45.8	48.6	57.5	34.4	32.5	34.7
COCOA										
Volume	2.3	2.6	1.5	3.7	3.6	3.6	2.8	2.9	2.7	2.8
Unit price	1956.5	1307.7	1466.7	1270.3	1250.0	1916.7	1785.7	1862.1	1481.5	1057.1
Value	4.5	3.4	2.2	4.7	4.5	6.9	5.0	5.4	4.0	3.0
ESSENTIAL OILS										
Volume	0.2	0.2	0.2	0.4	0.2	0.2	0.2	0.2	0.1	0.1
Unit price	27000.0	24500.0	28500.0	19250.0	28000.0	21500.0	21500.0	23000.0	32000.0	33000.0
Value	5.4	4.9	5.7	7.7	5.6	4.3	4.3	4.6	3.2	3.6
SUGAR										
Volume	19.2	0.0	0.0	7.1	15.2	10.9	11.0	6.5	7.1	6.9
Unit price	333.3			239.4	421.1	394.5	372.7	400.0	411.3	420.3
Value	6.4	0.0	0.0	1.7	6.4	4.3	4.1	2.6	2.9	2.9
SISAL										
Volume	3.3	0.9	2.5	0.3	0.0	0.0	1.4	1.4	1.8	..
Unit price	424.2	555.6	680.0	666.7			571.4	571.4	555.6	..
Value	1.4	0.5	1.7	0.2	0.0	0.0	0.8	0.8	1.0	..
SISAL TWINE										
Volume	10.6	8.8	10.0	7.8	7.5	4.3	0.9	1.9	6.7	6.5
Unit price	764.2	770.1	790.0	653.8	640.0	488.4	666.7	631.6	659.1	766.2
Value	8.1	6.8	7.9	5.1	4.8	2.1	0.6	1.2	4.4	5.0
MEAT										
Volume	0.8	1.5	0.7	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Unit price	2250.0	2800.0	2428.6	3000.0	2000.0					
Value	1.8	4.2	1.7	0.6	0.4	0.0	0.0	0.0	0.0	0.0
BAUXITE										
Volume	579.0	480.0	622.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit price	33.9	34.8	34.2							
Value	19.6	16.6	21.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0

a/ Because of rounding, value figures may not equal the product of volume and unit price.
b/ Provisional.
c/ Included under sisal twine.

Source: BRH; OPRODEX; Customs; and IMF.

Table 3.4: EXPORTS OF LIGHT MANUFACTURES TO THE UNITED STATES a/,f.o.b.,FY80-89
(US$ '000)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
PRODUCTS FROM DOMESTIC MATERIALS b/	24,320	23,711	26,969	21,749	24,812	26,415	25,444	24,712	29545	27536
Textile yarns, fabrics & manufactures	13,707	11,180	14,407	10,607	11,723	13,101	12,353	12,835	16393	
Cork & wood manufactures	806	842	812	725	1,349	1,417	1,665	1,874	1267	
Wood furniture & parts	1,918	2,362	1,317	952	1,102	1,070	1,026	970	792	
Nonmetallic mineral manufactures	221	268	196	398	573	700	561	312	632	
Manufactures of metals	682	290	439	508	301	314	392	610	591	
Manufactured articles c/	6,095	6,104	4,858	3,990	4,203	3,831	5,109	3,994	3330	
Paper, paperboard & manufactures	145	1,199	3,699	3,044	3,355	3,455	1,004	1,602	3936	
Artworks		406	419	254	578	188	473	149	232	
Other	746	1,062	822	1,271	1,628	2,339	2,861	2,366	2372	
PRODUCTS FROM IMPORTED MATERIALS d/	163,665	202,598	218,180	241,545	307,421	308,767	322,319	330,394	333,392	326389
Leather, leather manufactures and dressed furskins		10,108	10,907	22,372	33,121	21,430	28,743	10,480	13551	
Textile fibres, lace, ribbons, etc.	266	507	774	185	949	760	805	1,673	1648	
Wear apparel, accessories, & fur articles	59,061	67,518	73,275	74,849	93,327	120,228	123,024	146,903	166346	
Luggage, handbags & similar articles	5,141	8,934	8,355	7,530	9,466	5,405	6,040	10,069	9158	
Footwear, excluding military or orthopedic	2,470	5,766	8,602	11,119	5,156	2,237	3,638	1,033	1275	
Musical instruments & records	166	206	2,340	572	795	78	501	161	85	
Electrical machinery & equipment	34,626	62,178	64,104	72,084	92,748	95,613	95,077	81,575	75067	
Professional, scientific and control instruments	14,504	1,350	1,002	881	2,047	755	4,177	4,444	5013	
Baby carriages, toys, etc. & sports goods	42,142	44,775	47,587	44,031	60,480	52,424	48,370	48,110	40709	
Articles of rubber or plastic		216	277	4,614	3,418	1,844	1,703	2,257	2633	
Tools (hand or machine)		718	289	259	790	714	404	814	956	
Other	5,288	322	618	3,049	5,124	7,279	11,837	22,875	16353	

a/ Exports to the U.S. represent about 90% of light manufactures produced with domestic materials and about 95% of those produced with imported materials.
b/ Values in this Table refer to exports to U.S. only; therefore, they are less than the comparable line in Table 3.2, which gives exports to all countries.
c/ Brooms, brushes, buttons, umbrellas, canes, etc.
d/ These are gross values, as opposed to net values shown in Table 3.2. The balance of payments data in Table 3.1 also include only net exports of manufactures assembled from imported materials.

Source: U.S. Department of Commerce; and IMF.

Table 3.5: COMPOSITION OF IMPORTS, FY80-89

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
					(US$ million)					
Total Imports, f.o.b.	284.1	316.0	269.8	281.7	298.4	283.0	253.1	273.1	242.1	245.6
Freight & Insurance Payment	50.1	57.3	49.1	52.9	53.7	50.9	45.3	47.9	46.4	45.9
Total Imports, c.i.f.	334.2	373.3	318.9	334.6	352.1	333.9	298.4	321.0	288.5	302.2
Food products	62.1	81.9	72.8	79.1	79.8	85.9	69.3	72.0	69.8	65.0
Beverages and tobacco	7.4	7.3	5.0	8.9	9.1	8.7	7.9	6.3	4.0	3.8
Raw material	8.1	9.7	10.5	12.5	13.1	12.2	8.7	8.2	10.8	6.8
Fuel and lubricants	61.4	64.7	55.6	61.3	61.4	68.9	50.8	47.5	46.4	44.0
Fats and oils	24.4	27.5	15.5	29.8	33.7	31.3	33.9	33.6	30.6	26.5
Chemical products	29.9	35.1	35.9	39.8	43.1	42.2	36.0	38.1	34.0	28.9
Manufactured products	76.2	43.4	71.9	72.8	73.8	77.9	60.0	65.0	54.0	44.0
Machinery & transport equipment	87.3	105.4	89.0	74.0	80.6	82.5	63.0	67.1	61.6	53.5
Other manufactures	31.9	40.9	37.7	30.9	37.6	40.5	33.8	34.5	29.2	26.5
Other items	1.7	2.6	2.4	2.6	3.0	3.9	3.8	4.5	4.5	3.2
BOP adjustment b/	-56.2	-45.2	-77.4	-77.3	-83.4	-115.3	-69.8	-63.2	-60.4	-54.5
					(In % of Total) c/					
Food products	15.9	19.6	18.4	19.2	18.3	19.1	18.9	18.7	20.0	18.2
Beverages and tobacco	1.9	1.7	1.3	2.2	2.1	1.9	2.2	1.6	1.1	1.1
Raw material	2.1	2.3	2.6	3.0	3.0	2.7	2.4	2.1	3.1	1.9
Fuel and lubricants	15.7	15.5	14.0	14.9	14.1	14.2	13.8	12.4	13.3	12.3
Fats and oils	6.2	6.6	3.9	7.2	7.7	7.0	9.2	8.7	8.8	7.4
Chemical products	7.7	8.4	9.1	9.7	9.9	9.4	9.8	9.9	9.7	8.1
Manufactured products	19.5	10.4	18.1	17.7	16.9	17.3	16.3	16.9	15.5	12.3
Machinery & transport equipment	22.4	25.2	22.5	18.0	18.5	18.4	17.2	17.5	17.7	15.0
Other manufactures	8.2	9.8	9.5	7.5	8.6	9.0	9.2	9.0	8.4	7.4
Other items	0.4	0.6	0.6	0.6	0.7	0.9	1.0	1.2	1.3	0.9

a/ Provisional.
b/ Adjustment for gross imports of light assembly industry products.
c/ Excludes balance of payments adjustment.

