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INTERNATIONAL MONETARY FUND

HAITI

Selected Issues

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Approved by Western Hemisphere Department

April 29, 2005

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I. Fiscal Performance and Medium-Term Issues[1]

A. Introduction

1. **Haiti's government finances have been characterized by low and volatile levels of revenue and expenditure**. Since mid-1990s, central government revenues have remained at around 7–9 percent of GDP, while expenditures have fluctuated more widely, between 9 percent and 16 percent of GDP, reflecting primarily the volatility of external assistance. The weak domestic revenue base and unstable external flows, as well as poor expenditure targeting, have left spending on education, health, and infrastructure in Haiti well below the levels observed in other low-income countries.

2. **This suggests there are two significant constraints on the government's ability to provide adequate social services and tackle the chronic underinvestment in physical and human capital**. The first is the very low yield of the tax system which has left the tax/GDP ratio at a level that is inadequate to support Haiti's development needs. The second is the severe weakness in expenditure management, which impedes efficient use of domestic resources and external financing.

3. **This chapter reviews key trends in Haiti's fiscal performance over the past decade and discusses various options for strengthening the fiscal system**. It suggests that a key challenge will be to generate adequate resources to support development, which requires an increase in outlays on social programs, security, and infrastructure investment to at least the levels observed in other low-income countries. This would be an ambitious goal, and would require a substantial and sustained effort to improve expenditure management and raise domestic revenue.

4. **The rest of the chapter is organized as follows**. Section B reviews revenue trends and key features of the tax system, and Section C the potential for raising the tax/GDP ratio. Section D reviews recent expenditure trends. The paper's conclusions are presented Section E.

B. Central Government Revenue—Current System

5. **The central government's revenue/GDP ratio declined to around 7–9 percent over the past decade, from a level of over 10 percent of GDP in the 1980s.** Haiti's tax/GDP ratio is well below that in other low-income countries, reflecting the low yield from income, excise, and trade taxes (Table 1).[2]

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[1] The principal author of this chapter is Thomas Dalsgaard (FAD) with inputs from Dominique Simard (MCD) and Olumuyiwa Adedeji (FAD).

[2] Note that local government taxes are not included in the comparison due to lack of data availability. However, fiscal decentralization is very limited in most low-income countries and the role of local government taxation is marginal.

Table 1. Haiti: Comparison of Central Government Tax Structure

(In percent of GDP, unless otherwise noted)

	Nominal GDP per capita (U.S. Dollars) 2000-01 Average	Sample size	Revenue		Taxes on income, profits and capital gains		Social security taxes	Payroll taxes	Domestic taxes on goods and services			International trade taxes			Property taxes
			Total	of which Tax	Total	of which Corporate			Total	of which: Sales taxes or VAT	of which: Excises	Total	of which Import duties	of which Export duties	
Haiti 1/	440		9.6	9.6	1.8	0.7	0.0	0.1	4.8	3.1	1.1	2.8	2.8	0.0	0.1
Low Income Countries 2/	462	30	18.4	14.4	4.0	2.0	0.8	0.0	5.5	3.3	1.9	3.7	2.6	0.3	0.1
of which:															
Benin 3/	380		17.0	15.2	3.5	1.8	0.6	0.3	7.4	6.3	0.3	3.9	2.5	0.1	0.2
Guinea 3/	410		10.5	9.8	1.6	...	...	...	4.8	2.9	1.4	2.1	1.6	0.1	...
Lower middle income countries 2/	1,829	25	23.4	18.4	4.5	2.3	2.2	0.1	7.6	5.3	2.2	3.3	3.1	0.2	0.3
Upper middle income countries 2/	4,793	21	26.1	21.6	4.5	2.5	5.6	0.1	8.6	6.3	2.7	2.6	2.6	0.0	0.3
High income countries 2/ 4/	21,170	32	32.2	26.8	9.0	2.6	6.9	0.3	8.8	6.3	2.7	1.3	1.2	0.0	0.7

Sources: Government Finance Statistics (IMF); and International Financial Statistics (IMF).

1/ 2004/05 budget.
2/ GDP per capita per year for low-income countries: below 1,000 USD per year; lower-middle-income countries: 1,000 - 3,100 USD; upper-middle-income countries: 3,100 - 8,000 USD; higher-income countries: above 8,000 USD.
3/ 2003: Benin and Guinea have similar incomes per capita and sizes of population as Haiti.
4/ European Union countries do not report statistics on international trade taxes to Government Finance Statistics

6. **Haiti's weak revenue performance is due to a combination of a narrow tax base and weak tax administration**. The tax and investment codes, although containing positive features such as comprehensive income taxation levied on a world-wide basis, allow for exemptions and deductions that seem generous by international standards. One of the shortfalls of Haiti's tax system appears to be tax administration and enforcement in the provinces, where in the past few years only about 7 percent of all central government tax revenue has been collected. Some of the main tax policy issues are discussed below.[3]

The value added tax

7. **The value added tax (TCA) brings in revenues comparable to those of low-income countries**. In fact, VAT productivity in Haiti is not far from some of the better performers among the group of low-income countries and the averages for the OECD and the Western Hemisphere (Table 2).[4] However, this comparison also demonstrates that raising VAT productivity in Haiti to Western Hemisphere average would yield an additional VAT revenue equivalent to above 1 percent of GDP.

Table 2. VAT Productivity and VAT Thresholds in Selected Countries and Regions, 2002

	VAT revenue (percent of GDP)	VAT rate (percent)	VAT productivity[1/]	VAT threshold (in U.S. dollars)
Haiti	2.5	10	0.25	2,700
Benin[2/]	6.3	18	0.35	57,000 for trading 21,500 for others
Guinea[2/]	2.9	18	0.16	76,000 for trading
Western Hemisphere	6.1	-	0.4	-
OECD	6.7	-	0.4	-

Source. IMF staff reports; OECD Revenue Statistics and Fund staff calculations.

1/ VAT productivity measures how much revenue as a percent of GDP is raised per percentage point of the VAT rate.

2/ 2003: Benin and Guinea have similar incomes per capita and sizes of population as Haiti.

8. **Improvements to Haiti's VAT could boost its revenue raising capacity and improve its competitiveness and productivity**. Currently, there are several features that constrain revenue and could act as impediments to economic growth. First, the VAT threshold is unusually low compared with other low-income countries (Table 2), which could mean that the capacity of the revenue administration is being unduly strained to cover a large

[3] An overview of the main features of the tax system is provided in the Statistical Annex.

[4] VAT productivity measures how much revenue as a percent of GDP is raised per percentage point of the VAT rate.

number of VAT payers.[5] Second, unlike in most other countries with VAT, imported petroleum products are exempt thereby reducing revenues.[6] Third, in contrast to standard practice, exports are exempt rather than zero rated, which may lead to tax evasion in other sectors.

Excises

9. **Revenues from excises are lower than in other low-income countries** (Table 1). Since the collection of customs duties and domestic consumption taxes (excises and VAT) takes place at the border, the low yield likely reflects weaknesses in the administration of borders and smuggling.[7] In addition, the level of some of the excises levied in Haiti is low by international standards.[8] This is partly due to the fact that some specific excise rates have not been adjusted for inflation since the mid-1990s.[9] Moreover, the excise system for some goods, such as tobacco, treats imported and domestically produced goods unequally, thereby introducing a distortion which favors domestic production.

Taxation of capital income

10. **The tax on personal capital income does not raise significant revenue**. The tax law provides for taxation of interest, dividends, and capital gains. However, the revenue base has been narrowed by the complete exemption granted to individuals and companies from tax on interest received on deposits in foreign-owned banks and the generous deductions from the capital gains tax.[10] Besides narrowing the revenue base, these exemptions distort economic decisions by discouraging intermediation by domestic banks and encouraging investment in buildings and land.

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[5] For developing countries the Fund normally recommends a threshold of US$30,000 depending on the country-specific circumstances.

[6] However, customs duties on gasoline amount to 57.8 percent of value at customs.

[7] Some 70 percent of total VAT collection in Haiti takes place at the borders (Ebrill, et al., 2001).

[8] For instance, the excise on gasoline is around G10, or US$0.25 per gallon. Some of the key ad valorem excise rates are: luxury foodstuff: 5 percent; alcoholic beverages: 4–5 percent; tobacco products: 12 percent; cars: 5–20 percent. A more thorough analysis of effective taxation of selected goods compared with neighboring countries would need to be carried out before a final judgment can be made on the revenue potential from the excises.

[9] Shukla and Porto (2004).

[10] Reflecting the exemptions, total government revenue from these sources included in the 2004/05 budget is only G9 million (0.5 percent of total personal income taxes).

Corporate income tax

11. **Corporate tax revenues as a percent of GDP are low compared with other low-income countries.** The effective statutory corporate tax rate—estimated at around 33 percent—as well as the top corporate rate of 35 percent, are comparable to other countries.[11] However, as a share of GDP revenue from this tax is less than half that collected in other low-income countries. The implied corporate income tax base is estimated at about 2.5 percent of GDP, or less than half of that in other low-income countries, but the shortfall may also reflect other factors such as weaknesses in tax administration and generous tax incentives (Table 3).

Table 3. Corporate Tax Rates and Implicit Tax Bases

	Corporate tax revenues (Percent of GDP)	Average statutory corporate rate (percent)	Average implied corporate tax base (percent of GDP)
Haiti[1/]	0.8	33.0	2.3
Haiti, unweighted average rate	0.8	23.5	3.2
Low-income countries	2.0	34.6	5.8
Lower middle-income countries	2.1	31.7	7.3
Upper middle-income countries	2.6	29.8	8.7
High income-countries	2.5	32.6	8.3

Source: Keen and Simone (2004) and Fund staff calculations.

Note. Revenue data for Haiti are for 2004/05, while data for the other countries are for 2001–2001.

1/ Data from Faria, et al. (1998).

Tax incentives

12. **Haiti's investment code significantly erodes the tax base**. It contains numerous tax holidays (including for indirect taxes) for a broad spectrum of activities and organizations.[12] For example, in 1998, one third of processing industries and artisanal enterprises operating for the local market were exempted from taxation by the investment code (Faria, et al., 1998). Tax holidays can also be negotiated with the tax authorities, adding to uncertainty, lack of transparency, and rent seeking.

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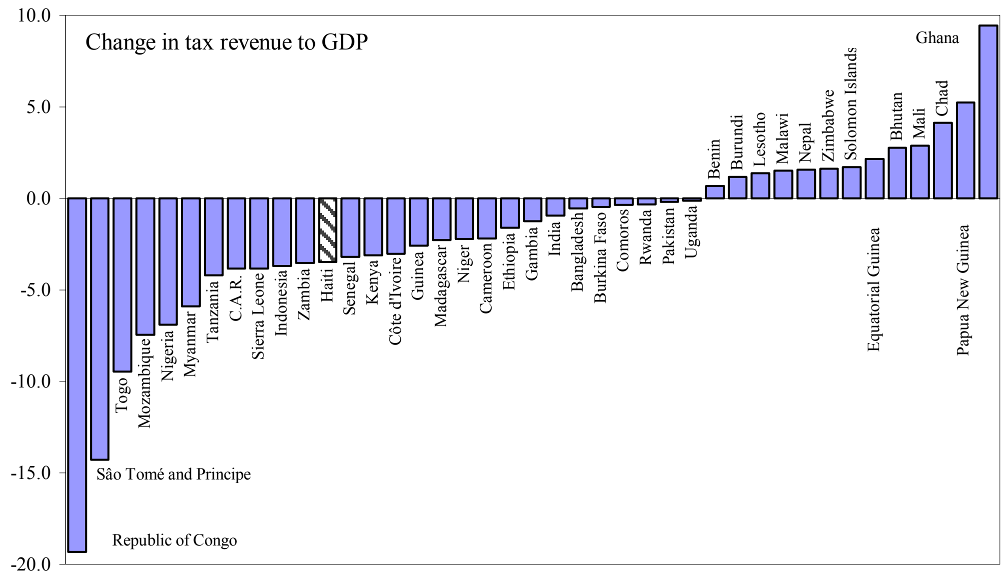
[11] Unlike most other countries, Haiti applies a five rate progressive corporate income tax. The effective tax rate is from Faria, et al. (1998).

[12] Haiti provides income tax holidays for up to 15 years, followed by tax reductions for five subsequent years for designated firms. Haiti also grants VAT holidays, against international best practices, since a well-functioning VAT regime credits inputs and is, hence, not a disincentive to investment. Furthermore, Haiti grants customs holidays for a period as long as 20 years.

C. Potential for Catching Up

13. **The experience of other low-income countries illustrates the difficulty of raising the tax/GDP ratio** (Figure 1). Over the past 20 years, only 13 out of a representative sample of 41 low-income countries managed to raise tax/GDP ratios, and the average annual increase for this group was about 0.3 percentage points of GDP.[13] The majority of countries, including Haiti, witnessed declining tax/GDP ratios.

Figure 1. Tax-to-GDP Ratio for Low-Income Countries, 1980-1999



Source: IMF, Fiscal Affairs Department.

14. **The experience of countries such as Ghana and Uganda suggests that well-managed tax reforms can raise tax revenues significantly.** In Ghana, the tax revenue/GDP ratio increased by almost 10 percentage points from the early 1980s to the late 1990s, to reach its current level of about 16 percent of GDP. In Uganda, the revenue/GDP ratio rose from about 7 to about 11 percent of GDP during the 1990s. These gains were underpinned by policy reforms that included: (i) lowering of top marginal income tax rates for persons and corporations; (ii) broadening the tax base—for example, by eliminating tax incentives for corporations and including fringe benefits in the personal income tax base; and (iii) expanding the base for indirect taxes, most notably the VAT. On the administration side, reforms included: (i) creation of autonomous tax and customs administrations; (ii) reorganization of the tax and custom administration departments along functional lines (payment, enforcement, audits, rather than by type of tax); (iii) computerization; and (iv) improvement of taxpayer registers.

[13] See IMF Fiscal Affairs Department database.

15. **In the case of Haiti, there are several possible channels for increasing the tax/GDP ratio.** First, the existing tax administration could be strengthened and enforcement expanded to the provinces. Second, tax administration could be improved by increasing voluntary compliance and self-assessment, improving collection procedures, developing audit plans and procedures, and reorganizing along functional lines. Third, various tax policy options could be considered—both to raise revenues and to facilitate tax administration.[14] Additional measures could include:

- Elimination of tax incentives in the investment code—with existing preferences grandfathered—and (if deemed necessary) replacing tax holidays with a general scheme of accelerated depreciation;
- Strengthened taxation of fringe benefits, for instance by eliminating their deductibility on the employer side;
- Comprehensive coverage of personal capital income in the tax net;
- Increasing holding tax on property above some relatively high threshold;
- Broadening of the VAT base, including repealing the VAT exemption on imported petroleum products;
- Increasing specific excises, at least in line with inflation, and increasing existing ad valorem rates;
- Increasing the VAT rate—at 10 percent, it is at the lower end of the range among low-income countries.[15]

16. **However, there does not appear to be scope for significant changes to marginal income tax rates and external trade taxes**. Raising income tax rates above the present 35 percent for corporations and 30 percent for individuals could be distortionary and encourage avoidance. However, aligning the two top rates at 30 percent, and perhaps moving to one single rate for corporations could reduce incentives for high-income individuals to incorporate. The capacity to raise external tariff rates is limited by Haiti's international trade commitments.

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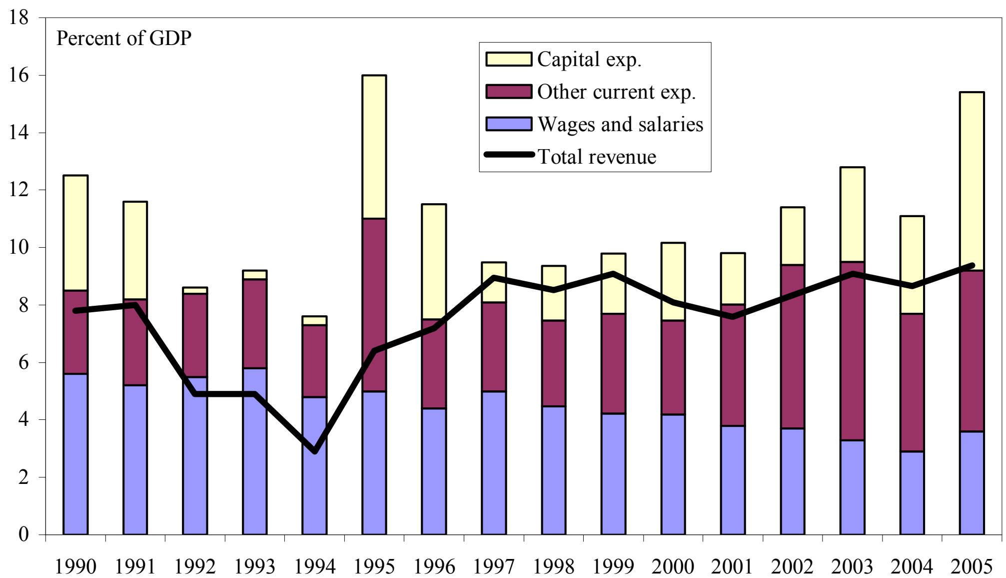
[14] Some of these options have been recommended in earlier IMF reports (Faria, et al, 1998) and by Shukla and Porto (2004).

[15] Although this could raise concerns regarding the impact on the poor, the negative impact could be offset by targeted measures on the expenditure side.

D. Trends in Central Government Expenditure

17. **Over the past 15 years, central government expenditure in Haiti has averaged 11 percent of GDP, with large annual variations reflecting fluctuations in tax revenues and external financing** (Figure 2). While tax revenues have remained low and relatively stable in recent years, external financing has fluctuated widely in response to political developments. The massive inflow of foreign aid under President Aristide in 1990–91 was followed by an embargo under the military regime (1992–94). Subsequently, international assistance was revived during 1995–2000 (under President Préval), but aid flows declined after the disputed 2000 elections. In 2004, following the change of government and in response to the natural disasters, aid flows started picking up again.

Figure 2. Haiti: Central Government Expenditure and Revenue, 1990–2005



Source: The Haitian authorities.

18. **The composition of government expenditure over the past decade was characterized by a large decline in the share of government wage bill and a sharp increase in other current expenditure**.[16] The government wage bill—at 3 percent of GDP in 2003/04—is now significantly below the levels found in other low-income countries.[17] The decline was particularly pronounced after 2000, reflecting the freeze on nominal wages in the public sector. Expenditures on goods and services and subsidies increased strongly,

[16] Other current expenditure includes goods and services, subsidies and interest payments.

[17] For PRGF eligible countries, the average central government wage bill constitutes some 6-7 percent of GDP (see the chapter on Public Sector Employment in Haiti).

and a rising proportion of these expenditures was channeled through discretionary ministerial accounts.[18] Government capital spending was volatile, illustrating the difficulties in establishing a multi-year investment program under the conditions of unstable external financial assistance.

19. **Government expenditures on education, health, and infrastructure are low** (Table 4). Cross-country comparisons should be interpreted with caution—especially since Haiti has traditionally relied more than many other low-income countries on private financing and private sector provision of social services such as health and education. Nonetheless, the low level of direct government spending in these areas helps explain why Haiti has one of the poorest social indicators in the world (Table 5). Low educational and health standards, combined with an inadequate physical infrastructure, are likely to be among the key factors behind Haiti's growth record and declining per capita income.

Table 4. Summary Indicators of Central Government Expenditure

(Annual average 1992–2002)

	Average population (In millions)	Average nominal GDP per capita (In U.S. dollars)	Real GDP growth rate (In percent)	Expenditure in percent of GDP			
				Total	Education	Health	Capital
Haiti	7.3	405	-1.1	10.9	1.3	2.0	1.8
Selected PRGF- countries 1/	16.1	339	4.4	22.1	3.3	2.3	7.8
Low-income countries 2/	36.0	417	3.5	17.8	1.3	3.5	-
Selected Western Hemisphere PRGF-countries 3/	4.6	774	3.5	30.9	3.9	3.8	10.2

Source: World Economic Outlook (WEO), Government Finance Statistics (GFS), World Development Indicators Database and various country reports, Ministry of Finance of Haiti (MEF) and Fund staff estimates.

1/ Cambodia, Ghana, Guinea, Kenya, Mauritania, Nepal, and Uganda.
2/ As defined in the World Bank database on World Development Indicators (1992-2001).
3/ Bolivia, Guyana, Honduras and Nicaragua.

[18] The increase in the share of spending on goods and services is frequently symptomatic of weak expenditure control and lack of transparency. In Haiti, the surge in expenditure channeled through discretionary accounts was largely attributed to weak governance and the weaknesses in government expenditure management procedures. See Lienert (2004).

Table 5. Social Indicators (Average 1992–2002)

	Illiteracy rate (percent of Population)	Life expectancy at birth (Years)	Infant mortality rate (Per thousand)	Population with access to improved water (In percent)	Population with access to improved sanitation
Haiti	54	53	87	46	28
Selected PRGF-countries 1/	42	51	91	55	54
Low-income countries 2/	40	59	84	76	44
Selected Western Hemisphere PRGF-countries 3/	20	65	53	84	79

Sources: World Development Indicators, 2002, World Bank. Ministry of Finance of Haiti (MEF) and Fund staff estimates.

1/ Cambodia, Ghana, Guinea, Kenya, Mauritania, Nepal, and Uganda.
2/ As defined in the World Bank database on World Development Indicators (1992-2001).
3/ Bolivia, Guyana, Honduras, Nicaragua.

E. Conclusions

20. **Haiti needs ambitious fiscal reforms to support its development.** A broad-based development strategy would require substantially larger government resources than are currently available to expand access to social services in the areas of health and education and to develop physical infrastructure. Experience from other countries suggests that increasing the tax/GDP ratio by 4 percentage points or more over a decade would be an enormous challenge—but also that this could be feasible with a continued and committed effort. This would involve broadening the base of the corporate and personal income taxes, as well as the VAT, increasing excises and possibly also the VAT rate, and improving tax and customs administration. A near-term emphasis should be placed on tax and customs administration in the provinces, broadening the VAT base, and possibly raising excise rates.

21. **Government expenditure would need to be subject to much tighter prioritization, scrutiny, and control**. Notably, the trend toward lower spending on wages and higher spending on other current expenditures would need to be reversed, with a substantial expansion of government spending focused on development.

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II. Public Sector Employment in Haiti[1]

A. Introduction

1. **The public sector in Haiti has played a very limited role in the provision of social services.** Since the mid-1990s, total central government expenditure (including investment) has averaged 13 percent of GDP, the ratio of public employment as a percent of population has remained below 1 percent, and public sector wages have fallen in real terms. The small size of the public service has severely constrained the government's ability to provide basic social services. For example, in Haiti only 24 percent of births are attended by skilled health personnel, compared with 99 percent in high-income OECD countries, 55 percent in developing countries, and 31 percent in least developed countries.[2] However, Haiti's student-to-teacher ratio in primary schools is 34, similar to that of low-income countries.[3]

2. **The small size and very limited capacity of the government contrast with the massive development challenge facing the country**. Haiti is the poorest country in the Western Hemisphere and suffers from weak economic growth, high population growth rates, massive unemployment, high poverty and illiteracy rates, and poor health indicators. Haiti's long history of poor economic performance suggests the possibility that the limited size of its public service may be constraining the country's development.

3. **This paper illustrates that Haiti's public sector employment is far smaller than in other countries.** Section B of the paper surveys recent literature on the economic functions of the civil service. Section C evaluates public employment and wages in Haiti by analyzing the size and cost of the public service based on international comparisons and comparing public wages to those in the private sector. The final section provides a summary of the findings.

B. Why Does a Sound Civil Service Matter?

4. **A growing body of research illustrates the connection between institutions and economic development.** For example, Knack and Keefer (1997) examine cross-country data and find that weak institutional systems prevent poor countries from "catching-up" with developed countries. Hall and Jones (1998) demonstrate that differences across countries in capital accumulation, productivity, and output per worker are driven by differences in institutions and government policies. Acemoglu, et al. (2003) also find a strong relationship between institutions and growth volatility, as well as a link between the occurrence of crises and institutional quality. These conclusions are underscored by the World Economic Outlook (2003), which finds that

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[1] The principal author of this chapter is Laura Jaramillo Mayor.

[2] See Human Development Report (2004).

[3] World Development Indicators.

indicators of governance are correlated with income, growth, and the volatility of growth. Similarly, Arteta, et al. (2001) conclude that economic liberalization is more likely to have strong growth effects in countries with strong institutions.

5. **Strong institutions require adequate expenditures by the state.** A well functioning public administration is necessary to enforce the rule of law, the tax system, and property rights, as well as to assure physical security and provide basic social services. This in turn, requires an appropriate size and remuneration of public sector employees so that the government has the administrative capacity to formulate and implement public policy and ensure the appropriate allocation of public goods and services. Public sector wages that are too low may encourage rent-seeking and corruption, and diminish civil service productivity.[4]

6. **An efficient public sector requires more than adequate staffing and pay.** Efficiency typically also requires: (i) making the civil service both affordable and in line with the role a government assigns itself; (ii) providing the incentives, skills, and motivation to civil service employees to enable them to provide essential public goods and services; and (iii) enhancing civil service management and accountability at all levels.[5]

C. Public Employment and Wage Trends in Haiti

7. **In the analysis below, Haiti's civil service is compared with countries with similar characteristics**. In general, higher income countries tend to have stronger institutions and higher spending on civil service than low-income countries.[6] However, even compared with countries with similar income and other characteristics, Haiti's public sector employment appears low.

Public employment

8. **By comparison with other countries, public sector employment is extremely modest in Haiti.** Between 1998 and 2004, public sector employment declined from 0.9 percent to 0.7 percent of the population.[7] By comparison, civilian government employment in a sample of

[4] Van Rijckenghem and Weder (2001) find significant relationship between relative wages and corruption. Ul Haque and Sahay (1996) also find that low government wages lead to a decline in public sector productivity and a rise in corruption.

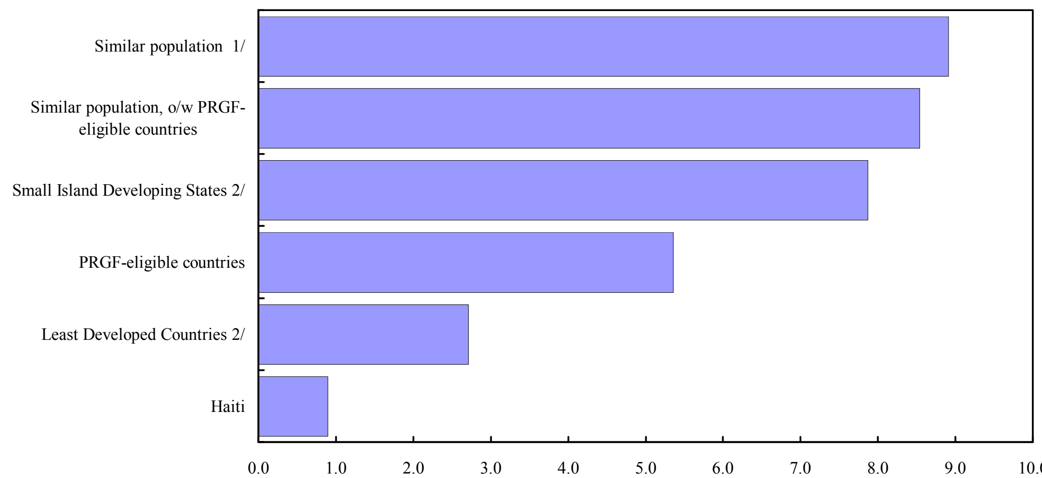
[5] See Lienert and Modi (1997).

[6] Findings on Wagner's Law—government spending increases disproportionately as societies get richer, because public affairs become more complex to administer and demand for public services is income-elastic—have been mixed. See Shiavo-Campo (1998), Chang (2002), and Ansari, et al. (1997).

[7] Data for public sector employment in Haiti provided by the Ministry of Economy and Finance are based on the number of issued pay checks which may overstate the actual number of employees. Data for other countries are from the Public Sector Employment Data Base (PSEDB), Bureau of Statistics, International Labor Organization, 2003.

100 other countries averaged about 4.7 percent of population in the early 1990s, with an average of 2 percent in Africa, 2.6 percent in Asia, and 7.7 percent among developed market economies of the OECD. In other small island developing countries, public employment ratios were in the 8-9 percent range (Table 1 and Figure 1). Similarly, public sector employment represented only 2.8 percent of all employment in Haiti, compared with 6½–9 percent in the developing countries of Africa, Asia and Latin America, and 17.2 percent in OECD countries.[8] As a percent of total population, public employment in Haiti in education, healthcare, and police is roughly a third or less than that in low-income countries. In a more striking comparison, Haiti's civilian government employment in all sectors as a percent of total population is about 80 percent less than in New York City, which has approximately the same population (Table 2).

Figure 1. Haiti: Public Employment in Comparable Countries, 1998
(In percent of population)



Sources: International Labor Organization; IMF, World Economic Outlook, and Fund staff estimates.

1/ Countries included are those with population size 2 million above or below that of Haiti in 2002.
2/ As defined by the United Nations.

[8] This is the result of the relatively undeveloped formal labor market in Haiti. There is a large informal sector and a sizable subsistence agriculture sector. The Institut Haitien de Statistique et d'Informatique estimates that 78 percent of the employed in 2001 were own-account workers and 45 percent worked in the agricultural sector. Data on other countries are found in Shiavo-Campo (1998).

Table 1. Haiti: Public Sector Employment and Employee Compensation, 1998

				Public Sector Employment		Employee Compensation	
	Average population (millions) 1/	Average PPP per capita (US$) 2/	Average PPP per capita growth (percent) 2/	Number of countries	Public employment/ Population (percent) 3/ 4/	Number of countries	Wage bill/GDP (percent) 4/ 5/
Haiti	8.3	1,397	1.6		0.9		4.5
PRGF-eligible countries	16.6	1,719	3.1	16	5.4	53	6.7
Least Developed Countries 6/	14.3	1,340	3.6	6	2.7	29	7.0
Small Island Developing States 6/	1.3	6,472	2.5	9	7.9	25	11.3
Similar population 7/	7.0	9,680	3.8	12	8.9	17	5.0
Of which: PRGF-eligible countries	7.9	1,879	3.2	3	8.5	11	4.7

Sources: IMF, *World Economic Outlook* (WEO); International Labor Organization (ILO); Government Finance Statistics (GFS); Ministry of Finance of Haiti (MEF), Fund staff estimates, ILO 2003. Data sources for Haiti are MEF and Fund staff estimations for employment in public sector enterprises.

1/ Data for 2002. Source: WEO 2004.

2/ Average for 1995-2002. Sources: WEO 2004; and Fund staff estimates.

3/ Public sector employment covers all employment of general government sector as defined in System of National Accounts (SNA) 1993 plus employment companies. It covers all persons employed directly by those institutions, without regard to publicly owned enterprises and for the particular employment contract.

4/ Data for 1998 or latest available.

5/ Data for the consolidated central government. Includes only wages and salaries, as defined by SNA 1993.

6/ As defined by the United Nations 2004.

7/ Countries included are those with population size 2 million above or below that of Haiti in 2002.

Table 2. Haiti: Total Civilian Central Government Employment

	Haiti [1/]	Low-income countries [2/]	New York City [3/]
(In percent of population)			
Total civilian central government	0.6	2.3	3.1
Education	0.3	0.9	1.7
Of which: Primary and secondary school teachers 4/	0.2		1.0
Health	0.1	0.6	0.5
Police	0.1	0.3	0.6
Of which: Police officers [5/]	0.1		0.4
Other	0.1	0.5	0.3
Memorandum items			
Population (in thousands)	8,088	35,624	8,008
Labor force [5/]	41.1	45.7	
Average wage to per capita GDP	8.5	4.4	
Total central. government and armed forces wage bill			
In percent of GDP	2.9	5.4	
In percent of government expenditure	25.8	24.7	

Sources: World Bank; NYC Mayor's Management Report 2005; UNDP; Ministry of Finance of Haiti (MEF); and Fund staff estimates. World Bank database on Public Sector Employment & Wage and Fund staff estimates.

1/ Data for 2004 except when indicated. Sources: MEF and Fund staff estimates.
2/ Averages across low income countries with latest information available between 1996-2000.
3/ Data for 2004. Source: NYC Mayor's Management Report 2005 and Fund staff estimates.
4/ Source for Haiti: World Bank 2003.
5/ Data for 2000. Source for Haiti: UNDP Haiti 2002.

Wage bill

9. **The public sector wage bill in Haiti is also very low.** Between 1998 and 2003, outlays for public sector salaries fell from 4.5 percent of GDP to 3.3 percent of GDP, well below the international average of 5.4 percent of GDP, and only two thirds the level in PRGF-eligible and least developed countries. During the same period, public sector wages in Haiti fell by one third in real terms.

10. **However, the public wage bill takes up a significant portion of the government budget in Haiti, reflecting very low overall revenue and expenditure levels.** In 2004, total spending on wages and salaries was 33 percent of government revenues and 26 percent of government expenditures, ratios below the average for least-developed countries but higher than the average for PRGF-eligible countries (Table 3). This mainly reflects the small size of the Haitian government.

Table 3. Haiti: Wage Bill, 1998 [1/]

	Number of countries	Wage bill/ total revenues (percent)	Wage bill/ current expenditure (percent)	Wage bill / total expenditure (percent)
Haiti		33.1	34.6	25.6
PRGF-eligible countries	22	27.8	26.4	23.1
Least Developed Countries 2/	10	43.1	36.9	24.6
Small Island Developing States 2/	11	39.0	32.8	33.6
Similar population 3/	18	20.5	18.4	20.3
Of which: PRGF-eligible countries	6	30.2	30.5	25.5

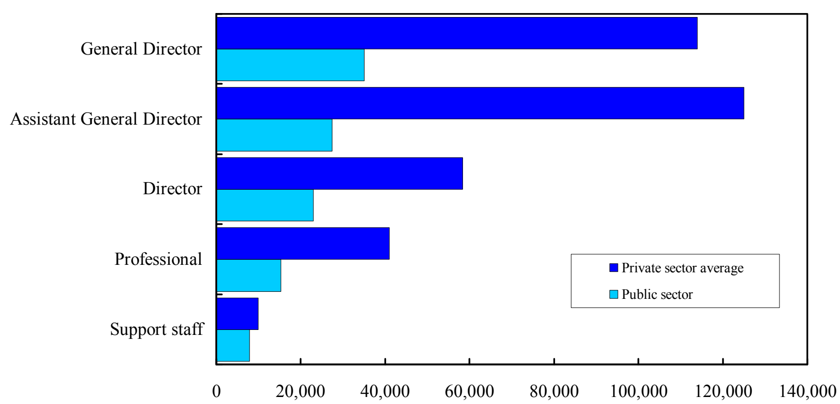
Sources: IMF, *World Economic Outlook* (WEO); Government Finance Statistics (GFS); Ministry of Finance of Haiti (MEF); and Fund staff estimates.

1/ Data for 1998 or latest available for the consolidated central government. Includes only wages and salaries, as defined by SNA 1993.
2/ As defined by the United Nations 2004.
3/ Countries included are those with population size 2 million above or below that of Haiti in 2002.

The public sector wage level

11. **Civil service compensation should be broadly comparable with that of the private sector.** Comparability—adjusting for security of employment and differences in other nonwage benefits of employment—is important to help ensure that the government is able to recruit high-quality staff and avoid corruption.[9] However, according to a recent survey conducted by the Prime Minister's office, public sector salaries in Haiti appear to be significantly below private sector averages. Employees in higher skill managerial positions earn 40 percent of their private sector counterpart's salaries, while employees in lower skill positions earn 70 percent (Figure 2).

Figure 2. Haiti: Public and Private Sector Wages by Position in 2004 1/
(Monthly wages in gourdes)



Source: Office of the Prime Minister of Haiti.

1/ Based on a survey carried out by the Office of the Prime Minister of Haiti in May 2004. Private sector averages reflect information from private banks, nonprofit organizations, the tourism industry, and petroleum companies.

[9] This is among the conclusions of Mackenzie, et al. (1997), who explore the composition of fiscal adjustment in eight countries and its impact on growth.

D. Conclusion

12. **The discussion above illustrates that the size of the civil service in Haiti is very low even taking into account the country's level of development and size.** This raises questions about the ability of the government to deliver essential public services, including health, education, and assurance of public order. Moreover, the low level of public wages also raises doubts about the government's ability to attract and retain quality personnel and avoid corruption. Dealing with these shortfalls in a manner that supports sustained public sector efficiency will likely require increasing government revenue and implementing reforms involving systemic restructuring of the civil service.

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III. Losses of Haiti's Central Bank[1]

A. Introduction

1. **Since 2000, the Central Bank of Haiti (BRH) has incurred large losses** (Table 1).[2] These losses stem mostly from the mismatch in the BRH's balance sheet, whereby its assets generate revenues that are lower than the cost of its liabilities.[3] In recent years, the key factors that contributed to the increase in the BRH's losses include a decline in the stock and the interest rate on Haiti's international reserves, subsidized lending to the central government, rising costs of sterilization, and an increase in the cost of printing currency and other administrative costs. Losses incurred during FY2000–04 cumulated to 2.3 percent of GDP, eroding the BRH's capital, from 37.8 percent of the monetary base in FY2000 to 11.3 percent in FY2004.