Source: BRH; Customs Administration; and IMF.

Table 3.6: IMPORTS OF PETROLEUM DERIVATIVES, FY82-89

(value in Mn gourdes; volume in thousands of 42-gallon barrels)

	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89 p_/
Gasoline								
Value	105.7	61.6	70.8	69.9	52.8	51.1	50.4	61
Volume	449.0	330.7	387.3	381.8	380.4	421.1	430.0	476.8
Kerosene								
Value	46.4	36.4	38.5	38.7	41.3	34.4	34.2	43.6
Volume	195.6	199.4	223.7	320.2	295.2	358.1	297.6	359.3
Diesel fuel								
Value	148.8	126.1	129.5	122.1	90.7	84.1	91.8	109.7
Volume	681.0	732.1	728.2	703.5	687.5	793.9	841.9	968.6
Fuel oil								
Value	97.1	40.7	40.5	34.8	32.4	20.9	25.0	26.7
Volume	514.0	308.5	261.1	226.2	356.7	240.9	329.1	348.9
Lubricants								
Value	18.0	17.7	20.4	20.4	16.1	15.5	19.4	24.7
Volume	30.3	35.9	32.2	35.0	29.1	7.5	34.4	40.9
Bitumen								
Value	2.8	1.3	0.8	2.5	0.6	1.9	..	..
Volume	16.0	6.8	5.0	16.3	5.3		..	..
Total								
Value b/	418.8	283.8	300.5	306.4	233.9	207.9	220.7	265.7
Volume	1885.9	1613.4	1637.5	1683.0	1754.2	1821.5	1933.0	2196.5

a/ Provisional.
b/ This total value refers to imports of petroleum derivatives only. Therefore, even converted to US dollars, it differs from the Fuel and lubricants line in Table 3.5 by the amount of non-petroleum fuels (coal) included in that table.

Source: BRH.

Table 3.7: SERVICES ACCOUNT IN BALANCE OF PAYMENTS, FY80-89
(US$ million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89 p_/
R E C E I P T S	93.0	94.5	101.3	95.1	92.3	91.5	80.0	85.3	76.6	69.2
Freight & merchandise insurance	3.0	4.0	3.1	3.4	3.7	3.8	3.4	3.6	3.4	3.4
Other transportation	2.6	2.8	3.7	3.8	4.0	4.3	3.9	4.0	3.5	3.6
Travel	76.5	74.9	81.2	72.7	68.04	68.0	56.1	60.0	50.0	46.1
Investment Income	3.1	4.1	3.6	4.7	4.5	4.7	4.8	5.2	6.2	4.6
Interest on public debt	0.0	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0
Other	3.1	4.1	3.6	4.7	4.5	4.7	4.8	5.2	6.2	4.6
Government, n.e.i.	5.5	6.0	6.5	7.2	7.9	6.0	7.7	8.2	10.3	9.2
Other services	2.3	2.7	3.2	3.3	4.2	4.7	4.2	4.3	3.2	2.3
Nonmerchandise insurance	0.8	0.9	1.1	1.1	1.4	1.5	1.4	1.4	1.0	1.0
Other	1.5	1.8	2.1	2.2	2.8	3.2	2.9	2.9	2.1	1.3
P A Y M E N T S	180.6	176.2	194.6	202.6	207.5	204.6	191.5	204.2	207.2	204.3
Freight & merchandise insurance	50.1	57.3	49.1	52.9	53.7	50.9	45.3	47.9	41.2	41.7
Other transportation	29.4	29.8	32.0	35.0	38.2	38.4	30.6	35.2	40.1	38.1
Travel	40.6	31.1	41.7	39.4	40.0	42.9	36.5	41.0	34.4	32.8
Investment Income	19.0	18.8	20.4	29.2	24.3	19.3	21.3	21.6	23.7	26.7
Interest on public debt	7.2	9.4	13.4	16.4	18.3	13.1	15.1	14.7	13.0	15.5
Other	11.8	9.4	7.0	12.8	6.0	6.2	6.2	6.9	10.7	11.2
Government, n.e.i.	32.8	29.5	40.5	34.3	34.7	35.1	39.6	38.9	47.2	45.7
Other services	8.7	9.7	10.9	11.8	16.6	18.0	18.2	19.5	20.5	19.4
Nonmerchandise insurance	1.5	1.7	1.9	2.0	2.3	2.5	2.5	2.6	2.4	2.5
Other	7.2	8.0	9.0	9.8	14.3	15.5	15.7	16.9	18.2	16.9
Memorandum Items:										
Number of visitor arrivals	301,521	283,140	214,150	223,700	228,002	244,469	202,091	200,562	200243.0	148737.0
Tourists	138,874	134,129	119,430	127,156	136,429	149,340	117,454	130,047	85622.0	68277.0
Excursionists	162,647	149,011	94,720	96,544	91,573	95,129	84,637	70,515	114621.0	80460.0

Source: BRH; Office National du Tourisme; IMF.

Table 3.8: DIRECTION OF TRADE, FY80-89
(percent)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89 p./
Exports										
Industrialized Countries	95.3	94.6	94.5	95.0	94.6	94.7	94.4	94.2	93.0	92.3
United States	54.5	51.3	55.1	51.9	55.0	53.5	53.2	52.7	54.2	51.9
Canada	1.5	1.6	1.8	1.4	1.5	1.7	1.8	1.9	3.1	2.6
Japan	0.2	0.4	0.4	0.3	0.3	0.4	0.4	0.5	1.2	1.1
France	13.2	12.3	9.9	11.8	11.1	11.0	10.8	11.0	8.2	9.0
Germany	3.0	3.4	3.4	3.2	3.5	3.4	3.9	3.6	3.2	3.0
Netherlands	1.8	1.4	1.8	1.2	1.7	2.0	1.6	1.7	1.9	1.9
United Kingdom	0.5	1.0	0.8	0.7	0.9	0.5	0.8	0.9	0.9	1.4
Belgium	6.6	8.8	7.7	8.2	7.9	8.2	8.2	8.1	8.0	8.6
Italy	12.7	13.2	12.2	12.8	11.4	12.7	12.1	12.2	11.6	11.2
Other	1.3	1.2	1.4	3.5	1.3	1.3	1.6	1.6	1.6	1.5
Developing Countries	4.7	5.3	5.4	4.9	5.3	5.2	5.5	5.6	7.0	7.7
Caribbean	4.1	4.8	4.8	4.4	4.7	4.6	4.9	5.0	5.4	6.1
Latin America	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.8	0.7
Africa	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4
Asia and Middle East	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Other		0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
T O T A L	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.1	100.1
Imports										
Industrialized Countries	75.4	79.1	76.6	77.8	77.5	77.7	78.7	78.2	78.1	82.1
United States	51.7	50.3	47.9	50.4	50.9	48.4	48.6	45.6	45.8	47.0
Canada	5.0	6.2	5.3	5.3	5.3	6.1	5.8	6.0	5.5	6.3
Japan	5.5	6.1	7.3	5.9	5.7	6.5	6.6	6.9	6.4	6.8
France	3.5	3.9	3.5	3.7	3.3	3.6	4.2	4.9	6.2	6.5
Germany	2.3	2.5	2.7	2.6	2.6	3.0	3.3	3.4	3.6	4.2
Netherlands	1.7	3.4	2.3	2.3	2.7	2.8	2.8	3.1	3.2	3.2
United Kingdom	1.6	1.1	1.6	1.4	0.9	1.5	1.5	1.6	3.5	2.0
Belgium	0.7	0.6	0.8	0.9	0.8	0.8	1.1	1.3	1.0	1.4
Italy	0.7	0.7	0.7	0.9	0.8	0.7	0.9	1.0	0.8	1.0
Other	2.7	4.3	4.5	4.4	4.5	4.3	3.9	4.4	4.1	3.7
Developing Countries	24.5	20.7	23.2	22.1	22.4	22.1	21.1	21.6	21.9	17.9
Caribbean	16.3	14.8	16.3	15.1	16.1	15.0	13.5	13.6	12.1	10.9
Latin America	3.2	2.7	3.0	3.0	2.3	3.1	3.4	3.7	4.6	3.2
Africa	0.5	0.2	0.3	0.4	0.3	0.3	0.3	0.3	0.4	0.4
Asia and Middle East	4.5	3.0	3.6	3.6	3.7	3.7	3.9	4.0	4.7	3.4
Other	0.1	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.1	0.2
T O T A L	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Customs Admini tration; BRH.

Table 3.9: BALANCE OF PAYMENTS, 1990-99
(US$ million)

	Prel. 1990	Est. 1991	Projections 1992	1993	1994	1995	1996	1997	1998	1999
A. Exports of Goods & NFS	246	258	272	289	311	341	375	413	456	504
1. Merchandise (FOB)	182	187	198	213	231	255	281	311	345	384
2. Non-Factor Services	65	71	74	76	80	86	94	103	111	120
B. Imports of Goods & NFS	427	414	432	453	480	525	570	628	683	745
1. Merchandise (CIF)	293	282	296	313	333	365	397	438	478	522
2. Non-Factor Services	134	132	136	140	147	159	173	190	205	223
C. Resource Balance	-181	-156	-160	-164	-169	-184	-196	-214	-227	-241
D. Net Factor Income	-34	-39	-42	-47	-55	-64	-76	-92	-111	-135
1. Factor Receipts	5	5	5	5	6	6	6	7	7	8
2. Factor Payments	39	44	48	53	60	71	83	99	119	143
(interest payments - mlt)	16	15	15	15	15	16	17	18	19	21
E. Net Current Transfers	77	87	91	94	98	106	114	123	131	140
F. Current Account Balance	-138	-106	-112	-118	-126	-143	-159	-183	-207	-235
G. Long-Term Capital Inflow	112	118	118	135	158	175	190	203	222	263
1. Direct Investment	9	11	12	13	14	15	16	16	21	21
2. Official Capital Grants	75	82	83	82	84	87	90	95	101	126
3. Net LT Loans (DRS data)	18	18	24	39	61	73	84	92	100	116
a. Disbursements	36	40	49	66	84	98	111	124	137	156
b. Repayments	19	22	26	26	24	25	27	32	37	40
4. Other LT Inflows (net)	10	7	-0	0	0	0	0	-0	0	-0
H. Total Other Items (net)	3	0	0	0	0	0	0	0	0	0
I. Capital Account Balance	115	118	118	135	158	175	190	203	222	263
J. Overall Balance	-23	10	6	17	33	32	31	20	15	28
J. Changes in Net Reserves	23	-10	-6	-17	-33	-32	-31	-20	-15	-28
1. Net Credit from the IMF	-11	-9	-8	0	0	0	0	0	0	0
2. Other Reserve Changes (- indicates increase)	34	-1	1	-17	-33	-32	-31	-20	-15	-28
Shares of GDP (Current US$):										
1. Resource Balance	-6.8	-7.9	-7.8	-7.9	-7.7	-7.8	-7.6	-7.7	-7.5	-7.4
2. Total Interest Payments	1.0	1.3	1.2	1.1	1.0	1.0	1.0	0.9	0.9	0.9
3. Current Account Balance	-5.2	-5.5	-5.5	-5.6	-5.7	-6.0	-6.2	-6.6	-6.9	-7.2
4. LT Capital Inflow	4.2	6.0	5.8	6.5	7.2	7.4	7.4	7.3	7.4	8.1

IBRD projections.

Table 4.1: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-89
BILATERAL CREDITORS

Date	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENTS **
1982	117222	122861	14403	24673	2498	2356	4854	..	..
1983	117[illegible]	134701	15098	2710	1599	1933	3532	1002	-657
1984	138[illegible]	179985	42981	13270	3971	2674	6645	27	..
1985	149854	186996	22506	31489	5825	3284	9109	13154	3484
1986	163733	211303	15000	11193	1851	3105	4956	23	11181
1987	193477	238475	25651	35457	9520	3725	13245	3277	14318
1988	192514	206339	--	17753	10389	2928	13317	8974	-12771
1989	191337	213903	16234	7454	9106	3832	12938	178	613

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics Department, the World Bank.

Table 4.2: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-89
MULTILATERAL CREDITORS

	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
Date	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENTS **
1982	207208	331164	43772	26008	279	1874	2153	..	..
1983	244551	408092	80032	39057	744	1878	2622	..	..
1984	267635	402599	20360	45031	493	2521	3014	46	-2360
1985	304864	437071	32045	34631	1130	2874	4004	4975	8532
1986	342814	481272	24700	28087	1880	3424	5304	..	21381
1987	419323	637149	121835	54586	3111	4369	7480	..	37153
1988	431878	607327	..	30557	3517	4772	8289	2133	-24172
1989	447301	616627	43838	21466	4304	5191	9495	25730	-4502

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics Department, the World Bank.

Table 4.3: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-89
SUPPLIERS CREDITS

Date	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENTS **
1982	19531	19531	2422	4040	4165	695	4860	..	..
1983	16948	16948	..	..	2583	1307	3890	..	..
1984	5911	5911	..	..	1728	472	2200	..	..
1985	4271	4271	..	..	1644	470	2114	..	..
1986	2711	2711	..	..	1560	470	2030	..	..
1987	1151	1151	..	..	1560	470	2030	..	..
1988	..	..	..	..	1151	397	1548	..	..
1989	..	..	..	..	..	..	..	..	..

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics Department, the World Bank.

Table 4.4: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-89
PRIVATE FINANCIAL INSTITUTIONS

Date	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT- MENTS	DISBURSE- MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL- LATIONS	ADJUST- MENTS **
1982	71680	71680	3500	11140	1555	1570	3125	..	..
1983	68461	68461	..	..	2929	1146	4075	..	..
1984	44268	44268	..	..	2684	336	3020	..	..
1985	43089	43089	..	..	1179	281	1460	..	..
1986	46700	46700	..	..	800	275	1075	..	4411
1987	46700	46700	..	..	..	..	..	..	..
1988	46700	46700	..	..	..	..	..	..	..
1989	45500	45500	..	..	1200	138	1338	..	..

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics Department, the World Bank.

Table 4.5: MEDIUM AND LONG-TERM EXTERNAL DEBT, FY82-89

TOTAL

Date	DEBT OUTSTANDING AT END OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
					SERVICE PAYMENTS				
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMIT-MENTS	DISBURSE-MENTS	PRINCIPAL	INTEREST	TOTAL	CANCEL-LATIONS	ADJUST-MENTS **
1982	415641	545236	64097	65861	8497	6495	14992	0	0
1983	447901	628202	95130	41767	7855	6264	14119	1002	-657
1984	454422	632763	63341	58301	8876	6003	14879	73	-2360
1985	502078	671427	54551	66120	9778	6909	16687	18129	12016
1986	555958	741986	39700	39280	6091	7274	13365	23	36973
1987	660651	923475	147486	90043	14191	8564	22755	3277	51471
1988	671092	860366	0	48310	15057	8097	23154	11107	-36943
1989	684138	876030	60072	28920	14610	9161	23771	25908	-3889

** This column shows the amount of arithmetic imbalance in the amount outstanding including undisbursed from one period to the next. The most common causes of imbalances are changes in exchange rates and transfers of debts from one category to another in the table.

Source: Debt and International Finance Division, International Economics Department, the World Bank.

Table 4.6: GRANT DISBURSEMENTS BY DONORS, FY80-89

(US$ million)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Government Organizations	38.4	47.3	57.0	56.1	63.6	73.3	94.0	99.4	72.9	51.1
Bilateral Aid	23.9	30.4	42.5	43.5	50.1	62.7	83.5	86.2	59.9	35.1
Canada	5.8	9.4	9.3	6.0	7.6	3.2	3.1	5.0	3.0	2.5
France	4.6	4.9	2.0	3.7	3.3	2.5	5.0	[illegible]	8.9	6.8
Germany	4.1	2.5	11.6	8.1	8.1	5.0	3.9	[illegible]	[illegible]	..
Japan	0.0	0.0	1.0	2.0	3.0	3.0	4.0	9.1	[illegible]	11.2
United States	9.4	13.0	17.0	22.6	26.4	45.6	[illegible]	58.0	36.1	10.6
Other	0.0	0.6	1.6	1.1	1.7	3.4	[illegible]	3.1	0.4	4.0
Multilateral Aid	14.5	16.9	14.5	12.6	13.5	10.6	10.5	13.2	13.0	16.0
EEC	0.2	0.2	1.5	1.8	2.9	3.5	3.2	3.8	3.8	..
IDB	1.6	2.7	2.7	1.2	1.2	0.6	0.6	0.6	0.4	..
UNDP/UNFPA	8.6	9.0	6.6	8.3	8.3	3.8	3.5	6.0	6.1	..
Other a/	4.1	5.0	3.7	1.3	1.1	2.7	3.2	2.8	2.7	..
Private Organizations	10.6	18.8	12.2	13.2	14.6	14.0	12.7	22.4	40.2	41.0
PL-480 II b/	7.7	15.9	9.2	8.1	8.2	7.6	7.0	14.9	33.2	34.0
Other c/	2.9	2.9	3.0	5.1	6.4	6.4	5.7	7.5	7.0	7.0
Gross Receipts from all Sources	49.0	66.1	69.2	69.3	78.2	87.3	106.7	121.8	113.1	92.1
less Public Transfer Payments	15.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
equals Net Grant Receipts d/	33.4	66.1	69.2	69.3	78.2	87.3	106.7	121.8	113.1	92.1

a/ Includes ICA, FAO, OAS, UNICEF, WFP, WHO.
b/ Estimates of U.S. PL-480 Title II assistance channelled through private organizations.
c/ Includes CARE, CRS, Christian Charities and, beginning FY83, Canadian grants through NGO's.
d/ This is the comparable Grant line appearing in the Balance of Payment Table 3.1.