Table 1. Haiti: Net Income Position of the BRH

	1999	2000	2001	2002	2003	2004
	(In percent of GDP)					
Revenues	0.9	0.8	0.8	0.7	0.7	0.6
Foreign assets	0.4	0.4	0.3	0.2	0.2	0.1
Net credit to the central government	0.3	0.3	0.4	0.4	0.4	0.4
Other revenues	0.2	0.1	0.1	0.1	0.1	0.1
Expenditures	0.9	1.0	1.0	1.1	1.3	1.6
Interest payments on BRH bond	0.3	0.5	0.5	0.4	0.5	0.8
Other expenditure	0.5	0.5	0.5	0.6	0.7	0.8
Net income position	0.0	-0.2	-0.2	-0.3	-0.6	-1.0

Sources: BRH and Fund staff calculations

2. **Central bank losses were reduced recently, albeit through measures that may not be sustainable**. With the decline in inflation and exchange rate stability, the BRH reduced the stock of BRH bonds outstanding by 30 percent in August 2004, and lowered interest rates on its bonds to 7.6 percent in September 2004, from 27.8 percent in March 2004. As the central bank was controlling both the volume and the price of auctioned

[1] The principal author of this chapter is Laura Jaramillo.

[2] The official name of Haiti's central bank is *Banque de la Republique d'Haiti*.

[3] See Vaez-Zadeh (1991) for an analytical framework of central bank losses.

bonds, this resulted in a sharp accumulation of excess reserves of the banking system and the level of interest rates on BRH bonds that no longer reflected market conditions.

3. **The BRH's losses may have a number of adverse effects, including by**:

- **Increasing incentives to rely on inflation tax**. Increasing base money growth, including by retiring BRH bonds, would improve the BRH's income position at the risk of higher inflation.

- **Constraining monetary policy**. Any effort to tighten monetary conditions would exacerbate losses of the central bank as a result of the increase in domestic interest rates and the stock of BRH bonds.

- **Inhibiting reforms**. Reserve requirements in Haiti are very high (31 percent), but lowering them to internationally comparable levels would reduce the BRH's noninterest bearing liabilities, requiring a parallel increase in the stock of its bonds, and thus contribute to higher losses.

B. Sources of Financial Losses of the BRH

4. **Analysis of the BRH balance sheet and its income statement suggests three main sources of financial losses**:

- **BRH credit to the central government is highly subsidized**. Central bank financing of budget deficits led to a steady accumulation of net claims on the central government, which at end-September 2004 corresponded to 15 percent of GDP and 72 percent of BRH's interest-bearing assets.[4] In FY2004, the central government paid interest of G493 million on its liabilities to the BRH, corresponding to an average yield of 2.4 percent. This yield compared with the interest rate of 26.9 percent paid on BRH bonds implies a subsidy of G 5.3 billion (3.7 percent of GDP).

- **The remaining assets provide low returns**. The stock of international reserves—the BRH's second largest interest-bearing asset—declined from about US$270 million at end-1999 to US$140 million in March 2003. At the same time, with the decline in international interest rates the average yield on reserves declined to 2.7 percent in FY2004. Revenues from remaining earning assets are insignificant, and the share of nonearning assets in total assets accounted for 14.5 percent of total assets in FY2004.[5]

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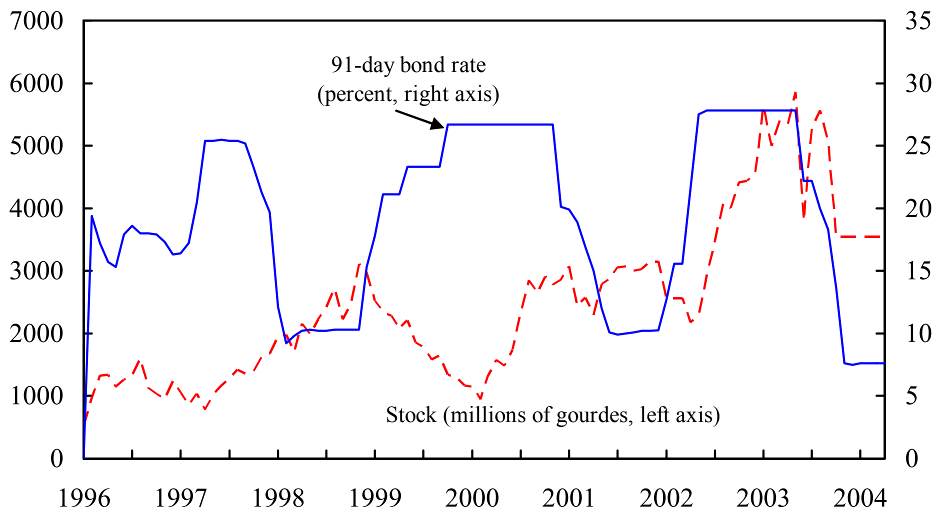
[4] Claims consist of government debt consolidated in 1996 (G 7.2 billion) and accumulated new budget financing (G 14.5 billion).

[5] The most important nonearning asset is consolidated dividends not received from the telephone company (TELECO) since August 2000, which amounts to G1.8 billion. The BRH owns 97 percent of this telecommunications public enterprise.

- **The reliance on BRH bonds to sterilize central government financing is very costly**. Between April 2003 and March 2004, the BRH sterilized 77 percent of the total monetary injection arising from the financing of the central government and reserves accumulation (G 3.8 billion). To achieve this, interest rates were sharply increased in early 2003 and the stock of bonds doubled by March 2004 (Figure 1). As a result, interest payments on BRH bonds reached G 1.1 billion in FY2004 (0.8 percent of GDP).

Figure 1. Haiti: BRH bonds



Source: BRH.

C. Addressing Losses of the BRH

5. **Looking ahead, BRH losses are expected to remain significant, depending on policy scenario**. Four illustrative scenarios are presented below (Table 2):

- If interest rates and stock of BRH bonds were maintained at the current level, the BRH would face losses of 0.2 percent of GDP annually.
- If the BRH were to pay positive real interest rates on its present stock of bonds (G3.5 billion), losses would rise to 0.4 percent of GDP.[6]
- Assuming that the BRH were to absorb all excess liquidity at market rates, losses would rise to 0.6 percent of GDP.

[6] The assumed nominal rate equals the programmed rate of inflation (12 percent) plus one percentage point.

- Finally, if the BRH were to reduce reserve requirements to internationally comparable levels (10 percent of deposits) and absorb all excess liquidity at market rates, losses would rise to 1.2 percent of GDP.[7]

Table 2. Haiti: Estimated BRH Losses Under Alternative Scenarios, 2005 1/

	Losses		
Scenarios	Percent of GDP	Percent of 2004 base money	Capital injection needed to cover losses (percent of GDP)
Unchanged policy	0.3	2.0	2.1
BRH pays market interest rates on bonds on constant stock 2/	0.4	3.0	3.0
BRH absorbs all excess liquidity at market rates 2/	0.6	4.4	4.5
BRH reduces reserve requirements to 10 percent, and absorbs all excess liquidity at market rates 2/	1.2	9.4	9.6

Source: Fund staff calculations

1/ Assumes underlying inflation of 12 percent.
2/ Market rate was defined as a positive real interest rate of one percent.

6. **This illustrates the need for steps to address the fundamental weakness in the BRH's balance sheet**. Converting outstanding credit to the central government into interest-bearing bonds would provide the BRH with a sufficient revenue stream to cover the cost of monetary operations. The amount needed to provide a financial return adequate to cover the losses would range from 1.5 percent of GDP under an unchanged policy scenario, to 8.5 percent of GDP under the most ambitious scenario.

7. **Additional measures could be taken to address the other sources of BRH losses.**[8] The nonearning assets on the BRH balance sheet could be reduced or eliminated, possibly by transferring them to the government in exchange for long-term government securities. The central bank could cease activities that are not inherently part of the central bank's business (e.g., certain fiscal functions). [9]

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[7] The reduction of reserve requirements could be gradual. For illustration, it is assumed here that the full reduction takes place in one year.

[8] Leone (1994), Beckerman (1997) and Vaez-Zadeh (1991) provide further discussion of these and other possible measures to improve the central bank's financial position.

[9] In future, the central bank could consider setting aside reserves against possible losses.

D. Conclusion

8. **A comprehensive strategy to deal with the losses of the BRH is needed to support financial stability**. The BRH has been facing considerable losses arising from its subsidized lending to the government, low returns on other assets, and the high costs of sterilization. These losses need to be addressed to eliminate the constraints on the central bank's ability to conduct monetary policy and contain inflation. Strengthening the financial position of the BRH will require the government to recognize the fiscal nature of the central bank losses, and convert outstanding BRH credit to the government to marketable, interest-bearing securities.

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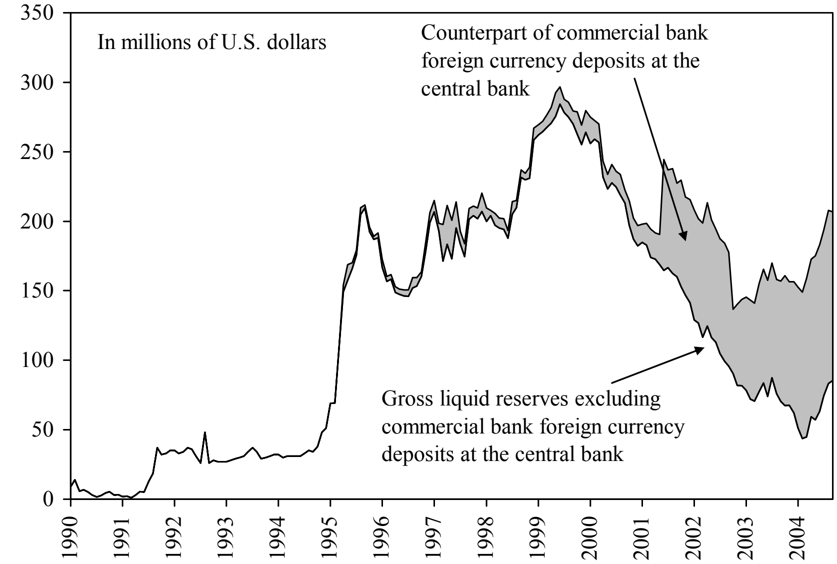
IV. Reserve Adequacy in Haiti[1]

A. Introduction

1. **Haiti's international reserves experienced a significant decline during 1999–2004**.[2] After the economic embargo was lifted in 1994, Haiti's international reserves were substantially rebuilt reflecting a rebound in export earnings, a significant increase in external aid, and inflows of private remittances (Figure 1). However, from their peak in mid-1999, the level of reserves was almost halved during the following five years, as exports stagnated and aid inflows declined. The decline in total international reserves was attenuated by a sharp increase in reserve requirements on dollar deposits at the Banque de la République d'Haïti (BRH).

Figure 1. Haiti: Gross Reserves, 1990–2004



Source: BRH.

2. **Haiti's official international reserves are managed by the BRH in transactions and investment accounts**. They comprise the reserves acquired by the BRH in exchange for domestic currency and the counterpart of reserve requirements on foreign currency deposits (FCDs) in the banking system. At end-February 2005, the stock of gross international reserves at the BRH amounted to US$240 million (or four months of imports), of which US$119 million was a counterpart of reserve requirements on FCDs. Changes in the stock of official reserves reflect BRH purchases of foreign exchange in the market, central government external borrowing, and its use of foreign exchange, as well as changes in the level of foreign currency deposits held by commercial banks and changes in prudential regulations.

3. **Over the medium term, Haiti's reserves need to be restored to a position that would provide adequate protection against external vulnerability**. This chapter suggests that Haiti's reserves should be increased to above the equivalent of three months of prospective imports, at which level they would also meet other reserve adequacy benchmarks. These conclusions are based on the analysis of historical and cross-country benchmarks and of various vulnerability

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[1] The principal authors of this chapter are Sonali Jain-Chandra and Johan Mathisen.

[2] In this chapter, external reserves are defined as gross official liquid reserves including the counterpart of commercial banks' foreign currency deposits at the central banks. This definition is consistent with the IMF balance of payments manual (fifth edition), which states that reserve assets must be readily available to and controlled by monetary authorities.

indicators, including in the context of a highly dollarized system. A discussion of the cost of carrying reserves is followed by conclusions.

B. Indicators of Vulnerability and Reserve Adequacy in Haiti

4. **The literature does not provide firm guidance on the optimal level of reserves.**[3] International reserves help reduce external vulnerability by enabling countries to smooth out the impact of shocks, including to investor confidence, and allow countries to sustain imports and service external debt.[4] Given the absence of capital account restrictions, and the degree of dollarization, Haiti's reserve adequacy is assessed using indicators focused on both the current account and capital account vulnerability (Box 1). In addition, historical, cross-country and composite indicators are used to provide a more comprehensive assessment of reserve adequacy in Haiti.

Current and capital account vulnerability benchmarks

5. **The ratio of reserves to total imports remains very low** (Figure 2). This benchmark sets the minimum level of reserves at three months of prospective imports and is mostly relevant for low-income countries with vulnerabilities emanating from the current account. Haiti's reserve-to-import ratio declined from a peak of almost 4½ months in December 1999 to less than 2 months in late 2003 and early 2004. Excluding the counterpart of reserve requirements on FCDs, Haiti's reserves had declined below this benchmark by March 2001.[5]

6. **The ratio of reserves to broad money fell by half in the past five years** (Figure 2). This ratio is typically used to illustrate the vulnerability to a loss of confidence in domestic currency or a dollarized banking system, and to capital flight. A more limited measure showing central bank's vulnerability to potential demand for foreign assets from domestic sources could be provided by the ratio of total reserves of the BRH to the stock of domestic liquidity for which there is no foreign asset backing by the commercial banks (Figure 2).[6] A broader measure would be based on total central bank reserves compared to total domestic liquidity, both gourde broad money and dollar deposits (M3). The latter measure reflects the central bank's capacity to

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[3] For a detailed discussion of reserve adequacy, see *Debt- and Reserve-Related Indicators of External Vulnerability* (www.imf.org), *Issues in Reserves Adequacy and Management (www.imf.org)*.

[4] Other cited reasons for holding reserves are to increase foreign exchange market stability (Archer and Halliday,1998), or more narrowly, to reduce exchange rate volatility (Hviding, Nowak and Ricci, 2004) or to support a fixed exchange rate (Obstfeld and Rogoff, 1995).

[5] It is worth noting that the reserve ratio based on total imports may exaggerate Haiti's vulnerability because they include a large component of imports for the assembly industry, which are subsequently re-exported. Excluding the assembly industry, the reserve coverage ratio was consistent with the benchmark until mid-2002.

[6] This includes domestic gourde money and FCDs not matched by prudentially required commercial bank holdings of liquid foreign assets (now 50 percent of FCDs).

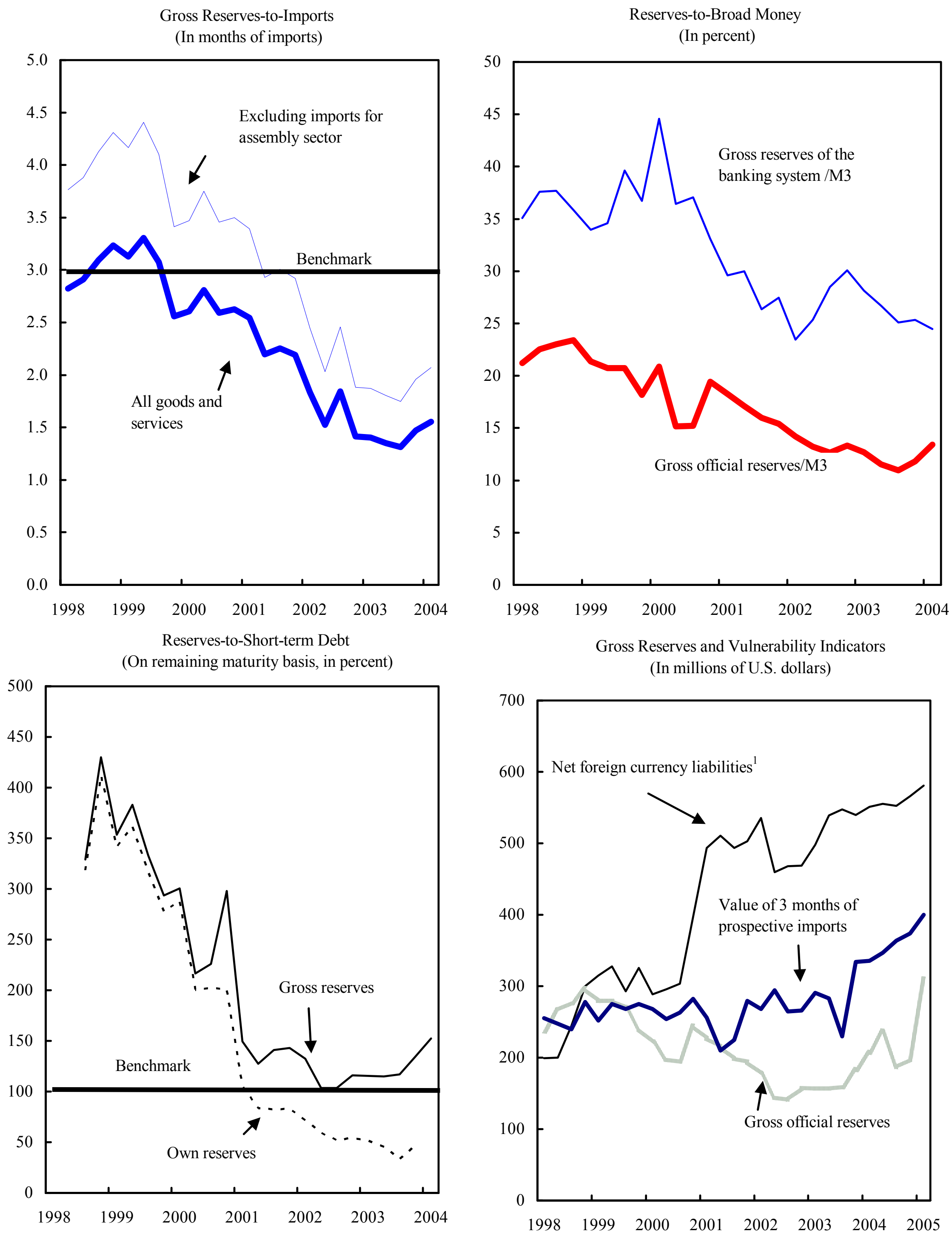
support the stability of domestic currency and the stability of the entire banking system. Finally, the broadest measure of vulnerability could be based on the ratio of total gross reserves of domestic banking system to total domestic liquidity (M3). Although no specific benchmark exists, all indicators declined during 1998–2004.