Source: Donor information; IMF; and World Bank.

Table 5.1: PUBLIC SECTOR BUDGETARY OPERATIONS, FY80-89
(in million gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
General Government										
Current Revenue	691.1	659.9	749.1	846.5	914.1	1124.2	1129.8	1009.4	1031.8	1140.2
Current Expenditure	736.4	825.6	848.5	939.9	1114.7	1281.5	1275.5	1267.2	1236.4	1389.8
Current Surplus	-45.3	-165.7	-99.4	-93.4	-200.6	-157.3	-145.7	-257.8	-204.6	-249.6
Capital Expenditures	496.7	738.5	626.2	623.5	752.7	631.4	436.1	603.8	461.7	396.3
Investment	496.7	738.5	626.2	613.5	720.7	631.4	436.1	603.8	461.7	396.3
Financial capital	0.0	0.0	0.0	10.0	32.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-542.0	-904.2	-725.6	-716.9	-953.3	-788.7	-581.8	-861.6	-666.3	-645.9
Major Public Enterprises										
Current Revenue	398.3	505.2	528.0	658.9	839.3	876.7	905.7	826.1	922.6	957.2
Current Expenditure	336.2	408.0	381.9	469.8	582.2	618.4	710.4	641.9	682.9	799.2
Current Surplus, of which:	62.1	97.2	146.1	189.1	257.1	262.4	195.3	184.2	239.7	158.0
transfers to Treasury b/	0.0	0.0	75.1	74.4	90.9	93.3	104.6	91.1	101.4	87.4
Capital Expenditures	101.1	144.4	102.6	225.6	262.2	180.5	153.7	186.1	135.6	142.3
Overall Balance	-39.0	-47.2	43.5	-36.5	-5.1	81.9	41.6	-1.9	104.1	15.7
Consolidated Public Sector										
Current Revenue	1089.4	1165.1	1277.1	1505.4	1763.4	2000.9	2035.5	1835.5	1954.4	2097.4
Current Expenditure	1072.6	1233.6	1230.4	1409.7	1696.9	1899.9	1985.9	1909.1	1919.3	2189.0
Current Surplus	16.8	-68.5	46.7	95.7	56.5	101.0	49.6	-73.6	35.1	-91.6
Capital Expenditures	597.8	882.9	728.8	849.1	1014.9	811.9	589.8	789.9	597.3	538.6
Overall Balance	-581.0	-951.4	-682.1	-753.4	-958.4	-710.9	-540.2	-863.5	-562.2	-630.2
Financed by:-										
External Financing	367.5	705.5	441.0	656.7	623.8	506.2	626.5	738.4	501.3	315.5
Grants-in-aid	192.0	236.5	285.0	280.5	310.0	359.5	470.0	497.0	364.5	255.5
Concessional loans (net)	158.5	217.0	195.5	319.4	339.1	224.8	166.4	286.6	166.5	71.5
Commercial loans (net)	17.0	252.0	-39.5	56.8	-25.3	-78.1	-9.9	-45.2	-29.8	-11.5
Medium term	3.0	243.5	-17.5	-21.2	-19.3	-30.5	-9.0	-25.8	-25.0	-11.5
Short term	14.0	8.5	-22.0	78.0	-6.0	-47.6	-0.9	-19.4	-4.8	0
Domestic Financing	213.5	245.9	241.1	96.7	334.6	204.7	-86.3	125.1	61.0	314.7
Monetary authorities	213.2	261.4	241.3	74.6	312.1	216.8	3.2	70.1	116.8	263.5
Private banks	0.0	-15.5	-0.2	22.1	22.5	-12.1	-89.5	55.0	-55.8	51.2

a/ Provisional.
b/ Not included among General Government current revenues in this table.

Source: Ministry of Economy and Finance; BRH; and IMF.

Table 5.2: COMPOSITION OF TREASURY REVENUES, FY80-89
(in million gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
TOTAL CURRENT REVENUE a/	691.1	659.9	749.1	846.5	914.1	1124.2	1129.8	1009.4	1031.8	1140.2
Taxes on International Trade	403.7	285.0	289.8	295.3	292.5	305.2	311.1	217.3	176.2	211.8
Export taxes	164.3	48.3	83.3	73.4	63.2	61.0	55.1	18.3	0.0	0.0
Coffee	116.3	42.5	45.6	69.2	58.3	57.4	52.3	17.2	0.0	0.0
Bauxite	43.1	3.2	33.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exports	4.9	2.6	3.9	4.2	4.9	3.6	2.8	1.1	0.0	0.0
Import duties	239.4	236.7	206.5	221.9	229.3	244.2	256.0	199.0	176.2	211.8
Regular duties	185.6	204.4	193.1	214.6	223.0	232.5	231.0	179.3	162.7	197.1
Petroleum derivatives	24.1	35.4	42.1	39.6	39.0	33.1	34.9	30.0	20.1	27.9
Other	161.5	169.0	151.0	175.0	184.0	199.4	196.1	149.3	142.6	169.2
Fiscalized charges and fees	53.8	32.3	13.4	7.3	6.3	11.7	25.0	19.7	13.5	14.7
Internal Revenue	287.4	371.1	447.2	551.2	621.6	819.0	818.7	792.1	855.6	928.4
General sales tax	0.0	0.0	0.0	87.2	108.0	185.5	177.1	176.0	194.6	207.9
Taxes on income and profits	88.0	115.8	123.3	128.4	141.3	154.4	154.2	128.0	141.2	166.6
Corporate b/	71.7	91.1	94.2	98.3	101.8	111.2	107.4	73.8	64.0	86.3
Individual	16.3	24.7	29.1	30.1	39.5	43.2	46.8	54.2	77.2	80.3
Taxes on property	10.4	12.2	12.4	12.4	14.7	16.4	25.8	20.7	24.1	25.8
Real estate	2.9	3.0	3.2	3.3	3.5	2.9	13.0	9.0	10.0	8.5
Mortgage registration	7.5	9.2	9.2	9.1	11.2	13.5	12.8	11.7	14.1	17.3
Taxes on goods & services	95.7	143.7	183.7	195.8	215.9	282.0	327.2	328.8	341.1	369.3
Excises	69.6	115.1	151.1	167.6	184.9	249.3	293.1	280.5	272.3	288.6
Flour	11.5	22.1	24.5	0.0	0.0	3.5	2.5	1.2	1.4	5.3
Sugar	9.3	23.4	26.5	30.1	28.7	32.0	34.3	23.0	5.6	6.5
Cooking oil	2.7	2.8	4.3	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Petroleum products	15.7	16.4	34.3	69.2	88.2	135.5	168.9	166.9	148.7	175.5
Cigarettes	16.6	31.7	42.0	53.8	59.8	64.1	70.0	75.8	74.4	84.0
Other excise	13.8	18.7	19.5	13.8	8.2	14.2	17.4	13.6	42.2	17.3
Motor vehicles c/	7.1	8.9	10.1	12.1	13.3	14.4	11.4	12.3	16.1	22.7
Consular services d/	19.0	19.7	22.5	16.1	17.7	18.3	22.7	36.0	52.7	58.0
Other taxes	32.4	33.1	35.4	36.4	37.8	44.5	25.4	23.8	27.4	32.2
Identity card	6.7	6.9	7.4	7.3	8.8	8.1	7.6	8.0	10.8	8.2
Stamp duties	20.0	20.0	21.3	22.2	23.2	30.3	15.8	14.2	15.4	22.8
Solidarity tax	5.7	6.2	6.7	6.9	5.8	6.1	2.0	1.6	1.2	1.2
Other revenue, of which:	60.9	66.3	92.4	91.0	103.9	136.2	109.0	114.8	127.2	126.6
municipal taxes	11.3	14.0	19.3	24.3	29.5	34.0	28.7	26.0	30.5	31.8
Other Income	0.0	3.8	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

a/ Excludes pension fund revenues and interaccount transfers between Internal Revenue Administration and the Treasury.
b/ Includes tax on profits transferred abroad by foreign-owned companies.
c/ Includes motor vehicle inspection and registration fees.
d/ Includes consular and passport fees.