7. **As a share of short-term external debt, Haiti's reserve ratio has remained above the benchmark level** (Figure 2). However, this was possible largely because of the increase in the counterpart of reserve requirements on dollar deposits, while "own" reserves of the BRH fell from a comfortable position of covering four times the stock of short-term debt in 1998 to about half in early 2004.

Box 1 Selected Reserve Adequacy Benchmarks

Ratio	Adequacy Benchmark	Aspect of vulnerability	Justification	Applicability to Haiti
Gross official external reserves to prospective imports of goods and services.	Three months	Current account	Mostly relevant for countries with lack of market access, or those that can be cut off from such borrowing under adverse circumstances.	Indicates how rapidly Haiti would need to adjust to a shock if external financing is unavailable.
Gross official external reserves to prospective imports of goods and services excluding assembly industry related imports.	Three months	Current account	Mostly relevant for countries with lack of market access, or those that can be cut off from such borrowing under adverse circumstances.	Indicates how rapidly Haiti would need to adjust to a shock if external financing is unavailable.
Gross official external reserves to broad money.	No recognized benchmark	Capital flight	Indicates vulnerability to capital flight related to a loss of confidence in the domestic currency, particularly for countries with weak banking systems or unstable demand for money.	Haiti has no capital account restrictions, but high dollarization makes it to a loss of confidence in the gourde.
Short term debt and fraction of broad money, adjusted by country risk.	5-20 percent of broad money times country risk index	Capital flight and liquidity	Composite index capturing vulnerability to capital flight and liquidity risk.	Haiti has no capital account restictions, and the indicator shows vulnerability to capital outflows.
Gross official liquid external reserves to short-term external debt.	One	Liquidity	Particularly relevant for countries with market access, substantial private external borrowing and/or official debt-service payments.	Haiti has very limited access to international capital markets, private external borrowing is minimal, and official debt-service payments are small.
Gross official and commercial bank liquid reserves to short-term debt and foreign currency deposits net of liquid foreign assets.	One	Liquidity	As above, but also a measure for foreign exchange-related liquidity risk in case of capital flight.	As above; also indicates the vulnerability of the domestic financial system.

Figure 2. Haiti: Reserve Indicators, 1998-2004



Source: BRH; and Fund staff estimates.

1/ Defined as short-term debt plus foreign currency deposits less gross foreign assets of the commercial banks.

8. **Taking into account short-term debt, vulnerability to capital flight, and country risk—Haiti's reserves have been inadequate since late 2002** (Table 1). This benchmark targets full reserve coverage of (i) debt maturities falling due within a year, and (ii) a percentage of broad money adjusted by an index of country risk as a proxy for potential capital flight.

Table 1. Haiti: Adequate and Actual Reserves, 1998-2004

(In millions of U.S. dollars)

	Net foreign currency liabilities[1]	Composite Benchmark[2]		Gross reserves
		Minimum reserves	Maximum reserves	
Sep-98	199.4	75.0	115.4	237.0
Mar-99	244.4	119.0	159.0	276.5
Sep-99	314.7	130.6	172.2	279.4
Mar-00	292.8	124.8	164.5	269.9
Sep-00	288.3	128.4	163.5	222.3
Mar-01	303.5	105.7	123.8	194.3
Sep-01	493.4	215.6	249.7	227.3
Mar-02	493.5	185.2	221.2	198.8
Sep-02	535.5	187.4	224.6	177.7
Mar-03	468.3	139.5	171.6	140.9
Sep-03	498.0	135.0	170.8	157.1
Mar-04	547.8	127.9	175.8	158.8
Sep-04	551.0	96.6	144.1	206.9

Sources: BIS, BRH, and Fund staff calculations.

1/ Defined as short-term debt plus foreign currency deposits less gross assets of the commercial banks.
2/ This paper follows the methodology proposed by De Beaufort and Kapteyn (2001) and calculates the upper and lower bound as short-term debt plus 10 percent (minimum) or 20 percent (maximum) of broad money, adjusted by the country risk index, given that Haiti's exchange rate regime is characterized as "managed float."

9. **The economy's foreign currency vulnerability increased**. A broad measure of the economy's vulnerability to disruptions in foreign currency liquidity (or a foreign currency liquidity mismatch) can be assessed by comparing its liquid foreign assets (official reserves and commercial bank assets abroad) with foreign currency liquid liabilities (short-term external debt and FCDs). This measure shows that Haiti's net foreign currency liability grew significantly in 2001, as the increase in FCDs was not matched by an increase in gross foreign assets of the banking system (Figure 2).

Cross-country comparisons

10. **The decline in Haiti's international reserves and reserve adequacy contrasts with the broad trends observed in developing countries since mid-1990s**. The improvement in developing country reserve adequacy has been broad-based and appears to reflect the increasing recognition of the need to maintain a prudent level of reserves in the aftermath of the financial crisis of the past decade. For all developing countries, the average level of reserves increased from almost 15 weeks of imports in 1990–95 to 23 weeks of imports in 2002. For a group of 30 PRGF and IDA-eligible countries, reserves improved from 8 weeks of imports in 1990–95 to

13 weeks of imports in 2002 (Table 2). By contrast, Haiti was one of the few low-income countries which experienced a decline in reserves, and in 2002, it was the only low-income country in the group with reserve levels below three months of imports. Haiti had also one of the lowest coverage of broad money and short-term debt.

Vulnerability of a dollarized banking system

11. **As dollarization increased, regulatory measures were introduced to cope with rising vulnerabilities**. During 1998–2004, financial dollarization doubled, with both the deposit and loan dollarization ratios reaching nearly 50 percent.[7] To deal with the increased vulnerability of the banking system, in March 1997 the authorities introduced reserve requirements on dollar deposits and a 50 percent limit on onlending of dollar deposits to residents.[8] These regulations are among the most stringent among the low-income dollarized economies (Table 3).

12. **Haiti's prudential norms and reserve requirements helped protect the banking system during the late 2002 banking run**. Amid widespread fears of forced conversion of foreign currency deposits, these deposits fell by US$90 million (or by about 20 percent) in October, but they stabilized in the following month.[9] During the run, the reserve requirements and the prudential framework helped the central bank to avoid using its "own" reserves to provide dollar liquidity.[10] This experience suggests that the present prudential and regulatory system would need to be maintained until BRH's reserves are re-established to adequate levels.

C. The Cost of Holding Reserves

13. **The opportunity cost of holding reserves has been very high for Haiti**. One measure of this cost is the difference between the return on reserve assets and the return on alternative investments. In Haiti's case, the cost of holding reserves can be estimated as the difference between the rate on BRH bonds (adjusted for depreciation) and the dollar return on reserves assets.[11] The cost of holding reserves (expressed in percent of GDP) fluctuated considerably,

[7] Such dollarization ratios are about double of the average for Central America and Mexico, and comparable to the average for South America (Singh et al., 2005).

[8] In June 2001 reserve requirements were increased to 31 percent.

[9] Two other examples of larger runs on dollar deposits are the 1999 crisis in Ecuador (29 percent of dollar deposits) and Argentina in 2001 (22 percent of dollar deposits) (Singh et al., 2005).

[10] In fact, total gross official reserves of the BRH declined by US$40 million, of which US$36 million corresponded to a fall in commercial banks' reserve requirements with the BRH.

[11] The past high frequency of shocks suggests Haiti's high external vulnerability to shocks and thus a substantial benefit of maintaining reserves. A possible approach to measuring the cost of shocks could be to use a standard deviation from trend GDP or the median (terms of trade) shock in low-income countries, which is estimated by Cashin and Pattillo (2000) to be about 12 percent of GDP.

Table 2. Reserve Adequacy Indicators in Low-Income Countries
(In percent unless otherwise noted)

	Reserves relative to								
	Average 1990–95			Average 1995-2000			2002		
	Imports[1]	Money	Short-term debt	Imports[1]	Money	Short-term debt	Imports[1]	Money	Short-term debt
Low-income countries									
Average	3.8	40	880	4.5	50	930	5.8	60	1000
Median	3.5	30	420	4.2	40	650	5.1	50	600
By exchange rate regime									
Independent float[2]	2.2	30	300	4.2	60	900	5.7	60	1000
Managed float or fixed regime[3]	3.7	30	860	4.6	50	1000	5.4	50	1000
Of which:									
Haiti	**1.6**	**7**	**368**	**3.4**	**20**	**577**	**0.9**	**7**	**59**
No Separate legal tender[4]	5.6	50	1450	4.7	50	800	6.7	60	1000

Sources: IFS, Kovanen (2002), and Singh et al (2005).

1/ In months of imports.
2/ Armenia, Malawi, Papua New Guinea, Sierra Leone, Sri Lanka, Tanzania, Uganda.
3/ Bangladesh, Bolivia, Burundi, Ethopia, Guyana, Haiti, Honduras, Kyrgyz Republic, Lao People's Democratic Republic, Lesotho, Myanmar, Nicaragua, Nigeria, Rwanda, Vietnam.
4/ Benin, Burkina Faso, Chad, Guinea-Bissau, Mali, Togo.

Table 3. Reserve Requirements on Foreign Currency Deposits in Selected Dollarized Low-Income Economies
(In percent; data from 2001 unless otherwise noted)

	Share of broad money to GDP	Foreign currency deposits to total deposits	Reserve requirements
Haiti 1/	40.4	40.3	31.0
Angola	7.7	65.0	0.0
Chile	40.3	12.1	13.6 - 19.0
DRC	0.5	81.0	0.0
Ghana	16.5	36.0	9.0
Guinea	10.4	33.2	5.5
Liberia	9.5	75.4	18.0
Nicaragua	11.4	71.0	16.3
Sierra Leone	11.4	28.1	0.0
Tanzania	10.2	33.2	10.0
Uganda	10.1	30.3	9.0 - 10.0
Zambia	8.2	45.0	12.5

Sources: IFS, Kovanen (2002), and Singh et al (2005).

1/ Data for 2003/04.

reflecting the changes in interest rates and in the stock of reserve assets, but has averaged around ¾ percent of GDP in recent years.[12]

D. Conclusions

14. **When compared to commonly used benchmarks, Haiti's reserves appear to be inadequate since mid-2000**. The decline in Haiti's international reserves and reserve adequacy contrasts with a general increase in reserves observed in developing countries since mid-1990s. However, Haiti's prudential norms and reserve requirements appear to have offset some of the vulnerabilities associated with low reserve level and increased dollarization of the banking system.

15. **During 1998–2004, the cost of reserves in Haiti has fluctuated as a function of volatile interest rates and reserve levels.** The opportunity cost in the past has been substantial, while reserve levels may have been insufficient to withstand a substantial shock.

[12] This reflects just the financial costs of holding reserves in the past, although past reserves levels might have been insufficient to withstand a substantial shock.

16. **Haiti's international reserves need to be rebuilt to levels suggested by international benchmarks**. Reserve coverage of about three months of imports could be a useful interim operational target that would also meet other reserve adequacy benchmarks and thus could provide strengthened protection against external vulnerabilities. However, such reserve levels may not provide adequate protection for a highly dollarized banking system, which suggests caution when considering changes to the present prudential regulations.

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V. HAITI—ASSEMBLY SECTOR EXPORTS[1]

A. Introduction

1. **Haiti's apparel sector has benefited significantly from U.S. trade preferences.** Since the 1980s, the United States enacted a series of measures providing Mexico and countries in the Caribbean basin preferential access to the U.S. market.[2] While much of the capital-intensive stages of textile production were maintained in the United States, these preferences helped stimulate basic assembly operations (cutting and sewing of material sent from U.S. plants) abroad, by allowing the final product to be exported to the United States under tariff and quota preferences.

2. **As a result, Haiti's exports have become highly concentrated on apparel assembly products for the U.S. market.** In 2004, Haiti's total exports were 14 percent of GDP, and nearly 90 percent of these was accounted for by apparel assembly exports, compared with only 5 percent in 1960. During the 1960–2004 period, the share of exports to the U.S. market in total exports increased from 52 percent to 84 percent, with exports of apparel products now dominating Haiti's trade with the United States (Table 1). As a result, Haiti's exports have become highly dependent on one market and one industry (Figure 1).

Table 1. Haiti: Exports to Most Important Trading Partners

	1950	1960	1970	1980	1990	2004
(Volume, in millions of constant U.S. dollars) 1/						
Total	37.8	30.9	25.1	65.9	31.6	48.6
United States	22.6	16.1	15.2	37.3	26.2	40.6
Canada	0.2	0.1	0.1	1.0	0.8	1.8
Dominican Republic	0.1	0.0	0.2	0.3	0.1	3.1
EU	14.3	13.6	8.4	25.6	3.9	1.8
Others	0.6	1.1	1.3	1.7	0.6	1.3
(In percent of total Haitian exports)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
United States	59.8	51.9	60.4	56.6	83.0	83.6
Canada	0.5	0.4	0.5	1.5	2.5	3.6
Dominican Republic	0.3	0.0	0.6	0.4	0.2	6.4
EU	37.8	44.0	33.4	38.9	12.5	3.6
Others	1.6	3.6	5.1	2.6	1.9	2.8
Memorandum item:						
Total value of exports (In millions of U.S. dollars)	37.8	38.1	40.5	225.7	171.4	371.4

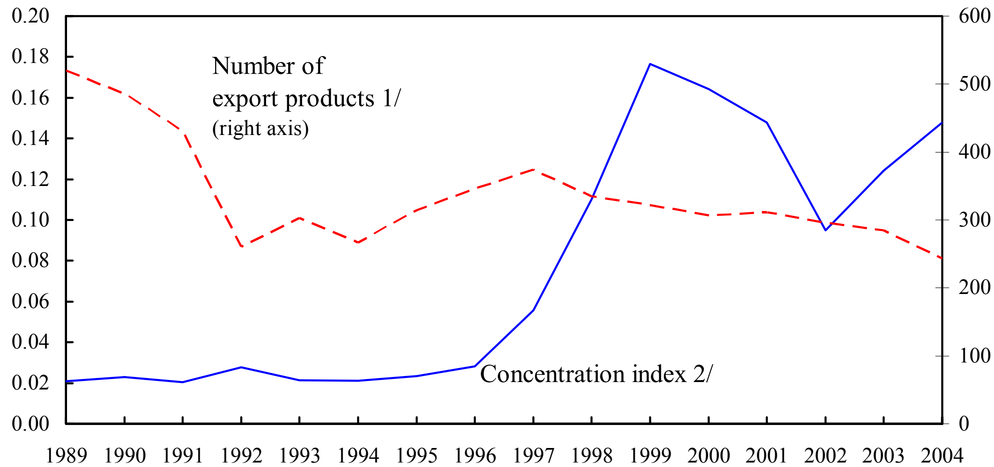
Source: IMF Direction of Trade Statistics.

1/ Value of exports deflated by U.S. consumer price inflation, using 1950 as base year.

[1] Prepared by G. Everaert and L. Jaramillo.

[2] Under the 1983 Caribbean Basin Economic Recovery Act (CBERA), the United States liberalized apparel quotas for the region. In 1986, the United States provided virtually unlimited market access for apparel assembled in the region from fabric wholly formed and cut in the United States. In May 2000, the Caribbean Basin Trade Partnership Act (CBTPA) granted unlimited duty free treatment to apparel made in CBERA countries from fabrics formed in the United States.

Figure 1. Haiti: Export Base Concentration



Source: USITC trade statistics and Fund staff estimates.

1/ Measured at 8-digit HTS level.
2/ Measures the concentration of product shares in total exports. A higher value indicates higher concentration.

3. **In coming years, the expiration of quotas under the Agreement on Textiles and Clothing (ATC) will create important challenges to Haiti's apparel export sector.** While low labor costs and proximity to the U.S. market may help to sustain the sector, key structural constraints, such as inadequate infrastructure, the high cost of financing, and shortages of qualified personnel will need to be addressed to maintain competitiveness.

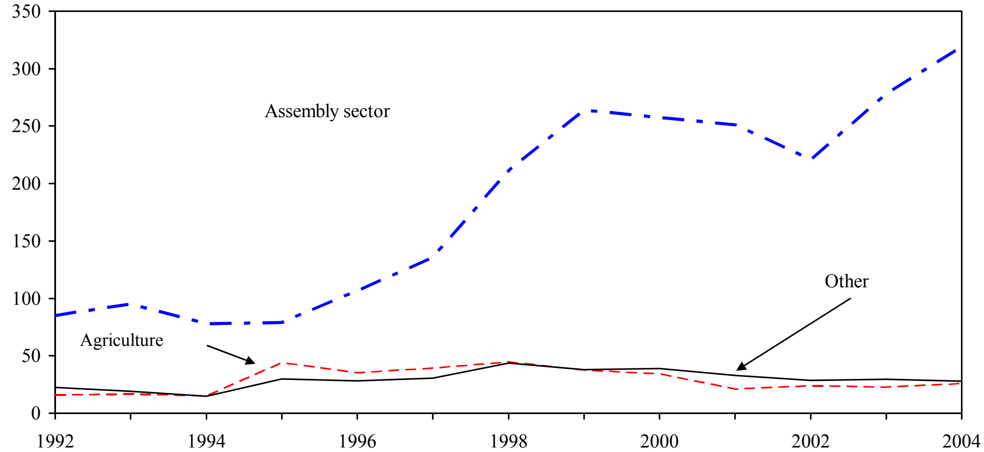
4. The following sections describe the main characteristics of the Haitian apparel sector, challenges and opportunities for the industry, and the final section provides conclusions.

B. Characteristics of the Haitian Assembly Industry[3]

5. **The Haitian assembly industry is highly concentrated in the garments sector.** At the end of the 1980s, Haiti assembled a wide variety of light manufactures, such as baseballs and electrical switches, together with apparel products. After economic sanctions were imposed in 1991, the assembly industry collapsed, and following the lifting of sanctions in 1994, only the garment sector reestablished itself and other assembly exports have virtually disappeared (Figure 2).

[3] Information for this section is drawn from the U.S. International Trade Commission (USITC, 2004), U.S. Agency for International Development (USAID, 2003), Lundahl (2004), and U.S. Foreign and Commercial Service (2002).

Figure 2. Haiti: Exports by Sector
(In millions of U.S. dollars)



Source: BRH and Fund staff estimates.

6. **Haiti's apparel exports consist of only a few low-value added items.** Haiti assembles mostly basic garments, such as knit tops (e.g., T-shirts), sweaters, leisure wear, pants and shorts, underwear, and nightwear. In fact, the two most important export products, defined at the 8-digit Harmonized Tariff Schedule (HTS) level, accounted for 46 percent of Haiti's total exports to the United States in 2003. These basic garments are characterized by long and standardized production runs, low labor content, and few styling changes. The textile assembly sector imports 85 percent of its inputs from overseas, especially from the United States. The goods assembled from those inputs are shipped back almost exclusively to the United States, and the industry does not produce for the local market.

7. **The apparel sector is an important source of formal employment in Haiti.** In 2004, the industry employed about 32,000 workers, up from 5,000 in 1995.[4] Nearly three-quarters of employees are women. The total assembly sector accounts for just under 2 percent of total formal employment in Haiti (20 percent of total industrial employment), and generates above average incomes.[5] Each worker typically supports up to five dependants, and it is estimated that for every job that is created within the assembly sector, an additional 1½ jobs are generated in related areas such as construction and food services.[6]

8. **The ownership of the textile assembly business in Haiti is highly concentrated.** In 2002, out of 46 companies that operated in the apparel sector, two represented about

[4] Prior to the 1991–94 embargo, employment in the assembly sector was 46,000 workers.

[5] The average wage of US$4 per day corresponds to 2.4 times the GDP per capita equivalent.

[6] Committee on Ways and Means (2004).

65 percent of the total market.[7] A 2002 survey of 26 firms showed that 33 percent of companies operated on the basis of contracts with a single foreign firm, and the majority of companies were contractors to a small number of U.S. firms.

C. Challenges for the Textile Assembly Sector

9. **The lifting of quotas under the Agreement on Textiles and Clothing (ATC) will increase competitive pressures on Haiti's textile assembly sector.** The previous experience illustrates the effects may be severe—two and a half years after quotas were reduced in 2002, China's share of the U.S. market increased from 9 percent to 72 percent in the 29 affected categories, and prices of textile goods fell by nearly 50 percent.[8] During this period, the value of Haiti's exports to the United States in these product categories also declined by roughly 50 percent.[9] The 2005 elimination of ATC quotas will mean that quotas will be lifted on roughly 80 percent of U.S. textile imports, in categories that affect virtually the entirety of Haiti's textile exports. Simulations by Kyvik Nordas (2004) suggest that the lifting of quotas may raise China and India's combined market share of U.S. clothing and apparel imports from 20 percent in 2004 to 65 percent. Assuming that all countries are displaced proportionally, Haiti's exports could fall by 45 percent.

10. **Haiti's exports will also be affected when the benefits established under the Caribbean Basin Trade Partnership Act (CBTPA) expire in 2008.** Even though the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) that is awaiting ratification only marginally improves the privileges granted to CBTPA countries, it makes duty-free market access benefits permanent, whereas the CBTPA is set to expire in 2008. The DR-CAFTA would further provide duty-free access to apparel made from fabrics formed in the United States or in the region, together with additional favorable treatment on rules of origin with respect to Canada and Mexico. The treaty also provides each country with a limited quota for products using fabric or thread of any origin to enter the U.S. market duty free. As Haiti is the only large CBTPA country excluded from the DR-CAFTA preferences, it may loose competitiveness relative to DR-CAFTA countries when the CBTPA expires.

The HERO and HOPE Acts

11. **The Haitian Economic Recovery Opportunity (HERO) Act was submitted in 2004 to the U.S. Congress and would have granted limited duty free access to apparel articles assembled in Haiti, but made from third country fabric.** The bill sought to provide Haiti the preferences accorded to the Least Developed Countries covered by the African Growth Opportunity Act, passed in 2000, conditional on the Haitian government

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[7] Information obtained in a meeting with representatives of C.L.E.D. (Centre pour la Libre Entreprise et la Démocratie) during the 2005 Article IV consultation discussions in Port-au-Prince.

[8] Inter-American Development Bank (IDB, 2004).

[9] Committee on Ways and Means (2004).

making market, political, and social reforms.[10] Duty-free access for apparel imports from Haiti, without restrictions on the rules of origin of apparel components, would be capped at 1.5 percent of total U.S. apparel imports, and grow over time to a maximum of 3.5 percent.[11] The bill's sponsor stated that the bill would generate over 100,000 jobs in Haiti by more than tripling Haiti's current assembly exports. However, the bill was not passed owing to the concern that it would give unfair advantage to third-country producers.

12. **The Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act, a less ambitious alternative to the HERO Act, is currently under consideration by the U.S. Congress.** The draft bill includes a more restrictive rule of origin than the HERO Act, requiring some components to originate in the United States or countries receiving U.S. trade preferences.

Labor costs and other factors affecting competitiveness

13. **Haiti's assembly sector benefits from low labor costs.** Wages typically account for about 15 percent of total costs of assembly operations. Given Haiti's wage costs stand at about one third of the average for DR-CAFTA countries, Haitian Producers may thus gain a competitive margin of about 10 percent on total costs.[12] Also, Haiti's labor market is flexible, imposing few restrictions on hiring and firing, as compared with neighboring and competitor countries (Table 2).

Table 2. Haiti: Rigidity of Employment, 2004 1/

	Rigidity of employment index 2/	Index of firing costs 3/
Haiti	24	26
Mexico	72	83
Guatemala	40	170
Honduras	31	46
Nicaragua	51	24
Dominican Republic	40	70
Costa Rica	35	38
El Salvador	52	110
Colombia	51	49
China	30	90

Source: www.doingbusiness.org.

1/ The International Finance Corportation measures labor regulations and their enforcement, and makes indices comparable across countries.
2/ Average of the difficulty of hiring, rigidity of hours, and difficulty of firing indices.
3/ Index based on the cost of firing in weeks of wages.

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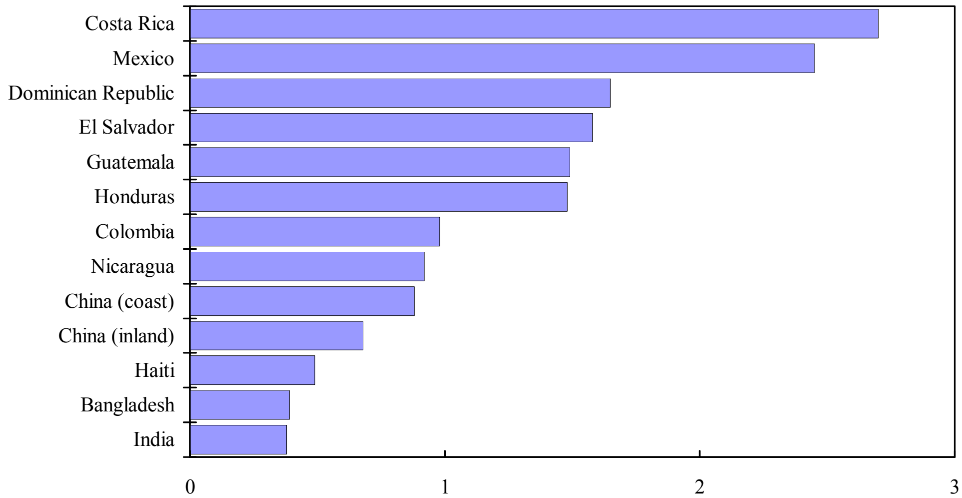
[10] USITC (2004) notes that U.S. import duties on garment imports from nonpreferred suppliers average 18 percent, giving preferred suppliers an equivalent price advantage.

[11] In 2004, apparel imports from Haiti accounted for only 0.42 percent of total U.S. apparel imports.

[12] Data on unit labor costs are not available for Haiti. For illustrative purposes, however, productivity in Haiti could be proxied by exports per worker, which stand at half those of the Dominican Republic. Still, Haiti's labor is more than three times cheaper than in the Dominican Republic, suggesting that Haiti's unit labor cost may still be lower than that of its neighbor.

Figure 3. Haiti: Assembly Sector Wage Costs, 2002
(In U.S. dollars per hour)



Source: USITC (2004).

14. **Haiti's investment code of 2002 offers ample incentives to the export industry.** It provides several incentives: (i) duty free import of durable goods and materials necessary for the installation and operation of the enterprise; (ii) temporary admission of primary and packaging goods to be re-exported and exemption of the guarantee deposit in relation to the temporary admission of these goods; (iii) exemption on wage taxes and other internal direct taxes for a period of no more than 15 years; and (iv) exemption from verification fees.

15. **Proximity to the U.S. market has also benefited Haitian producers by allowing them to respond quickly to changes in market conditions.**[13] However, to some extent this advantage is offset by high transportation and insurance costs, due to the country's poor transportation infrastructure.

16. **Low quality road and communications infrastructure increases costs of doing business in Haiti.** [14] For example, the port of Port-au-Prince is counted as the highest-cost port in the Caribbean.[15] Also, Haiti's network of roads is only a third of that in the Dominican Republic, and only 24 percent of all roads are paved. The cost of Haiti's internet

[13] According to estimates in USITC (2004), each additional day of ocean transit time between two countries reduces the probability of trade by 1.5 percent, and an ocean voyage of 20 days is estimated to be equivalent to a 16 percent tariff. By air, Haiti is 90 minutes away from Miami and 3½ hours from New York, and by ship, Haiti is 2½ days from Miami and 6 days from New York.

[14] Haiti has one of the lowest rankings in terms of quality of overall infrastructure. See World Economic Forum, Executive Opinion Survey (2003).

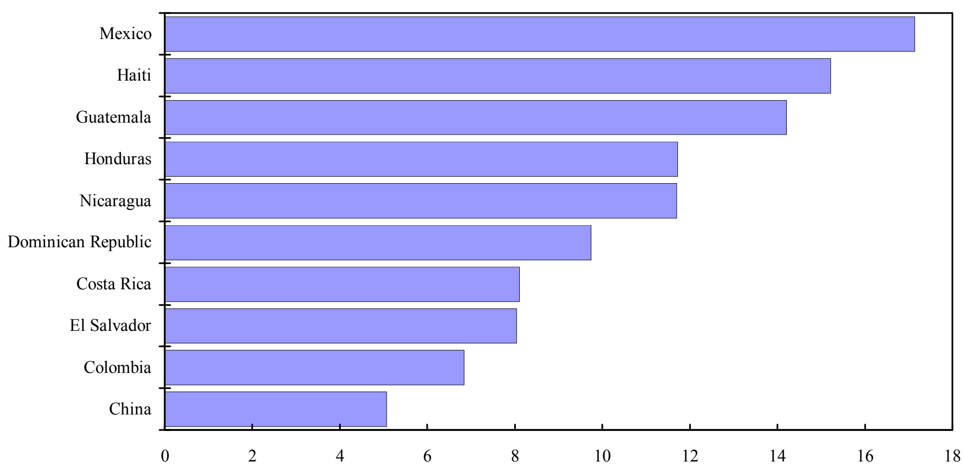
[15] Lundahl (2004).

service, at US$130 dollars per 20 hours of use, is more than three times the average for DR-CAFTA countries.

17. **Port-au-Prince suffers from severe traffic and infrastructure congestion.** Most of the existing assembly plants are concentrated around Port-au-Prince, and the shortage of high-quality industrial units has driven up the purchase and rental price of these facilities. This problem is being addressed by creating free trade zones and industrial parks that include on-site customs clearance and provide security and refuse collection services.

18. **Energy costs are very high.** For many years, electricity supply has been unreliable, forcing entrepreneurs to invest in costly local generating facilities. As a result, the cost of electricity is one of the highest in the region, averaging US$0.15 per kWh (Figure 4). According to the Global Competitiveness Report, Haiti ranks 101st out of 102 countries in an index measuring the quality of electricity .

Figure 4. Haiti: Cost of Electricity 1/
(In U.S. dollar cent per KWh)



Source: Condo et. al (2004) and BRH.
1/ Data for 2003 or latest available.

19. **Financing costs are steep.** Most entrepreneurs rely on financing by local banks or their own sources, and only a minority of entrepreneurs can obtain loans abroad.[16] Long-term credit is not available, and lending rates are high, in part reflecting significant intermediation margins (Figure 5). As a result, total local financing to the sector in 2004 only amounted to 2.4 percent of total credit to the private sector.[17]

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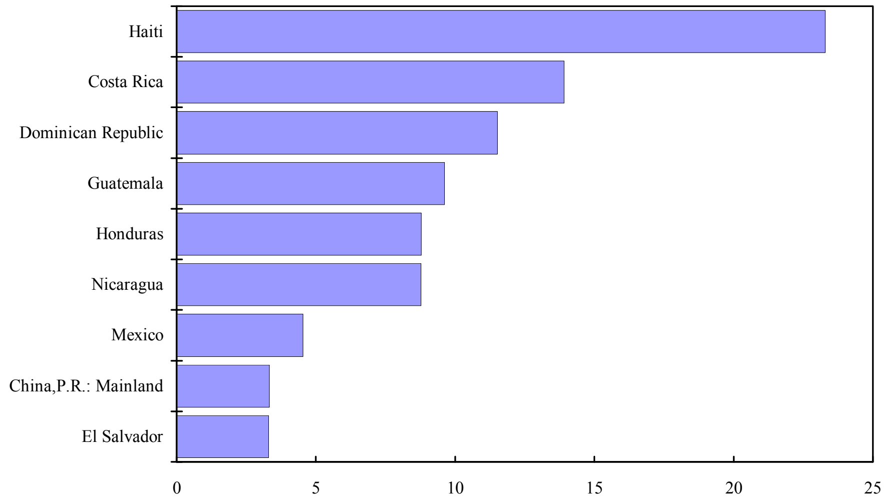
[16] Typically, a producer needs to secure a contract with a U.S. client to obtain a loan from a local bank, to pay for labor and raw materials.

[17] Banque de la République d'Haiti (2004).

Figure 5. Haiti: Bank intermediation margins, 2004 1/
(In percent)



Source: IFS and Fund staff estimates.
1/ Intermediation margin defined as lending minus deposit rate.

20. **Qualified personnel is scarce.** Although Haiti's rate of unemployment remains high, technical and middle-management positions are hard to fill and firms must assume the cost of training unskilled staff. The problem is exacerbated by outward migration, especially by higher skilled workers.

21. **Corruption and red-tape undermine competitiveness of Haiti's firms.** In 2004, out of 145 countries, Haiti was ranked as the country with the highest degree of corruption as perceived by business people and country analysts.[18] Also, bureaucratic procedures slow the processing of imports—e.g., imports of machinery and equipment require involvement of five different government offices.

D. Conclusion

22. **The survival of the Haitian assembly sector will depend on its ability to obtain preferential access to the U.S. market, and on reducing its production costs.** Haiti's apparel firms benefit from low wage costs, proximity to the U.S. market, and generous tax incentives. However, deep structural constraints will need to be addressed to draw on these advantages, including through investment in infrastructure and by reducing corruption.

[18] See Transparency International (2005), Transparency International Corruption Perceptions Index 2004.

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Table 1. Haiti: National Accounts at Current Prices 1/

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Gross domestic expenditure	**81,339**	**93,654**	**106,079**	**115,800**	**157,260**	**179,907**
Consumption	**62,157**	**72,446**	**83,922**	**92,388**	**120,528**	**141,595**
Central government	4,726	5,387	6,465	6,908	8,643	9,213
Other	57,431	67,059	77,457	85,480	111,886	132,382
Gross domestic investment	**19,182**	**21,208**	**22,158**	**23,412**	**36,732**	**38,312**
Public sector 2/	3,806	4,368	2,483	3,173	4,397	4,702
Private sector	15,377	16,840	19,675	20,239	32,335	33,610
Balance of trade in goods and nonfactor services	**-12,085**	**-16,074**	**-20,379**	**-21,960**	**-37,644**	**-39,561**
Exports	8,482	9,849	10,594	11,403	18,945	20,194
Imports	-20,568	-25,923	-30,973	-33,363	-56,589	-59,755
Gross domestic product at market prices	**69,254**	**77,580**	**85,700**	**93,840**	**119,616**	**140,346**
	(Annual percentage change)					
Gross domestic expenditure	**10.6**	**15.1**	**13.3**	**9.2**	**35.8**	**14.4**
Consumption	**8.8**	**16.6**	**15.8**	**10.1**	**30.5**	**17.5**
Central government	15.9	14.0	20.0	**6.9**	**25.1**	**6.6**
Other	17.4	16.8	15.5	**10.4**	**30.9**	**18.3**
Gross domestic investment	**17.1**	**10.6**	**4.5**	**5.7**	**56.9**	**4.3**
Public sector	12.9	14.8	-43.1	27.8	38.6	6.9
Private sector	18.2	9.5	16.8	2.9	59.8	3.9
Balance of trade in goods and nonfactor services	**14.7**	**33.0**	**26.8**	**7.8**	**71.4**	**5.1**
Exports	36.0	16.1	7.6	7.6	66.1	6.6
Imports	22.6	26.0	19.5	7.7	69.6	5.6
Gross domestic product at market prices	**9.9**	**12.0**	**10.5**	**9.5**	**27.5**	**17.3**
	(In percent of GDP)					
Gross domestic expenditure	**117.5**	**120.7**	**123.8**	**123.4**	**131.5**	**128.2**
Consumption	**89.8**	**93.4**	**97.9**	**98.5**	**100.8**	**100.9**
Central government	6.8	6.9	7.5	**7.4**	**7.2**	**6.6**
Other	82.9	86.4	90.4	**91.1**	**93.5**	**94.3**
Gross domestic investment	**27.7**	**27.3**	**25.9**	**24.9**	**30.7**	**27.3**
Public sector	5.5	5.6	2.9	3.4	3.7	3.4
Private sector	22.2	21.7	23.0	21.6	27.0	23.9
Balance of trade in goods and nonfactor services	**-17.5**	**-20.7**	**-23.8**	**-23.4**	**-31.5**	**-28.2**
Exports	12.2	12.7	12.4	12.2	15.8	14.4
Imports	-29.7	-33.4	-36.1	-35.6	-47.3	-42.6

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

1/ Based on the new national accounts published by the IHSI in April 2001. The national accounts have benefited from technical assistance by the Statistics Department.