Source: Ministry of Economy and Finance.

Table 5.3: ECONOMIC CLASSIFICATION OF GOVERNMENT CURRENT EXPENDITURES, FY80-89
(million gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Wages and salaries	330.1	351.7	400.0	407.1	491.5	534.0	564.5	700.4	786.2	816.5
Goods and services	261.7	307.5	365.4	363.4	364.7	424.2	463.7	326.5	221.8	306.5
Interest payments	27.3	38.6	51.5	72.0	122.6	121.7	129.0	127.5	103.1	113.7
Transfers and subsidies	64.1	66.2	51.7	36.3	52.6	31.9	21.6	21.1	24.7	76
Extrabudgetary a/	53.2	61.6	-20.1	61.1	83.3	169.7	96.7	91.7	100.6	77.1
Total current expenditure	736.4	825.6	848.5	939.9	1114.7	1281.5	1275.5	1267.2	1236.4	1389.8
					(percent of total)					
Wages and salaries	44.8	42.6	47.1	43.3	44.1	41.7	44.3	55.3	63.6	58.7
Goods and services	35.5	37.2	43.1	38.7	32.7	33.1	36.4	25.8	17.9	22.1
Interest payments	3.7	4.7	6.1	7.7	11.0	9.5	10.1	10.1	8.3	8.2
Transfers and subsidies	8.7	8.0	6.1	3.9	4.7	2.5	1.7	1.7	2.0	5.5
Extrabudgetary a/	7.2	7.5	-2.4	6.5	7.5	13.2	7.6	7.2	8.1	5.5
Total current expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Difference between total Treasury receipts plus financing and the total of budgetary current outlays and capital outlays of the Treasury.

Source: Ministry of Economy and Finance; and IMF.

Table 6.1: CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, FY80-89

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
	(million gourdes at end of FY)									
Money Supply	675.2	817.7	937.3	966.0	1117.1	1204.2	1381.2	1584.7	1865.3	2039.9
Money + Quasimoney	1601.0	1803.3	2001.6	2118.5	2357.8	2547.5	2835.3	3133.6	3463.3	3909.2
Total Net Domestic Credit	2042.5	2809.3	2219.3	2600.2	3004.2	3314.9	3285.9	3384.3	3650.2	4051.1
To Government	753.6	1619.6	986.6	1542.3	1848.6	2069.7	2088.3	2156.6	2328.0	2538.9
To Official Entities	278.5	85.8	144.4	44.7	85.3	80.5	25.2	42.7	43.0	41.8
To Private Sector	1010.4	1103.9	1088.3	1013.2	1070.3	1164.7	1172.4	1185.0	1279.2	1470.4
Net Foreign Assets	147.3	-121.3	-176.8	-230.2	-269.7	-432.2	-300.2	-126.7	-48.6	-26.9
Net Other Assets and Liabilities	-588.8	-884.7	-40.9	-251.5	-376.7	-335.2	-150.4	-124.0	-138.3	-115.0
OFFSETS TO EXPANSION OF MONEY + QUASIMONEY										
	(percentages)									
Net Foreign Assets	-13.9	-132.8	-28.0	-45.7	-16.5	-85.7	45.9	58.2	23.7	4.9
Credit to Government	96.7	428.1	-319.2	475.4	128.0	116.6	6.5	22.9	52.0	47.3
Credit to Official Entities	3.0	-95.3	29.6	-85.3	17.0	-2.5	-19.2	5.9	0.1	-0.3
Credit to Private Sector	35.0	46.2	-7.9	-64.2	23.9	49.8	2.7	4.2	28.6	42.9
Net Other Assets and liabilities	-15.8	-146.3	425.5	-180.2	-52.3	21.9	64.2	8.9	-4.3	5.2
Increase in Money + Quasimoney	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BRH; and IMF.

Table 6.2: STRUCTURE OF INTEREST RATES
(percent per annum)

From	to	Savings Deposits		Time Deposits of less than 1 year							
		Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Nov 15, 1979	Apr 14, 1980	6	6	10	12	10	14	10	14	12	17
Apr 15, 1980	May 14, 1980	6	6	12	14	14	16	14	16	14	18
May 15, 1980	Aug 24, 1980	6	6	10	12	11	14	12	18	14	18
Aug 25, 1980	Dec 11, 1980	6	6	9	12	10	13	11	16	14	18
Dec 12, 1980	Jan 16, 1983	6	6	11	14	12	15	13	18	141/2	19
Jan 17, 1983	July 6, 1986	7	7	10	13	11	14	12	17	141/2	19
July 7, 1986	June 7, 1987	5	8	8	13	10	17	10	17	10	20
June 8, 1987	Dec 13, 1989	41/2	7	6 1/2	10	7	11	7	11	8	18
Dec 13 1989	Present a_/	41/2		6 1/2		6 1/2		6 1/2		6 1/2	

a_/ On December 13, 1989, the Bank of the Republic of Haiti removed all ceilings on interest rates.

Source: Bank of the Republic of Haiti.

Table 7.1: PRODUCTION OF MAJOR AGRICULTURAL COMMODITIES, FY80-89
(metric tons)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Food commodities										
Rice	124,050	119,710	115,800	113,400	121,900	124,195	129,000	124,083	120,509	119,304
Corn	186,230	179,170	175,700	170,900	186,000	186,450	196,295	205,691	205,000	211,150
Millet	125,170	120,790	117,750	106,600	118,240	121,413	119,165	135,112	135,976	142,775
Beans	52,630	50,790	50,300	46,700	47,200	47,550	48,195	48,703	54,711	57,447
Bananas	519,690	501,500	504,140	509,600	500,400	510,400	525,900	530,882	475,982	499,781
Meat	69,410	61,130	70,880	92,300	41,000	68,781	73,781	92,096	95,100	106,512
Eggs	17,550	17,830	17,690	18,57^	18,920	..	..	..	..	..
Export commodities										
Coffee	42,900	33,250	32,250	36,000	36,600	36,900	37,752	30,088	37,693	38,447
Sugar cane	5,640,830	5,443,400	5,440,000	5,674,360	5,700,000	5,727,487	5,772,487	4,542,947	546,000	349,440
Cotton	5,900	5,690	5,400	6,000	6,049	..	..	..	..	..
Cocoa	3,420	2,220	4,490	4,600	4,710	5,055	5,586	5,189	2,964	2,579

a/ Estimated by BRH, Direction des Etudes Economiques.

Table 7.2: FOREST COVER BY MAJOR WATERSHEDS AND ESTIMATED YEAR WHEN DENSE AND OPEN FOREST IS TOTALLY REMOVED BY RIVER BASIN

River Basin	Total Tree Area a/ (sq km)	Basin Area (sq km)	Tree Cover b/ (%)	Year Forest Removed c/
Port de Paix/Port Margot	123.8	545	22.7	1995
Limbe	16.8	312	5.4	1986
Zone Cap-Haitien	21.1			
Grande Riviere du Nord	10.0	699	1.4	1981 (Gone) d/
Estere	25.8	834	3.1	1982 (Gone) d/
Upper Artibonite	220.1	4300	5.1	1987
Lower Artibonite	431.3	2562	16.8	2002
Cul de Sac	12.8	1250	1.0	1982 (Gone) d/
Fond Verrettes	69.5	190	36.6	2042
Leogane	1.8	650	0.3	1981 (Gone) d/
Sud-Est	360.7			
Jacmel	9.5	1220	0.8	1981 (Gone) d/
Cavaillon	51.0	380	13.4	1996
Les Cayes	163.3	720	22.7	2008
Tiburon/Port Salut	52.3	540	9.7	1992
Irois/Jeremie	41.8	365	11.5	1995
Grande Anse	117.3	556	21.1	2007
Voldrogue/Roseaux	116.8			
Corail/Anse a Veau	1.0	880	0.1	1980 (Gone) d/
T O T A L	1846.7	16003	11.5 e/	

a/ Tree area which existed when areal photos were taken in 1978.
b/ Tree area as a proportion of basin area.
c/ Estimates of year tree cover will disappear based on average rate of decrease of 0.67% per year from 1978 vegetation cover.
d/ "Gone" means there are no stands of dense or open forest according to the criteria (of the Direction d'Amenagement du Territoire et Protection de l'Environnement set in 1983) that could be detected at a scale of 1:250,000.
e/ The Country Environmental Profile gives this proportion as 6.7%.