2/ Fund staff estimates for 2001-04

Table 2. Haiti: National Accounts at Constant Prices 1/

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of 1986/87 gourdes)					
Gross domestic expenditure	**22,052**	**25,442**	**25,052**	**24,653**	**25,001**	**24,456**
Consumption	18,389	21,107	20,771	20,293	20,478	20,075
Gross domestic investment	3,663	4,335	4,281	4,360	4,523	4,381
Balance of trade in goods and nonfactor services	**-9,027**	**-12,304**	**-12,051**	**-11,723**	**-12,009**	**-11,955**
Exports	2,770	2,945	2,881	2,821	3,023	3,108
Imports	-11,797	-15,249	-14,932	-14,544	-15,032	-15,063
Gross domestic product at market prices	**13,025**	**13,138**	**13,001**	**12,930**	**12,992**	**12,502**
	(Annual percentage change)					
Gross domestic expenditure	**10.7**	**15.4**	**-1.5**	**-1.6**	**1.4**	**-2.2**
Consumption	8.4	14.8	-1.6	-2.3	0.9	-2.0
Gross domestic investment	24.0	18.3	-1.2	1.9	3.7	-3.1
Exports	**16.5**	**6.3**	**-2.1**	**-2.1**	**7.2**	**2.8**
Imports	**22.7**	**29.3**	**-2.1**	**-2.6**	**3.4**	**0.2**
Gross domestic product at market prices	**2.7**	**0.9**	**-1.0**	**-0.5**	**0.5**	**-3.8**

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

1/ Based on the new national accounts published by the IHSI in April 2001. The national accounts have benefited from technical assistance from the STA department.

Table 3. Haiti: Origin of Gross Domestic Product 1/

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of 1986/87 gourdes)					
Primary sector	**3,567**	**3,437**	**3,469**	**3,340**	**3,351**	**3,171**
Secondary sector	**1,947**	**2005.9**	**1991.0**	**2,015**	**2,036**	**2,006**
Manufacturing	987	982	983	999	1,003	1,000
Electricity and water	90	82	60	61	63	64
Construction and public works	870	942	948	956	969	942
Services sector	**6,518**	**6,675**	**6,621**	**6,654**	**6,684**	**6,401**
Utilities, transportation, communications	665	748	765	763	775	781
Commerce	2,877	3,039	3,060	3,126	3,173	2,975
Government	1,444	1,422	1,385	1,400	1,380	1,336
Other	1,532	1,466	1,411	1,365	1,356	1,308
Gross domestic product at factor prices	**12,032**	**12,118**	**12,081**	**12,010**	**12,071**	**11,578**
Indirect and import taxes	**992**	**1,020**	**920**	920	921	924
Gross domestic product at market prices	**13,025**	**13,138**	**13,001**	**12,930**	**12,992**	**12,502**
	(Percentage change over previous year)					
Primary sector	**-2.8**	**-3.6**	**0.9**	**-3.7**	**0.3**	**-5.4**
Secondary sector	**2.5**	**3.0**	**-0.7**	**1.2**	**1.0**	**-1.5**
Manufacturing 2/	9.3	-0.5	0.1	1.6	0.4	-0.3
Electricity and water	-3.6	-9.2	-26.8	1.7	3.3	1.6
Construction and public works	10.4	8.3	0.7	0.8	1.4	-2.8
Services sector	**3.0**	**2.4**	**-0.8**	**0.5**	**0.4**	**-4.2**
Utilities, transportation, communications	17.0	12.5	2.2	-0.3	1.6	0.8
Commerce	5.1	5.7	0.7	2.2	1.5	-6.2
Government	-0.1	-1.6	-2.6	1.1	-1.4	-3.2
Other	-2.7	-4.3	-3.7	-3.2	-0.7	-3.5
GDP at market prices	**2.7**	**0.9**	**-1.0**	**-0.5**	**0.5**	**-3.8**
	(Percentage distribution)					
Primary sector	**27.4**	**26.2**	**26.7**	**25.8**	**25.8**	**25.4**
Secondary sector	**15.0**	**15.3**	**15.3**	**15.6**	**15.7**	**16.0**
Manufacturing 2/	7.6	7.5	7.6	7.7	7.7	8.0
Electricity and water	0.7	0.6	0.5	0.5	0.5	0.5
Construction and public works	6.7	7.2	7.3	7.4	7.5	7.5
Services sector	**50.0**	**50.8**	**50.9**	**51.5**	**51.4**	**51.2**
Utilities, transportation, communications	5.1	5.7	5.9	5.9	6.0	6.2
Commerce	22.1	23.1	23.5	24.2	24.4	23.8
Government	11.1	10.8	10.7	10.8	10.6	10.7
Other	11.8	11.2	10.9	10.6	10.4	10.5
Indirect and import taxes	**7.6**	**7.8**	**7.1**	**7.1**	**7.1**	**7.4**
Gross domestic product at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

1/ There are serious problems with national accounts in Haiti including incomplete coverage, outdated activity surveys, and poor quality of raw data.

Table 4. Haiti: Agricultural Production

(In thousands of metric tons)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
I. Major Commodities for Domestic Consumption						
Green Corn (maize)	250.0	202.5	180.0	185.0	198.0	198.0
Millet (sorghum)	100.0	98.0	80.0	85.0	95.0	95.0
Rice	125.0	130.0	103.0	104.0	105.0	105.0
Beans	35.5	33.2	32.9	33.0	34.0	34.0
Bananas	290.0	322.5	290.0	295.0	300.0	300.0
II. Exportables						
Coffee	28.0	30.0	28.0	28.5	29.0	29.0
Sugarcane	1,000.0	800.0	1,008.1	1,010.0	1,050.0	1,050.0
Cocoa	4.5	4.5	4.3	4.4	4.8	4.8

Source: Food and Agricultural Organization (FAO).

Table 5. Haiti: Savings and Investment

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Gross domestic investment	**19,182**	**21,208**	**22,158**	**23,412**	**36,732**	**38,312**
Public sector 1/	3,806	4,368	2,483	3,173	4,397	4,702
Private sector 1/	15,377	16,840	19,675	20,239	32,335	33,610
Gross domestic savings	**18,488**	**20,469**	**20,431**	**22,518**	**36,581**	**37,691**
Public sector	1,415	577	-538	941	-410	1,408
Private sector	17,073	19,892	20,969	21,577	36,991	36,283
Current account 2/	691	759	1727	894	151	621
External savings	**691**	**759**	**1,727**	**894**	**151**	**621**
Official capital (net) 3/	964	813	18	-215	1,023	-183
Private capital (net) 4/	117	-1,071	1520	-745	-1,315	872
Change in arrears	0	118	282	743	51	784
Changes in net foreign assets (increase -)	-390	900	-93	1,111	392	-2,095
	(In percent of GDP, at current market prices)					
Gross domestic investment	**27.7**	**27.3**	**25.9**	**24.9**	**30.7**	**27.3**
Public sector	5.5	5.6	2.9	3.4	3.7	3.4
Private sector	22.2	21.7	23.0	21.6	27.0	23.9
Gross domestic savings	**26.7**	**26.4**	**23.8**	**24.0**	**30.6**	**26.9**
Public sector	2.0	0.7	-0.6	1.0	-0.3	1.0
Private sector	24.7	25.6	24.5	23.0	30.9	25.9
External savings	**1.0**	**1.0**	**2.0**	**1.0**	**0.1**	**0.4**
Official capital (net)	1.4	1.0	0.0	-0.2	0.9	-0.1
Private capital	0.2	-1.4	1.8	-0.8	-1.1	0.6
Change in arrears	0.0	0.2	0.3	0.8	0.0	0.6
Changes in net foreign assets (increase -)	-0.6	1.2	-0.1	1.2	0.3	-1.5
Memorandum item:						
Nominal GDP (in millions of gourdes)	69,254	77,580	85,700	93,840	119,616	140,346

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

1/ Fund staff estimates for 2001-2004.

2/ Including grants.

3/ Includes trust fund, publicly guaranteed capital, SDR allocation, and other unrequited earnings.

4/ Includes monetary capital and net errors and omissions.

Table 6. Haiti: Monthly Changes in the Consumer Price Index

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(Monthly percentage change)					
Average	**0.8**	**1.2**	**1.0**	**0.8**	**3.0**	**1.7**
October	0.6	0.7	3.1	0.5	2.2	1.3
November	0.9	0.5	1.2	0.4	1.2	1.4
December	0.9	0.9	1.0	0.5	2.3	1.5
January	0.8	1.1	0.8	0.6	13.0	1.2
February	0.7	1.1	0.7	0.7	4.1	1.5
March	0.6	2.0	0.5	0.9	3.7	2.2
April	0.7	1.0	0.9	1.0	2.4	6.5
May	0.9	0.5	1.1	1.0	1.9	1.7
June	1.0	0.7	0.5	0.6	1.4	0.5
July	0.9	1.1	0.4	0.9	1.2	0.3
August	0.7	1.4	0.6	1.2	1.1	0.5
September	0.8	3.3	0.9	1.3	1.5	1.8
	(12-month change)					
October	7.5	10.1	18.0	9.5	11.9	41.2
November	8.0	9.7	19.0	8.6	12.8	41.5
December	7.4	9.7	19.0	8.1	14.8	40.4
January	7.4	10.0	18.6	8.0	28.9	25.8
February	7.9	10.5	18.1	8.0	33.2	22.6
March	7.9	12.0	16.3	8.5	37.0	20.8
April	7.5	12.3	16.2	8.5	39.3	25.4
May	7.6	11.9	16.9	8.4	40.6	25.1
June	8.1	11.5	16.7	8.4	41.7	24.1
July	8.7	11.6	16.0	8.9	42.0	23.0
August	9.3	12.5	15.0	9.5	41.9	22.4
September	9.9	15.3	12.5	10.1	42.5	22.5

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

Table 7. Haiti: Consumer Price Index

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Average	**129.9**	**144.8**	**169.1**	**183.8**	**243.5**	**309.5**
October	124.2	136.7	161.4	176.7	197.8	279.3
November	125.2	137.3	163.4	177.5	200.1	283.2
December	126.4	138.6	164.9	178.4	204.7	287.5
January	127.4	140.1	166.2	179.4	231.3	290.0
February	128.3	141.7	167.3	180.8	240.9	295.4
March	129.1	144.6	168.2	182.4	249.8	301.9
April	130.1	146.1	169.7	184.2	256.5	321.5
May	131.3	146.9	171.6	186.0	261.4	327.0
June	132.6	147.9	172.6	187.1	265.0	328.8
July	133.8	149.4	173.3	188.8	268.1	329.9
August	134.7	151.6	174.4	191.0	271.0	331.7
September	135.7	156.5	175.8	193.5	275.7	337.8
Growth rates						
Average	8.1	11.5	16.8	8.7	32.5	27.1
End of period	9.9	15.3	12.4	10.1	42.5	22.5

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

Table 8. Haiti: Changes in Consumer Prices by Category

(Percentage change in annual average index)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Total	**8.1**	**11.5**	**16.8**	**8.7**	**32.5**	**27.1**
Food	1.3	6.0	18.1	9.3	30.5	31.4
Clothing	18.1	22.6	15.7	8.5	23.1	18.0
Housing	16.7	15.6	15.1	7.1	32.7	22.5
Furniture and household items	15.2	18.2	16.4	9.2	27.6	20.7
Services	...	...	...	...	...	...
Health	19.6	14.3	14.6	9.5	29.0	27.8
Education	5.9	19.6	13.1	9.6	19.1	20.7
Transportation	12.5	9.2	20.8	6.6	80.4	24.6
Other goods and services	14.8	12.2	16.1	9.1	26.1	32.5

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

Table 9. Haiti: Prices of Selected Items

(In gourdes per unit)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Rice						
Mme Gougousse (1 pound)	6.7	7.3	11.7	8.6	10.5	15.8
Imported (1 pound)	…	…	7.4			
Corn (1 pound)	4.1	4.8	5.3	6.3	10.0	13.6
Sorghum (1 pound)	3.1	…	4.9	4.6	6.1	9.3
Beans (1 pound)	9.3	9.6	10.5	12.0	14.0	16.7
Chicken (1 pound)	23.1	25.2	28.7	32.9	43.5	57.9
Eggs (pack of three)	5.4	6.0	6.4	7.2	10.0	14.6
Fish (1 pound)	23.6	28.2	32.1	35.4	45.2	59.5
Charcoal (sack of 60 kilograms)	141.7	129.7	203.5	212.8	260.6	309.1

Sources: Haitian Institute of Statistics; and Bank of the Republic of Haiti.

Table 10. Haiti: Selected Price Indicators

(Average for year ended September 30; base year, FY 1975/76 = 100)

Fiscal Year	Consumer Price Index 1/	GDP Implicit Deflator	Import Price Index 2/	Export Price Index 2/	Terms of Trade Index 2/	Real Effective Exchange Rate Index 3/
1976	100.0	100.0	100.0	100.0	100.0	…
1977	107.4	110.9	107.5	117.6	109.5	…
1978	104.3	109.3	111.1	122.5	110.3	…
1979	114.4	112.4	120.3	120.4	100.0	...
1980	135.0	134.3	132.0	151.9	115.1	116.3
1981	146.1	142.4	132.4	118.1	89.2	121.0
1982	158.1	148.0	114.9	118.4	103.1	127.0
1983	171.4	161.2	125.3	126.2	100.7	137.5
1984	185.1	179.1	132.3	132.3	100.0	147.7
1985	200.7	197.1	135.1	135.5	100.3	134.0
1986	217.8	228.5	133.9	141.2	105.4	129.6
1987	206.8	203.4	136.6	144.4	105.8	116.4
1988	212.8	181.1	142.5	147.8	103.7	105.5
1989	236.1	95.1	145.2	153.7	105.8	105.0
1990	284.2	110.8	150.1	151.7	101.1	100.8
1991	338.2	98.6	148.8	156.9	105.4	102.7
1992	410.1	116.6	154.7	157.3	101.7	99.6
1993	487.4	170.1	152.4	156.9	102.9	86.9
1994	669.8	246.2	157.1	163.8	104.3	98.1
1995	872.3	256.6	162.6	174.6	107.4	120.2
1996	1,063.3	285.2	166.5	181.2	108.8	127.4
1997	1,235.6	324.0	170.8	188.7	110.5	149.8
1998	1,392.5	348.5	194.3	235.5	121.2	167.9
1999	1,505.3	380.1	193.7	229.3	118.4	181.0
2000	1,678.4	422.2	203.5	217.9	107.1	183.3
2001	1,960.4	470.2	206.3	212.9	103.2	192.5
2002	2,130.9	511.2	209.9	218.2	104.0	180.6
2003	2,823.3	648.5	236.8	247.0	104.3	146.8
2004	3,588.2	790.7	262.6	279.9	106.6	177.3

Sources: Haitian Institute of Statistics; and Fund staff estimates.

1/ Data before 1980 were obtained by splitting the old consumer price index based on 1948. Before 1991 the index covered only the Port-au-Prince area and since 1992 the whole country.

2/ Estimate based on calendar year data from the IMF World Economic Outlook.

3/ IMF Information Notice System data rebased to FY 1990 = 100.

Table 11. Haiti: Minimum Wage Rates

	Fiscal Year Ending September 30	
	Standard Wage Rate (Gourdes per day)	Real Wage Index 1/
1972	5.0	101.0
1973	5.0	82.5
1974	5.0	71.6
1975	6.1	74.4
1976	6.5	71.7
1977	6.5	67.1
1978	8.0	85.0
1979	8.0	77.6
1980	11.0	90.4
1981	13.2	100.0
1982	13.2	93.1
1983	13.2	84.5
1984	13.2	79.4
1985	15.0	81.6
1986	15.0	79.0
1987	15.0	89.2
1988	15.0	85.7
1989	15.0	80.1
1990	15.0	66.1
1991	15.0	57.2
1992	15.0	47.9
1993	15.0	37.0
1994	15.0	26.9
1995	36.0	49.6
1996	36.0	40.6
1997	36.0	35.0
1998	36.0	31.0
1999	36.0	28.7
2000	36.0	25.8
2001	36.0	22.1
2002	36.0	20.3
2003	70.0	29.8
2004	70.0	23.4

Sources: Ministry of Social Affairs; Haitian Institute of Statistics; and Bank of the Republic of Haiti.

1/ Last quarter of 1981=100. Deflated by consumer price index for Port-au-Prince until 1991. Deflated by an index covering the whole country beginning in 1992.

Table 12. Haiti: Central Government Operations

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Total revenue and grants	**6,199**	**6,521**	**6,879**	**7,939**	**10,917**	**14,306**
Total revenue	6,084	6,256	6,509	7,826	10,746	12,457
Current revenue	6,084	6,256	6,509	7,826	10,746	12,457
Domestic taxes	4,706	4,363	4,504	5,587	7,462	8,769
Customs duties	1,306	1,651	1,772	2,069	2,762	3,481
Other current revenue	73	242	233	136	526	207
Grants	115	265	370	113	171	1,848
Budget support	...	...	...	...	...	476
Project grants	...	...	...	...	...	1,372
Total expenditure	**6,827**	**7,850**	**8,728**	**10,772**	**15,084**	**15,996**
Current expenditure	5,310	5,795	7,150	8,864	11,156	11,037
Wages and salaries	2,926	3,243	3,387	3,480	3,862	4,126
Net Operations 1/	1,442	1,632	2,627	3,888	4,845	4,517
Interest payments	616	628	767	729	1,050	1,150
External	339	323	436	353	561	662
Domestic	276	305	331	376	489	488
Transfers and subsidies	326	292	369	767	1,399	1,261
Capital expenditure	1,488	2,063	1,578	1,908	3,928	4,960
Domestically financed	...	...	...	...	...	3,031
o.w. counterpart funds	...	...	...	...	...	...
Foreign-financed	...	...	...	...	...	1,929
Current account balance						
Including current grants	775	461	-641	-1,038	-410	1,897
Excluding grants	775	461	-641	-1,038	-410	1,421
Overall balance exc. exceptional outlays	**-535**	**-1,577**	**-2,219**	**-2,944**	**-4,338**	**-1,691**
Exceptional outlays	**435**	**387**	**221**	**17**	**0**	**1,722**
Overall balance						
Including grants	-1,063	-1,716	-2,070	-2,850	-4,167	-3,413
Excluding grants	-1,178	-1,980	-2,440	-2,963	-4,338	-5,261
Financing	**970**	**1,964**	**2,440**	**2,961**	**4,338**	**3,413**
External net financing	**-395**	**-291**	**-195**	**286**	**697**	**605**
Loans (net)	-395	-291	-481	-482	630	-179
Disbursements	0	139	50	102	1,583	954
Budget support	...	...	...	...	...	397
Project loans	...	...	...	...	...	557
Amortization	-395	-429	-531	-584	-953	-1,136
						0
Arrears (Net)	...	...	286	768	67	784
Accumulation	...	...	286	827	1,411	784
Reduction	...	...	0	-59	-1,344	0
Internal net financing	**1,249**	**1,990**	**2,265**	**2,562**	**3,470**	**2,807**
Banking system	1,234	1,857	2,255	2,795	3,612	2,789
BRH	1,090	1,951	2,248	2,898	3,720	2,821
Commercial banks	144	-94	7	-103	-108	-32
Arrears (Net)	43	144	19	-233	-142	18
Accumulation	537	827	465	55	239	800
Reduction	-495	-683	-446	-288	-381	-783

Sources: Ministry of Finance and Economy; and Fund staff estimates

1/ Includes statistical discrepancy.