Source: Country Environmental Profile (Haiti), 1985, Tables III-7/8.

Table 8.1: VOLUME OF INDUSTRIAL PRODUCTION, FY80-89

Product	Unit	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
Matches	Cartons	38807.0	37056.0	39442.0	37533.0	45599.0	36858.0	43655.0	45650.0	35093	37974
Beer	Thousand bottles	5308.0	5629.2	5605.6	6066.1	4354.2	3679.3	3565.0	4142.5	3958.8	3535.2
Soft Drinks	Million bottles	73.8	63.8	62.4	72.9	72.4	60.8	65.2	..	..	..
Sugar	Thousand MT	53.9	51.6	50.4	48.9	43.0	57.4	41.3	32.5	30.4	..
Molasses	Million gallons	6.7	3.5	2.7	1.9	1.9	1.4	..	..	..	..
Bauxite	Thousand MT	414.4	480.4	622.4	0.0	0.0	0.0	0.0	0.0	0	0
Cement	Thousand MT	243.2	240.7	206.0	224.5	230.2	262.7	221.4	253.0	265.3	235.6
Clinker	Thousand MT	..	147.3	177.3	200.0	186.0	163.9	137.2	115.1	114.9	148.7
Shoes	Thousand pairs	795.3	528.4	588.3	519.2	528.2	..	..	..	..	..
Cigarettes	Million sticks	1063.8	852.2	964.6	932.2	938.0	846.2	846.2	887.9	963.4	1041
Detergents	Thousand kilos	578.6	513.3	586.4	572.5	544.0	1302.0	1373.3	1916.1	1287.5	828
Flour	Thousand MT	84.8	120.8	88.4	118.4	113.7	111.9	127.6	91.8	106.2	99.5
Toilet soap	Thousand tons	0.2	0.3	0.4	0.4	0.4	1.0	1.1	0.7	0.6	0.7
Washing soap	Thousand tons	13.1	11.7	12.7	12.4	11.8	28.2	29.8	39.6	43.9	47.9
Edible Oil	Thousand tons	18.9	24.5	17.1	16.7	15.9	38.0	40.1	24.2	80.8	100.4
Lard	Thousand tons	3.3	3.1	2.8	2.7	2.6	6.1	6.5	7.3	7.4	8.8
Essential Oils	Thousand kilos	241.5	208.4	233.5	351.4	211.0	153.5	153.3	166.8	190.1	112.3
Electricity	GWh a/	355.7	354.7	377.8	393.1	408.3	425.4	440.1	481.8	535	588.5
Synthetic Fiber Textiles	Million yards	..	1.0	1.1	1.2	1.1	1.1	0.6	0.7	0.6	0.7
Cotton Textiles	Million yards	800.0	700.0	572.6	732.0	535.3	512.1	452.3	113.2	..	..

a/ 1 GWh = 1 million kWh.
b/ Provisional.
c/ Estimate.

Source: BRH - Direction des Etudes Economiques.

Table 8.2: ELECTRICITY CONSUMPTION, FY80-89

Consumption Category	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89
					(consumption in GWh) a/					
Residential	80.7	89.9	99.2	110.0	109.4	113.9	123.1	135.6	144.5	154.6
Commercial and Industrial	116.9	122.4	126.7	118.6	130.6	141.6	131.4	129.3	129.4	133.1
Street Lighting	8.6	8.2	9.0	10.2	8.4	8.1	8.2	9.9	11.6	12.4
Public Service and Community	10.4	11.8	13.1	16.4	25.2	27.1	28.2	28.8	29.9	33.4
Sub-Total	216.6	232.2	24[illegible].9	255.2	273.7	290.7	290.9	303.6	315.4	333.5
Private Generation										
Hasco b/	17.8	7.3	6.4	8.6	9.2	6.1	8.9	6.3	2.6	3.4
Ciment d'Haiti c/	21.5	22.4	19.6	22.1	22.2	22.6	19.8	18.0	18.8	20.3
TOTAL	255.9	262.0	273.9	286.0	305.0	319.3	319.6	327.9	336.8	357.2
					(annual percentage change)					
Residential	16.1	11.4	10.3	10.9	-0.5	4.1	8.0	10.2	6.6	7.0
Commercial and Industrial	8.1	4.7	3.5	-6.3	10.0	8.5	-7.2	-1.6	0.1	2.9
Street Lighting	4.4	-5.6	10.1	13.2	-17.0	-4.6	2.1	20.4	17.1	6.9
Public Service and Community	11.9	12.7	11.2	25.4	53.9	7.4	4.0	2.2	3.8	11.7
Sub-Total	11.0	7.2	6.8	2.9	7.2	6.2	0.1	4.4	3.9	5.7
Private Generation										
Hasco b/	-33.3	-58.8	-13.3	35.6	6.2	-33.5	45.8	-28.7	-59.0	30.8
Ciment d'Haiti c/	13.5	4.4	-12.7	13.0	0.2	1.8	-12.1	-9.4	4.7	8.0
TOTAL	6.2	2.4	4.5	4.4	6.6	4.7	0.1	2.6	2.7	6.1

a/ 1GWh = 1 million kWh.
b/ Haitian American Sugar Company, a private sugar mill.
c/ Cement factory.

Table 9.1: CONSUMER PRICE INDICES a/ , FY81-89
(FY80 = 100)

Fiscal Year and Quarter b/	General Index (100.0)	Food (64.5)	Clothing and Footwear (3.2)	Furniture and Household Items (5.7)	Housing and Household Energy (11.7)	Services c/ (14.9)
FY81	115.2	114.3	125.7	118.5	127.2	107.7
I	110.7	112.8	122.2	107.1	112.6	100.6
II	113.4	115.4	126.3	119.3	111.3	105.9
III	116.5	113.3	128.4	124.3	133.9	111.1
IV	120.3	115.6	125.8	123.6	151.1	113.2
FY82	117.3	114.5	127.9	123.1	136.6	111.6
I	113.5	115.5	126.3	119.5	115.0	106.2
II	116.6	113.3	128.5	124.3	135.7	111.1
III	120.3	115.6	126.0	123.6	151.4	113.3
IV	118.8	113.7	130.9	125.1	144.1	115.7
FY83	127.6	122.7	142.0	130.9	162.9	117.3
I	120.4	114.1	134.4	129.2	154.3	115.3
II	125.7	120.1	142.4	129.7	163.0	116.7
III	132.6	129.6	144.5	131.9	165.3	118.5
IV	131.6	127.2	146.8	132.7	169.2	118.7
FY84	137.8	133.1	154.7	131.2	177.9	126.8
I	134.9	130.4	149.8	130.1	172.8	124.7
II	136.5	132.0	151.4	130.8	175.8	125.2
III	139.3	135.2	161.8	131.1	179.7	128.0
IV	140.3	134.9	156.9	132.9	183.3	129.2
FY85	149.4	143.6	172.2	1[illegible]7.1	199.9	135.5
I	141.8	135.6	159.9	133.5	191.8	129.0
II	146.6	140.2	172.1	136.9	200.1	131.6
III	151.5	145.4	178.5	138.3	203.6	139.0
IV	157.5	153.2	183.4	139.5	204.2	142.3
FY86	162.1	160.3	200.0	139.8	190.1	149.4
I	162.2	162.3	194.2	141.2	186.7	144.9
II	164.1	163.1	201.1	140.8	194.7	146.9
III	161.3	158.2	202.7	140.5	189.5	152.4
IV	160.7	157.5	202.0	136.5	189.4	153.5
FY87	144.1	130.2	186.0	139.8	196.2	157.6
I	152.1	142.1	194.8	144.8	196.0	156.4
II	143.6	129.8	181.3	139.3	196.2	156.4
III	141.0	125.9	180.5	139.5	194.7	157.8
IV	139.6	123.0	187.2	135.7	194.7	160.1
FY88	143.9	129.8	184.4	135.4	190.8	163.5
I	140.9	125.0	189.4	138.6	188.0	164.1
II	142.0	127.4	181.9	132.5	190.1	163.1
III	145.0	131.9	182.3	136.1	189.8	162.6
IV	147.6	134.7	183.8	134.4	196.4	164.1
FY89	154.4	141.0	182.6	135.3	197.8	164.0
I	153.7	140.2	182.4	137.9	213.0	166.3
II	153.0	140.1	181.9	132.6	193.1	163.1
III	153.2	140.6	182.3	136.1	189.8	162.6
IV	157.6	143.0	183.8	134.4	196.4	164.1

a/ Port-au-Prince Metropolitan Area. Numbers in parentheses under the categories are weights in overall Index.
b/ Haitian fiscal year quarters.
c/ Excludes Housing.

Source: IHSI and BRH.

Table 9.2: AVERAGE RETAIL PRICES OF PRINCIPAL FOOD PRODUCTS AND CHARCOAL, FY83-89

Fiscal Year and Quarter a/	Rice	Ground Maize	Ground Millet	Beans	Beef	Goat Meat	Fish	Chicken	Eggs	Charcoal
	(gourdes per lb)								(G/3 eggs)	(G/bag)
FY83	2.40	1.10	1.10	1.70	8.10	..	8.00	..	1.50	22.95
FY84	2.40	1.30	1.20	2.05	8.20	..	8.00	..	1.75	25.40
FY85	2.60	1.30	1.35	2.55	9.35	..	8.00	6.65	1.80	27.55
I	2.40	1.25	1.20	2.10	8.50	..	..	6.10	1.80	27.15
II	2.50	1.25	1.20	2.15	8.85	9.95	..	6.70	1.80	27.60
III	2.75	1.25	1.30	2.80	9.80	10.50	..	6.70	1.85	28.05
IV	2.80	1.40	1.70	2.90	10.10	10.50	..	7.05	1.70	27.50
FY86	2.80	1.50	1.60	3.05	10.25	10.50	8.05	7.70	1.95	32.30
I	2.80	1.50	2.00	3.10	10.10	10.50	..	7.50	1.90	31.40
II	2.80	1.50	1.60	3.15	10.30	10.50	..	7.90	1.90	34.70
III	2.80	1.50	1.45	2.90	10.40	10.50	..	7.80	2.00	31.50
IV	2.80	1.40	1.40	3.00	10.20	10.50	..	7.60	2.00	31.50
FY87	1.80	1.20	1.15	2.20	10.20	10.00	8.20	7.70	2.00	33.50
I	2.05	1.10	1.20	2.60	10.15	10.10	..	7.70	2.00	34.00
II	1.70	1.20	1.10	2.60	10.25	10.00	..	7.60	2.00	34.45
III	1.80	1.25	1.15	2.25	10.25	10.00	..	7.70	2.00	32.90
IV	1.80	1.15	1.15	2.00	10.25	10.00	..	7.80	2.00	33.40
FY88	2.25	1.19	1.11	2.28	10.30	10.00	..	7.49	1.90	29.98
I	1.80	1.05	1.05	2.15	10.30	10.00	..	7.70	1.90	29.60
II	2.05	1.25	1.10	2.40	10.30	10.00	..	7.50	1.90	30.30
III	2.25	1.25	1.15	2.25	10.30	10.00	8.50	7.15	1.90	30.00
IV	2.90	1.20	1.15	2.30	10.30	10.00	8.50	7.60	1.90	30.00
FY89	2.19	1.28	1.12	2.44	11.61	10.39	8.50	7.28	1.89	29.16
I	2.67	1.17	1.13	2.27	11.50	10.00	8.50	7.28	1.88	29.64
II	2.00	1.21	1.05	2.42	11.54	10.29	8.46	7.22	1.88	24.92
III	2.01	1.35	1.13	2.56	11.65	10.67	8.50	7.21	1.89	24.49
IV	2.07	1.37	1.18	2.49	11.73	10.61	8.52	7.42	1.91	25.58

a/ Haitian fiscal year quarters.

Source: IHSI, BRH.

Table 9.3: MINIMUM WAGE RATES, FY80-89

Fiscal Year	Nominal Wage Rate (G/day)	Real a/ Wage Rate (FY80 G/day)	Real Wage Index (FY80=100)
FY80	11.0	11.0	100.0
FY81	13.2	11.5	104.2
FY82	13.2	11.3	102.3
FY83	13.2	10.3	94.1
FY84	13.2	9.6	87.1
FY85	15.0	10.0	91.3
FY86	15.0	9.3	84.1
FY87	15.0	10.4	94.6
FY88	15.0	10.4	94.8
FY89	15.0	9.7	88.3

a/ Nominal wage rate deflated by consumer price index for the Port-au-Prince Metropolitan Area.

Source: Ministry of Social Affairs; IHSI; and Bank staff calculations.

Table 10.1: NUMBER OF PUPILS IN PRIMARY AND SECONDARY SCHOOLS, FY80-89

PRIMARY SCHOOLS

	TOTAL			URBAN			RURAL		
	Total	Public	Private	Total	Public	Private	Total	Public	Private
FY80	580,12.	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	162,566	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	429,328	389,699	163,816	225,883	333,342	129,512	203,830
FY84	783,000	325,600	457,400	423,300	182,000	241,300	359,700	142,600	216,100
FY85	819,600	337,800	481,800	442,600*	184,800*	257,800*	377,000*	153,000*	224,000*
FY86	872,500	362,400	510,100	471,200*	195,800*	275,400*	401,300*	166,600*	234,700*
FY87	763,400	362,200	401,200	412,200	171,700	240,500	351,200	190,500	160,700
FY88	776,400	245,200	531,200	419,200	174,600	244,600	357,200	70,600	286,600
FY89	889,500	342,700	546,800	480,300	200,000	280,300	409,200	142,700	266,500

SECONDARY SCHOOLS

	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
FY84	134,300	19,400	114,900
FY85	128,000	20,400	107,600
FY86	139,400	21,900	117,500
FY87	155,200	27,000	128,200
FY88	167,700	30,400	137,300
FY89	182,400	34,100	148,300

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.

Table 10.2: NUMBER OF TEACHERS IN PRIMARY AND SECONDARY SCHOOLS, FY80-89

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
FY84	18,483	6,311	12,172	10,752	3,910	6,842	7,731	2,401	5,330
FY85	20,302	6,922	13,380	11,332 *	4,705	6,627	8,970*	2,217	6,753
FY86	23,200	8,200	15,000	12,963 *	5,198	7,765	10,237*	3,002	7,235
FY87	24,299	8,659	15,840	13,689 *	5,489	8,200	10,810	3,170	7,640
FY88	22,421	7,782	14,639	11,869	4,838	7,031	10,552	2,944	7,608
FY89	24,900	8,644	16,256	14,900	6,074	8,826	10,000	2,570	7,430

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
FY84	5,781	1,087	4,694
FY85	6,106	967	5,139
FY86	6,978	1,000	5,978
FY87	7,920 *	1,093*	6,827*
FY88	8,992	1,195	7,797
FY89	10,210	1,306	8,904

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.

Table 10.3: NUMBER OF PRIMARY SCHOOLS, FY80-83, AND SECONDARY SCHOOLS, FY80-89

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

SECONDARY SCHOOLS

	Total	Public	Private
FY80	205	24	181
FY81	228	24	204
FY82	244	25	219
FY83	290	26	264
FY84	314	26	288
FY85	360	26	334
FY86	376	26	350
FY87	414	28	386
FY88	456	30	426
FY89	503	34	469

* Estimates by BRH, Direction des Etudes Economiques.

Source: Ministry of National Education, Direction de la Planification.

Table 11.1: SUMMARY OF THE ROAD NETWORK INVENTORY, 1990

Surface Type	AADT (Veh/day)	Length (km) Good	Regular	Bad	Total
Paved	1407	112.70	326.28	143.30	582.28
Percent		19.35	56.03	24.61	100.00
Portland Cement	3071	-	26.50	-	26.50
Asphalt Concrete	1756	-	211.65	50.90	262.55
Asphalt Macadam	1001	16.10	88.13	38.00	142.23
Surface Treatment	891	96.60	-	54.40	151.00
Unpaved	72	68.90	547.16	1262.28	1878.34
Percent	-	3.67	29.13	67.20	100.00
Gravel	100	56.10	307.00	713.03	1076.13
Earth	38	12.80	225.16	409.50	647.46
Stone	21	-	15.00	139.75	154.75
Total	388	181.60	873.44	1405.58	2460.62
Percent	-	7.38	35.50	57.12	100.00

Source: MTPTC estimates.