Table 13. Haiti: Central Government Operations

(In percent of GDP)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Total revenue and grants	**9.0**	**8.4**	**8.0**	**8.5**	**9.1**	**10.2**
Total revenue	8.8	8.1	7.6	8.3	9.0	8.9
Current revenue	8.8	8.1	7.6	8.3	9.0	8.9
Domestic taxes	6.8	5.6	5.3	6.0	6.2	6.2
Customs duties	1.9	2.1	2.1	2.2	2.3	2.5
Other current revenue	0.1	0.3	0.3	0.1	0.4	0.1
Grants	0.2	0.3	0.4	0.1	0.1	1.3
Budget support	...	...	...	...	...	0.3
Project grants	...	...	...	...	...	1.0
Total expenditure	**9.9**	**10.1**	**10.2**	**11.5**	**12.6**	**11.4**
Current expenditure	7.7	7.5	8.3	9.4	9.3	7.9
Wages and salaries	4.2	4.2	4.0	3.7	3.2	2.9
Net Operations 1/		2.1	3.1	4.1	4.1	3.2
Interest payments	0.9	0.8	0.9	0.8	0.9	0.8
External	0.5	0.4	0.5	0.4	0.5	0.5
Domestic	0.4	0.4	0.4	0.4	0.4	0.3
Transfers and subsidies 3/	0.5	0.4	0.4	0.8	1.2	0.9
Capital expenditure	2.1	2.7	1.8	2.0	3.3	3.5
Domestically financed	...	...		...	...	2.2
o.w. counterpart funds	...	...		...	...	...
Foreign financed	...	...		...	...	1.4
Current account balance						
Including current grants	1.1	0.6	-0.7	-1.1	-0.3	1.4
Excluding grants	1.1	0.6	-0.7	-1.1	-0.3	1.0
Overall balance excl. capital exceptional outlays	**-0.8**	**-2.0**	**-2.6**	**-3.1**	**-3.6**	**-1.2**
Exceptional outlays	**0.6**	**0.5**	**0.3**	**0.0**	**0.0**	**1.2**
Overall balance						
Including grants	-1.5	-2.2	-2.4	-3.0	-3.5	-2.4
Excluding grants	-1.7	-2.6	-2.8	-3.2	-3.6	-3.7
Financing	**1.4**	**2.5**	**2.8**	**3.2**	**3.6**	**2.4**
External net financing	**-0.6**	**-0.4**	**-0.2**	**0.3**	**0.6**	**0.4**
Loans (net)	-0.6	-0.4	-0.6	-0.5	0.5	-0.1
Disbursements	0.0	0.2	0.1	0.1	1.3	0.7
Budget support	...	...	...	...	...	0.3
Project loans	...	...	...	...	...	0.4
Amortization	-0.6	-0.6	**-0.6**	-0.6	-0.8	-0.8
Arrears (Net)	...	...	0.3	0.8	0.1	0.6
Accumulation	...	...	0.3	0.9	1.2	0.6
Reduction	...	...	0.0	-0.1	-1.1	0.0
Internal net financing	**1.8**	**2.6**	**2.6**	**2.7**	**2.9**	**2.0**
Banking system	1.8	2.4	2.6	3.0	3.0	2.0
BRH	1.6	2.5	2.6	3.1	3.1	2.0
Commercial banks	0.2	-0.1	0.0	-0.1	-0.1	0.0
Arrears (Net)	0.1	0.2	0.0	-0.2	-0.1	0.0
Accumulation	0.8	1.1	0.5	0.1	0.2	0.6
Reduction	-0.7	-0.9	-0.5	-0.3	-0.3	-0.6
Memorandum items:						
Nominal GDP (millions of gourdes)	69,254	77,580	85,700	93,840	119,616	140,346

Sources: Ministry of Finance and Economy; and Fund staff estimates

1/ Includes statistical discrepancy.

Table 14. Haiti: Central Government Current Revenue

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Total current revenue	**6,084**	**6,256**	**6,509**	**7,826**	**10,746**	**12,457**
Customs	1,306	1,651	1,772	2,069	2,762	3,481
Internal	4,706	4,363	4,504	5,587	7,462	8,769
General sales tax	1,555	1,737	2,040	2,609	3,372	3,648
Internal	425	1,276	531	651	842	960
Customs	1,130	461	1,509	1,958	2,530	2,688
Taxes on income and profits	921	1,255	1,231	1,314	1,849	2,619
Corporate	516	540	338	551	671	1,164
Individual	405	715	893	763	1,178	1,454
Taxes on property	0	0	0	0	0	0
Other taxes and fees	2,230	1,371	1,233	1,664	2,240	2,502
Excise	971	258	275	575	896	1,176
Petroleum	538	1	84	369	647	870
Cigarette	18	36	21	28	27	108
Other excises	415	221	170	178	222	198
Motor vehicles	103	181	156	...	358	302
Consular services	6	82	59	...		
Other	1,150	851	743	734	986	1,025
Other	73	242	233	136	526	207
	(In percent of GDP)					
Total current revenue	**8.8**	**8.1**	**7.6**	**8.3**	**9.0**	**8.9**
Customs	1.9	2.1	2.1	2.2	2.3	2.5
Internal	6.8	5.6	5.3	6.0	6.2	6.2
General sales tax	2.2	2.2	2.4	2.8	2.8	2.6
Internal	0.6	1.6	0.6	0.7	0.7	0.7
Customs	1.6	0.6	1.8	2.1	2.1	1.9
Taxes on income and profits	1.3	1.6	1.4	1.4	1.5	1.9
Corporate	0.7	0.7	0.4	0.6	0.6	0.8
Individual	0.6	0.9	1.0	0.8	1.0	1.0
Taxes on property	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes and fees	3.2	1.8	1.4	1.8	1.9	1.8
Memorandum item:						
Nominal GDP (millions of gourd	69,254	77,580	85,700	93,840	119,616	140,346

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

Table 15. Haiti: Accounts of the Telecommunications Company

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Balance sheet						
Assets	**4,748**	**4,823**	**4,800**	**5,895**	**6,853**	**3,629**
Cash and receivables	2,124	1,969	1,752	2,670	3,618	1,737
Fixed assets (depreciated)	1,255	1,484	1,665	1,839	1,844	1,082
Lending to public sector	183	183	183	183	183	183
Long-term investments	142	142	155	160	164	230
Other assets	1,044	1,044	1,044	1,044	1,045	397
Liabilities	**4,748**	**4,823**	**4,800**	**5,895**	**6,853**	**3,629**
Short-term debt and payables	1,604	1,759	2,000	2,551	3,076	2,227
Long-term debt	164	224	212	205	206	501
Capital and undistributed profits	2,981	2,840	2,588	3,139	3,571	902
Profit and loss statement						
Total revenue	**1,383**	**1,152**	**1,148**	**1,565**	**2,073**	**1,249**
National services	153	228	289	324	514	126
International services	1,182	876	744	1,073	1,316	1,088
Other 1/	48	48	115	167	243	36
Total expenditure	**1,135**	**1,006**	**1,033**	**1,215**	**1,441**	**609**
Current	1,032	901	925	1,105	1,354	566
Wages	396	478	513	509	571	352
Interest	47	40	15	48	17	7
Repair and maintenance	52	65	49	72	84	19
Other	537	318	348	476	682	189
Depreciation	103	105	108	110	87	43
Earnings before taxes	**248**	**147**	**115**	**350**	**632**	**641**
Taxes and transfers	**87**	**53**	**53**	**123**	**221**	**0**
Earnings after taxes	**161**	**93**	**62**	**227**	**411**	**641**
Cash basis accounts						
Gross capital expenditure	522	335	335	282	93	501
Transfers from government	-14	-4	-4	4	4	4
Current balance	337	247	…	…	…	…
Overall balance cash basis	-186	-87	…	…	…	…
Financing	186	87	…	…	…	…
Domestic	-39	80	…	…	…	…
BRH	-114	150	…	…	…	…
Commercial banks	0	0	…	…	…	…
Other	75	-70	…	…	…	…
External	225	7	…	…	…	…

Sources: Telephone company; and Haitian authorities.

1/ Includes gains and losses from exchange rate changes.

Table 16. Haiti: Accounts of the Electricity Company

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Balance sheet						
Assets	**2,337**	**2,299**	**2,361**	**2,445**	**2,449**	...
Cash and receivables	392	418	516	765	832	...
Fixed assets (depreciated)	1,647	1,571	1,510	1,432	1,376	...
Other assets	298	310	335	247	241	...
Liabilities	**2,337**	**2,299**	**2,361**	**2,445**	**2,449**	...
Short-term debt and payables	1,900	2,389	2,513	7,139	11,187	...
Long-term debt	3,537	5,741	5,807	1,222	1,337	...
Capital and undistributed profits	-3,099	-5,831	-5,959	-5,916	-10,074	...
Profit and loss statement						
Total revenue	**585**	**601**	**680**	**1,024**	**1,099**	...
Sales	576	590	671	1,013	1,078	...
Private sector	490	489	517	772	788	...
Public sector	87	101	153	240	289	...
Other	9	11	9	11	21	...
Total expenditure	**561**	**990**	**910**	**1,617**	**5,326**	...
Current	454	883	800	1,518	5,232	...
Wages	…	…	130	194	230	...
Interest	65	54	70	54	53	...
Oil purchases	197	420	550	506	657	...
Repair and maintenance	97	98	50	125	203	...
Other	…	…	0	639	4,090	...
Depreciation and special charges	107	107	110	98	94	...
Earnings before taxes	**24**	**-389**	**-230**	**-593**	**-4,227**	...
Taxes and transfers	**3**	**3**	**3**	**4**	**4**	...
Earnings after taxes	**21**	**-392**	**-233**	**-597**	**-4,231**	...
Cash basis accounts						
Gross capital expenditure	32	25	20	23	38	...
Transfers from government	0	0	250	0	17	...
Current balance	132	-282	130	113	113	...
Overall balance cash basis	99	-307	110	91	76	...
Financing	-99	307	-110	...	...	...
Domestic	-99	307	-110	...	...	...
BRH	...	...	...	...	...	...
Commercial banks	...	...	...	...	...	...
Other	...	...	...	...	...	...
External	0	0	0	...	...	...

Sources: Electricity company; and Haitian authorities.

Table 17. Haiti: Accounts of the Port Authority

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Balance sheet						
Assets	**1,134.0**	**1,255.3**	**1,463.4**	**1,785.0**	**2,189.1**	...
Cash and receivables	631.0	751.6	902.9	1,150.9	1,494.5	...
Fixed assets (depreciated)	363.9	370.7	368.0	355.4	347.4	...
Lending to public sector	-0.4	-0.4	-0.4	-0.4	-0.4	...
Other assets	139.5	133.4	192.9	279.1	347.6	...
Liabilities	**1,134.1**	**1,255.4**	**1,463.4**	**1,785.2**	**2,189.1**	...
Short-term debt and payables	260.0	305.8	345.4	416.8	518.7	...
Long-term debt	146.0	133.9	118.4	99.0	99.0	...
Capital and undistributed profits	728.1	815.7	999.6	1,269.4	1,571.4	...
Profit and loss statement						
Total revenue	**472.4**	**558.2**	**602.8**	**737.1**	**996.8**	...
Total expenditure	**334.0**	**391.9**	**374.5**	**435.1**	**577.3**	...
Current	318.5	375.9	358.1	418.4	560.3	...
Wages	198.7	261.0	257.6	315.5	383.3	...
Repair and maintenance	18.5	19.0	18.1	21.3	25.6	...
Interest	4.3	4.3	4.3	4.3	4.3	...
Other	97.0	91.6	78.1	77.3	147.1	...
Depreciation	15.5	16.0	16.4	16.7	17.0	...
Earnings before taxes	**138.4**	**166.3**	**228.3**	**302.0**	**419.5**	...
Taxes and transfers	18.0	18.0	0.0	0.0	0.0	...
Earnings after taxes	**120.4**	**148.3**	**228.3**	**302.0**	**419.5**	...
Cash basis accounts						
Gross capital expenditure	15.5	16.0	16.4	16.7	17.0	...
Transfers from government	-18.0	-18.0	-18.0	...	...	...
Current balance	118.5	145.9	228.2	281.0	398.1	...
Overall balance cash basis	104.8	132.2	211.7	285.2	402.3	...
Financing	-104.8	-132.2	-211.7	-285.2	-402.3	...
Domestic	...	...	...	...	...	...
BRH	...	...	...	...	...	...
Commercial banks	...	...	...	...	...	...
Other	...	...	...	...	...	...
External	...	...	...	...	...	...

Sources: Port Authority; and Haitian authorities.

Table 18. Haiti: Accounts of the Airport Authority

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Balance sheet						
Assets	**201.2**	**226.5**	**286.0**	**330.4**	**623.3**	**935.0**
Cash and receivables	97.5	103.1	157.8	195.7	403.6	605.4
Fixed assets (depreciated)	103.7	123.4	128.2	134.7	219.7	329.6
Liabilities	**201.2**	**226.5**	**286.1**	**330.5**	**623.3**	**935.0**
Short-term debt and payables	62.6	33.8	88.1	122.1	243.8	365.7
Long-term debt	47.2	45.2	45.1	45.1	94.4	141.6
Capital and undistributed profits	91.4	147.5	152.9	163.3	285.1	427.7
Profit and loss statement						
Total revenue	**90.4**	**112.6**	**145.7**	**171.3**	**316.6**	**474.9**
Total expenditure	**80.6**	**97.9**	**140.5**	**159.1**	**234.9**	**352.4**
Current	67.4	82.2	119.8	134.3	210.1	315.2
Wages	33.3	41.8	48.1	52.6	64.6	96.9
Interest	0.0	0.0	0.0	0.0	2.7	4.1
Repair and maintenance	6.1	8.8	9.2	16.3	24.5	36.8
Other	28.0	31.6	62.5	65.4	118.3	177.5
Depreciation	13.2	15.7	20.7	24.8	24.8	37.2
Earnings before taxes	**9.8**	**14.7**	**5.2**	**12.2**	**81.7**	**122.6**
Taxes and transfers	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Earnings after taxes	**9.8**	**14.7**	**5.2**	**12.2**	**81.7**	**122.6**
Cash basis accounts						
Gross capital expenditure	30.7	17.9	39.8	34.9	110.3	165.5
Transfers from government	0.0	0.0				
Current balance	23.0	30.4	25.9	37.0	106.5	159.8
Overall balance cash basis	...	12.6	...	...	...	...
Financing	...	-12.6	...	...	...	...
Domestic	...	-12.6	...	...	...	...
BRH	...	0.0	...	...	...	...
Commercial banks	...	0.0	...	...	...	...
Other	...	-12.6	...	...	...	...
External	...	0.0	...	...	...	...

Sources: Airport Authority; and Haitian authorities.

Table 19. Haiti: Accounts of the Water Supply Company

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Balance sheet						
Assets	**681.8**	**963.8**	**1,035.2**	**1,054.5**	**1,057.8**	**1,083.2**
Cash and receivables	156.2	152.8	211.2	244.6	281.2	339.1
Fixed assets (depreciated)	469.4	744.4	759.2	747.9	725.1	702.7
Other assets	56.2	66.6	64.8	62.0	51.5	41.4
Liabilities	**681.8**	**963.8**	**1,035.2**	**1,054.5**	**1,057.8**	**1,083.2**
Short-term debt and payables	128.5	216.4	279.5	345.9	421.9	303.8
Long-term debt	604.1	547.1	553.4	526.7	499.9	663.4
Capital and undistributed profits	-50.8	200.3	202.3	181.9	136.0	116.0
Profit and loss statement						
Total revenue	**113.7**	**107.9**	**153.4**	**168.8**	**173.7**	**185.1**
Total expenditure	**112.8**	**136.2**	**156.5**	**189.5**	**217.6**	**217.9**
Current	86.6	100.8	121.5	144.5	170.5	172.5
Wages	45.0	51.1	54.5	62.6	76.5	86.2
Interest	4.0	9.2	9.3	10.1	9.2	9.9
Repair and maintenance	14.8	14.3	13.8	15.4	15.4	17.3
Other	22.8	26.2	43.9	56.4	69.4	**59.1**
Depreciation	26.2	35.4	35.0	45.0	47.1	45.4
Earnings before taxes	**0.9**	**-28.3**	**-3.1**	**-20.7**	**-43.9**	**-32.8**
Taxes and transfers	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Earnings after taxes	**0.9**	**-28.3**	**-3.1**	**-20.7**	**-43.9**	**-32.8**
Cash basis accounts						
Gross capital expenditure	**62.9**	**310.4**	...	...	...	...
Transfers from government	0.0	0.0	...	...	...	...
Current balance	27.1	7.1	...	...	...	...
Overall balance cash basis	-35.8	-303.3	...	...	...	...
Financing	35.8	303.3	...	...	...	...
Domestic	612.7	303.3	...	...	...	...
BRH	2.6	0.0	...	...	...	...
Commercial banks	0.0	0.0	...	...	...	...
Other	610.1	303.3	...	...	...	...
External	-576.9	0.0	...	...	...	...

Sources: Water Supply Company; and Haitian authorities.

Table 20. Haiti: Accounts of the Central Bank of Haiti

(In millions of gourdes, unless otherwise indicated)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Net foreign assets 1/	**3,695.5**	**4,881.2**	**4,490.9**	**4,013.8**	**5,274.0**	**6,564.1**
Assets 1/	5,576.9	7,710.9	7,064.0	6,762.1	8,688.7	9,453.4
Liabilities	-1,881.4	-2,829.7	-2,573.2	-2,748.4	-3,414.7	-2,889.3
Liabilities to the IMF 2/	-855.1	-1,116	-1,035.1	-909.1	-752.3	-410.4
Other	-1,026	-1,714	-1,538.0	-1,839.3	-2,662.4	-2,478.9
Net domestic assets	**294.4**	**402.5**	**1,141.7**	**2,638.7**	**3,168.7**	**2,121.0**
Net credit to public sector	7,861.4	9,676.4	12,169.0	15,064.0	18,710.9	21,419.6
Central government	7,934.5	9,885.2	12,199.5	15,101.2	18,662.0	21,578.9
Special accounts 3/	-196.0	-184.5	-19.3	-67.9	-176.4	-80.6
Rest of public sector	-73.1	-208.8	-30.6	30.7	225.3	-78.8
Credit to the private sector	288.2	343.5	432.1	485.0	645.0	903.0
Net claims on commercial banks	-7,029.3	-8,465.2	-10,467.5	-12122.6	-17604.3	-21252.7
Cash-in-vault and reserve deposits	-3,924.3	-7,164.2	-7,690.5	-8,969.6	-13,161.3	-17,707.6
BRH bonds	-3,105.0	-1,301.0	-2,777.0	-3,153.0	-4,443.0	-3,545.1
Net claims on other financial institutions	-95.1	-59.2	-55.9	-38.9	-29.9	-504.5
SDR allocation	-322.0	-503.7	-450.1	-538.0	-823.0	-740.9
Capital and surplus	-973.8	-4,101.3	-4,104.7	-4,262.3	-3,745.5	-2,472.8
Other	564.9	3,512.0	3,620.0	3,930.7	5,661.0	4,769.3
Currency in circulation	**3,989.9**	**5,283.7**	**5,632.5**	**6,652.4**	**8,442.7**	**8,685.1**

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

1/ Includes commercial banks' foreign currency deposits.
2/ Includes liabilities to the general resources and ESAF Trust Accounts.
3/ Special accounts of donors.