Table 11.2: MTPTC RECURRENT BUDGET, 1985/86-1989-90

MTPTC Total a/	65,815	61,996	60,500	56,003	55,748
Personnel	45,540	50,824	52,187	53,002	52,376
Percent of Total	69.2	82.0	86.3	94.6	94.0
Intercity Road Maintenance (SEPRRN)					
Permanent Personnel	8,029	10,290	13,065	12,843	12,834
Daily Workers	13,893	10,200	7,425	2,920	4,920
Fuel, materials and other	10,805	6,408	3,618	666	1,206
TOTAL	32,727	26,898	24,108	16,429	18,960
Percent of Personnel	67.0	76.2	85.0	95.9	93.6
Port-au-Prince Drainage and Road Maintenance (SEEU)					
Permanent Personnel	690	2,043	2,616	2,803	2,774
Daily Workers	1,703	1,703	1,371	1,164	1,164
Fuel, materials and other	727	663	480	196	180
TOTAL	3,120	4,409	4,467	4,163	4,118
Percent of Personnel	76.7	85.0	89.3	95.3	95.6

a/ Excluding decentralized services reporting to MTPTC.

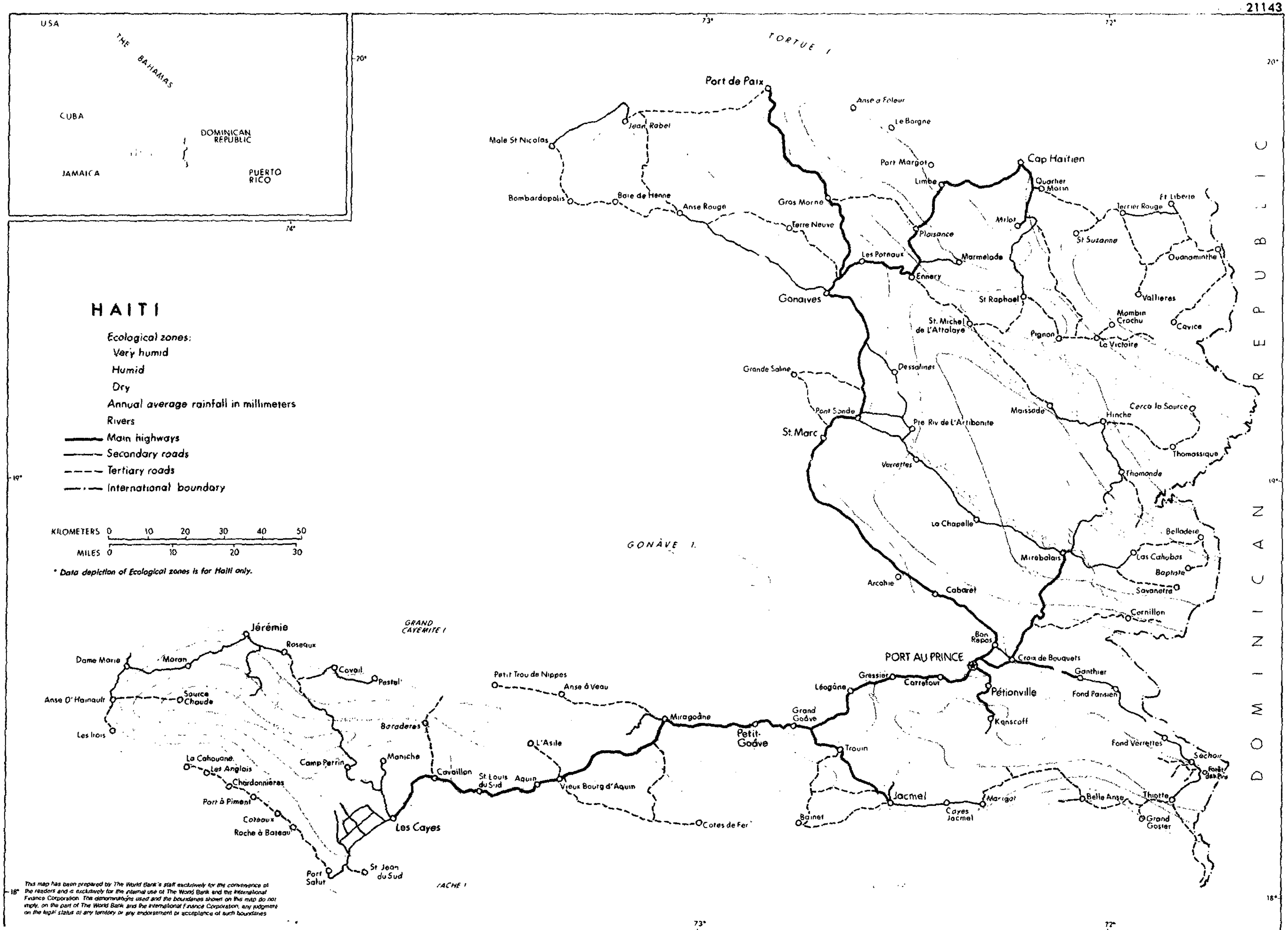
Source: MTPTC.

Table 11.3: Road Indicators, 1986/87

	Pop. (mln.)	Superficie (1000 km2)	GNP/cap	km	km / 100 km2
Haiti	6.1	28	330	4,000	14.3
Jamaica	2.4	11	840	17,700	160.9
Dominican Republic	7	49	710	19,000	38.7
Burundi	4.8	28	240	5,400	19.3
Rwanda	6.2	26	290	10,000	38.5
Lesotho	1.6	30	370	4,000	13.3

a/ A further 800 km is paved.

Source: World Bank Indicators.


HAITI
Ecological zones:
Very humid
Humid
Dry
Annual average rainfall in millimeters
Rivers
Main highways
Secondary roads
Tertiary roads
International boundary
KILOMETERS 0 10 20 30 40 50
MILES 0 10 20 30
* Data depiction of Ecological zones is for Haiti only.
USA
THE BAHAMAS
CUBA
DOMINICAN REPUBLIC
JAMAICA
PUERTO RICO
TORTUE I.
GONÂVE I.
GRAND CAYEMITE I.
DOMINICAN REPUBLIC
Port de Paix
Cap Haitien
Gonaives
St. Marc
PORT AU PRINCE
Pétionville
Jérémie
Les Cayes
Jacmel
Miragoâne
Petit-Goâve
Mole St Nicolas
Jean Rabel
Bombardopolis
Baie de Henne
Anse Rouge
Gros Morne
Terre Neuve
Les Poteaux
Ennery
Plaisance
Marmelade
Limbe
Port Margot
Le Borgne
Anse à Foleur
Quartier Morin
Milot
St Suzanne
Terrier Rouge
Ft Liberte
Ouanaminthe
Vallieres
St Raphael
St. Michel de L'Attalaye
Pignon
La Victoire
Mombin Crochu
Carice
Dessalines
Grande Saline
Pont Sonde
Pte Riv de L'Artibonite
Maissade
Hinche
Cerca la Source
Thomassique
Thomonde
Verrettes
La Chapelle
Mirebalais
Belladere
Las Cahobas
Baptiste
Savanette
Cornillon
Arcahie
Cabaret
Bon Repos
Croix de Bouquets
Ganthier
Fond Parisien
Kenscoff
Carrefour
Gressier
Léogâne
Grand Goâve
Trouin
Bainet
Cayes Jacmel
Marigot
Belle Anse
Thiotte
Grand Gosier
Fond Verrettes
Sechoir
Forêt des Pins
Cotes de Fer
Vieux Bourg d'Aquin
Aquin
L'Asile
St Louis du Sud
Cavaillon
Baraderes
Petit Trou de Nippes
Anse à Veau
Maniche
Camp Perrin
St Jean du Sud
Port Salut
Roche à Bateau
Coteaux
Port à Piment
Chardonnières
Les Anglais
La Cahouane
Les Irois
Anse D'Hainault
Source Chaude
Dame Marie
Moron
Roseaux
Corail
Pestel
73°
72°
74°
20°
19°
18°
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SEPTEMBER 1988