Table 21. Haiti: Accounts of Commercial Banks 1/

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes, unless otherwise indicated)					
Net foreign assets	**1,910**	**4,754**	**3,863**	**4,407**	**8,202**	**6,119**
Assets	2,116	5,349	4,374	5,123	9,264	7,919
Liabilities	-206	-595	-511	-716	-1,062	-1,799
Claims on the BRH	**7,029**	**8,465**	**10,468**	**12,078**	**17,569**	**21,047**
Currency holdings	735	836	860	1,242	1,660	1,558
Deposits with the BRH (including reserves)	3,190	6,328	6,831	7,683	11,466	15,946
BRH bonds	3,105	1,301	2,777	3,153	4,443	3,544
Net domestic assets	**11,028**	**14,541**	**14,598**	**17,087**	**22,526**	**25,315**
Net claims on the public sector	-249	-216	-71	28	-360	-483
Central government	79	29	91	49	-227	-259
Special accounts 2/	-324	-240	-159	-86	-111	-77
Rest of the public sector	-4	-5	-3	-21	-133	-224
Credit to the private sector	9,658	13,342	12,204	14,026	18,720	20,239
In gourdes	5,847	7,062	6,982	7,599	9,505	9,990
In U.S. dollars	3,811	6,279	5,222	6,427	9,215	10,249
Net claims on other financial institutions	-31	-138	-120	-150	-87	-61
Interbank float	502	-85	653	1,118	1,784	2,022
Unclassified assets	1,147	1,637	1,932	2,065	2,469	3,598
Liabilities to the BRH	**35**	**498**	**32**	**3**	**628**	**3**
Liabilities to the private sector	**19,932**	**27,262**	**28,897**	**33,569**	**47,669**	**52,478**
Deposits	18,168	24,905	26,121	30,576	43,585	48,076
In gourdes	12,443	14,084	15,395	16,810	21,903	25,824
In U.S. dollars	5,725	10,821	10,725	13,766	21,683	22,252
Demand deposits	4,522	5,865	6,322	8,661	11,835	13,842
Saving deposits	7,739	9,897	10,035	12,057	16,976	18,083
Time and other deposits	5,907	9,144	9,764	9,858	14,774	16,151
Private capital and surplus	1,764	2,357	2,776	2,993	4,084	4,403
	(Percentage change from end-period a year earlier)					
Private sector deposits	18.7	37.1	4.9	17.1	42.5	10.3
In gourdes	15.0	13.2	9.3	9.2	30.3	17.9
In U.S. dollars	27.4	89.0	-0.9	28.3	57.5	2.6
Credit to private sector	8.7	38.1	-8.5	14.9	33.5	8.1
In gourdes	-5.9	20.8	-1.1	8.8	25.1	5.1
In U.S. dollars	42.8	64.8	-16.8	23.1	43.4	11.2
Memorandum items:						
Percent in foreign currency						
Bank deposits	31.5	43.4	41.1	-3.5	5.5	60.7
Credit to the private sector	39.5	47.1	42.8	-1.3	-5.7	21.7
Net foreign assets of commercial banks				-2.0	31.5	-11.1
Dollar deposits	33.4	43.9	36.0	10.2	11.3	16.7

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

1/ Includes the government-owned banks, BNC and BPH.

2/ Special accounts of donors.

Table 22. Haiti: Consolidated Accounts of the Banking System

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes, unless otherwise indicated)					
Net foreign assets	**5,605**	**9,635**	**8,354**	**8,421**	**13,476**	**12,683**
Assets	7,693	13,060	11,438	11,885	17,953	17,372
Liabilities	-2,087	-3,424	-3,084	-3,464	-4,476	-4,689
Use of Fund credit	-855	-1,116	-997	-909	-752	-410
Other	-1,232	-2,308	-2,087	-2,555	-3,724	-4,278
Net domestic assets	**16,552**	**20,554**	**23,399**	**28,808**	**38,552**	**44,078**
Net credit to the public sector	7,937	9,700	12,059	15,006	18,239	21,018
Central government	8,534	10,338	12,112	15,064	18,323	21,401
Special accounts 1/	-520	-424	-19	-68	-176	-81
Rest of public sector	-77	-214	-33	10	92	-303
Credit to the private sector	9,946	13,685	12,584	14,932	19,262	21,002
Net claims on other financial institutions	-126	-197	-56	-39	-30	-505
Capital and surplus	-2,738	-6,458	-6,881	-7,256	-7,829	-6,875
Interbank float	467	-583	715	962	2,015	1,290
Net other assets	387	3,252	5,696	6,406	4,820	6,106
Broad money	**22,158**	**30,189**	**31,753**	**37,229**	**52,028**	**56,761**
Narrow money	8,512	11,148	11,955	15,314	20,278	22,527
Currency in circulation	3,990	5,284	5,633	6,652	8,443	8,685
Demand deposits 2/	4,522	5,865	6,322	8,661	11,835	13,842
Time and savings deposits 2/	13,646	19,041	19,798	21,915	31,750	34,234
	(Percentage change from end-period a year earlier)					
Broad money	17.7	36.2	5.2	17.2	39.8	9.1
Narrow money	15.8	31.0	7.2	28.1	32.4	11.1
Currency in circulation	13.5	32.4	6.6	18.1	26.9	2.9
Demand deposits 2/	18.0	29.7	7.8	37.0	36.6	17.0
Time and savings deposits 2/	18.9	39.5	4.0	10.7	44.9	7.8
	(Percentage change relative to broad money a year earlier)					
Net foreign assets	0.3	0.3	0.3	0.2	0.3	0.2
Net domestic assets	0.7	0.7	0.7	0.8	0.7	0.8
Credit to the nonfinancial public sector	0.4	0.3	0.4	0.4	0.4	0.4
Credit to the private sector	0.4	0.5	0.4	0.4	0.4	0.4
Other	0.0	0.1	0.2	0.2	0.1	0.1
Memorandum item:						
Money multiplier 3/	5.6	5.7	5.6	5.6	6.2	6.5

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

1/ Special accounts of donors.
2/ Includes dollar-denominated deposits.
3/ Ratio of broad money to currency in circulation.

Table 23. Haiti: Sectoral Distribution of Commercial Bank Credit 1/

	Fiscal Year Ending September 30					
						June 30
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Total	**8,282.5**	**11,822.7**	**10,654.5**	**12,160.0**	**16008.4**	**16458.9**
Retail and wholesale trade	4,392.2	6,365.6	6,295.5	8,717.1	10518.1	10284.3
Loans to individuals	1,605.2	2,252.8	1,880.2	1,622.0	1859.6	2515.2
Manufacturing	1,338.5	1,685.9	1,369.6	1,306.7	2464.9	2255
Electricity, gas, and water	9.8	11.6	31.1	12.9	133.1	126.4
Construction	387.7	442.7	428.5	357.7	352.1	311.2
Insurance and real estate	313.7	436.4	169.0	90.5	76.1	338.6
Transport and communication	160.6	532.0	354.5	23.0	542.3	521.5
Agriculture	20.0	1.8	0.0	0.2	0	1.9
Other services	54.8	93.9	126.1	29.9	62.2	104.8
	(In percent of total credit)					
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Retail and wholesale trade	53.0	53.8	59.1	71.7	65.7	62.5
Loans to individuals	19.4	19.1	17.6	13.3	11.6	15.3
Manufacturing	16.2	14.3	12.9	10.7	15.4	13.7
Electricity, gas, and water	0.1	0.1	0.3	0.1	0.8	0.8
Construction	4.7	3.7	4.0	2.9	2.2	1.9
Insurance and real estate	3.8	3.7	1.6	0.7	0.5	2.1
Transport and communication	1.9	4.5	3.3	0.2	3.4	3.2
Agriculture	0.2	0.0	0.0	0.0	0.0	0.0
Other services	0.7	0.8	1.2	0.2	0.4	0.6

Source: Bank of the Republic of Haiti.

1/ Excludes loans below G 75,000.

Table 24. Haiti: Origin, Destination, and Financing of Bank Credit

(In millions of gourdes)

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Total Credit	**18,638**	**21,130**	**23,901**	**29,411**	**39,477**	**44,937**
Origin	**18,638**	**21,130**	**23,901**	**29,411**	**39,477**	**44,937**
Bank of the Republic of Haiti	7,646	8,324	12,025	15,265	20,688	24,192
Central government and special accounts 1/	7,935	9,885	12,200	15,169	18,838	21,660
Rest of public sector 1/	-73	-209	-31	31	225	-79
Private sector	288	344	432	486	645	903
Other	-504	-1,696	-576	-421	979	1,708
Commercial banks	10,526	12,234	11,065	12,995	16,658	18,890
Central government and special accounts 1/	-245	-211	-68	-37	-339	-336
Rest of public sector 1/	-4	-5	-3	-2	-133	-224
Private sector	9,658	13,342	12,204	14,026	18,720	20,239
Other	1,116	-892	-1,068	-992	-1,590	-788
Interbank float	467	571	811	1,152	2,132	1,856
Destination	**18,638**	**21,130**	**23,901**	**29,411**	**39,477**	**44,937**
Public sector	7,613	9,461	12,098	15,161	18,591	21,020
Central government and special accounts 1/	7,690	9,674	12,131	15,132	18,499	21,323
Rest of public sector 1/	-77	-214	-33	29	92	-303
Private sector	9,946	13,685	12,636	14,512	19,365	21,142
Other	612	-2,588	-1,644	-1,413	-611	920
Interbank float	467	571	811	1,152	2,132	1,856
Financing	**18,638**	**21,130**	**23,901**	**29,411**	**39,477**	**44,937**
Liabilities to private sector	23,921	30,261	31,805	37,294	52,131	56,880
Bank of the Republic of Haiti	3,990	5,356	5,684	6,717	8,546	8,804
Commercial banks	19,932	24,905	26,121	30,576	43,585	48,076
Net foreign assets	-5,605	-9,635	-8,354	-8,421	-13,476	-12,683
Bank of the Republic of Haiti	-3,695	-4,881	-4,491	-4,014	-5,274	-6,564
Commercial banks	-1,910	-4,754	-3,863	-4,407	-8,202	-6,119
SDR allocation	322	504	450	538	823	741

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

1/ Credit less deposits.

Table 25. Haiti: Annual Change in Credit Extended by the Banking System

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Total credit	**2975.5**	**4230.2**	**2771.5**	**5510.0**	**10066.2**	**5459.9**
Origin	**2202.4**	**4230.2**	**2771.5**	**5510.0**	**10066.2**	**5459.9**
Bank of the Republic of Haiti	1562.1	720.3	3700.6	3239.7	5423.1	3504.0
Central government and special accounts 1/	1101.6	2147.3	2314.3	2969.5	3669.3	2821.1
Rest of public sector 1/	72.6	-135.8	178.2	61.3	194.6	-304.1
Private sector	48.7	80.5	88.5	53.4	159.6	258.0
Other	339.2	-1371.8	1119.5	155.5	1399.7	729.0
Commercial banks	1296.6	3285.3	-1168.9	1930.1	3662.6	2232.4
Central government and special accounts 1/	263.2	33.8	142.4	31.7	-302.1	2.7
Rest of public sector 1/	-1.1	-1.3	2.3	0.8	-131.4	-91.0
Private sector	773.3	3683.8	-1137.9	1822.2	4694.1	1518.5
Other	261.2	-431.0	-175.8	75.5	-598.0	802.1
Interbank float	116.8	224.6	239.9	340.2	980.5	-276.5
Destination	**2202.4**	**4230.2**	**2771.5**	**5510.0**	**10066.2**	**5459.9**
Public sector	1436.3	2044.0	2637.2	3063.3	3430.4	2428.7
Central government and special accounts 1/	1364.8	2181.1	2456.7	3001.2	3367.2	2823.8
Rest of public sector 1/	71.5	-137.1	180.5	62.1	63.2	-395.1
Private sector	822.0	3764.4	-1049.3	1875.6	4853.7	1776.5
Other	600.4	-1802.8	943.7	231.0	801.7	1531.1
Interbank float	116.8	224.6	239.9	340.2	980.5	-276.5
Financing	**2202.4**	**4230.2**	**2771.5**	**5510.0**	**10066.2**	**5459.9**
Liabilities to private sector	3460.1	8186.2	1543.7	5488.8	14837.0	4748.8
Bank of the Republic of Haiti	473.6	1340.9	328.2	1033.3	1828.1	258.2
Commercial banks	2986.5	6845.3	1215.6	4455.5	13008.8	4490.6
Net foreign assets	-490.1	-4137.7	1281.4	-66.8	-5055.8	793.2
Bank of the Republic of Haiti	-414.1	-1185.7	390.3	477.2	-1260.4	-1290.0
Commercial banks	-76.1	-2952.0	891.1	-544.0	-3795.4	2083.2
SDR allocation	5.6	181.7	-53.6	88.0	285.0	-82.1
	(Change with respect to total liabilities to the private sector 12 months earlier)					
Total credit	**14.5**	**20.0**	**9.9**	**16.7**	**27.0**	**10.5**
Origin						
Bank of the Republic of Haiti	7.6	7.2	8.3	9.6	14.5	6.7
Commercial banks	6.3	17.1	-2.1	5.7	9.8	4.3
Interbank float	0.6	-4.4	3.7	1.4	2.6	-0.5
Destination						
Public sector	7.0	7.7	8.1	8.9	9.2	4.7
Central government and special accounts 1/	6.7	8.3	7.5	8.7	9.0	5.4
Rest of public sector 1/	0.3	-0.6	0.6	0.2	0.2	-0.8
Private sector	4.0	15.6	-3.2	5.3	13.0	3.4
Other	2.9	1.0	1.3	1.1	2.1	2.9
Interbank float	0.6	-4.4	3.7	1.4	2.6	-0.5

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

1/ Credit less deposits.

Table 26. Haïti Summary Indicators of Commercial Banking Sector Soundness

	Fiscal Year Ending September 30					
	1999	2000	2001	2002	2003	2004
Capital						
Capital, reserves, undistributed profits/total assets	5.2	5.1	5.8	5.8	5.4	5.3
Capital/risk-weighted assets (capital adequacy ratio)	9.4	12.1	14.7	16.0	15.0	15.5
Nonperforming loans						
Nonperforming loans/total loans	7.9	6.8	9.2	6.5	5.5	6.9
Excluding BNC	6.5	5.5	7.8	6.0	5.4	6.6
Provisions/nonperforming loans	62.3	62.6	66.3	84.4	97.2	88.9
Nonperforming loans/capital, reserves, undistributed 1/	24.7	20.5	20.0	6.4	1.0	4.7
Excluding BNC	21.3	17.7	21.0	7.2	3.4	7.3
Profitability						
Return on assets	1.0	1.7	1.3	1.0	1.9	0.8
Excluding BNC	0.9	1.6	1.2	1.1	2.0	0.9
Return on equity	18.5	32.8	23.2	16.9	35.0	15.1
Net interest income/gross interest income	60.2	60.2	54.6	67.2	65.6	55.1
Operating cost/net interest and non-interest income	77.2	69.4	74.4	79.3	69.3	79.9
Excluding BNC	78.0	70.0	77.9	79.3	69.0	78.7
Net income/employee ('000 gourdes)	606.5	793.4	848.7	847.6	1293.8	1209.1
Number of branches	99.0	115.0	139.0			
Number of employees	2659.0	2989.0	3351.0	3265.0	3305.0	3532.0
Liquidity/dollarization						
Total loans/total deposit 2/	53.8	53.9	47.1	42.6	39.8	37.8
Foreign currency loans/foreign currency deposits 3/	66.6	58.0	48.7	44.6	40.1	42.8
Foreign currency loans/total loans	38.3	45.9	41.3	48.3	51.4	53.7
Foreign currency deposits/total deposits	31.5	43.4	41.1	46.2	51.1	47.5
Intermediation						
Private sector bank deposits/broad money	82.0	82.5	82.3	82.1	83.8	84.7

Sources: Bank of the Republic of Haïti, and Fund staff estimates.

1/ Criteria for loan classification were tightened in March 1998.
2/ Denominated in gourdes and in foreign exchange.
3/ Foreign exchange operations of the private sector only.

Table 27. Haiti: Interest Rates

(In percent per annum)

	Gourde Denominated				Dollar Denominated			Memo:
	Deposits 1/			91-day	Deposits 1/			Annual
	Time	Savings	Lending 1/	BRH Bonds	Time	Savings	Lending 1/	Inflation 2/
1999								
March	7.5	3.0	23.0	10.3	4.4	1.5	12.0	7.9
June	7.0	3.3	24.5	10.3	3.8	1.5	12.5	8.1
September	6.8	3.5	22.5	10.3	4.0	2.3	12.5	9.9
December	9.6	3.5	22.5	21.1	4.8	2.0	13.5	9.7
2000								
March	9.8	3.3	24.3	23.3	3.8	1.8	14.0	12.0
June	10.5	3.3	25.3	23.3	4.8	1.5	14.3	11.5
September	15.0	3.8	25.0	26.7	4.9	1.8	15.5	15.3
December	14.0	3.8	28.0	26.7	5.1	2.0	14.3	19.2
2001								
March	14.0	3.8	28.8	26.7	4.6	2.0	16.3	16.5
June	14.0	3.5	29.0	26.7	4.4	1.5	15.0	17.1
September	13.5	3.5	30.0	26.7	5.0	1.8	14.0	12.3
December	11.3	2.5	25.7	18.9	3.0	1.5	15.0	8.2
2002								
March	8.0	2.5	26.0	12.0	2.8	1.5	12.0	8.5
June	7.6	2.3	26.0	10.0	2.5	1.4	11.3	8.4
September	7.6	2.3	24.0	10.2	2.5	1.4	10.5	10.1
December	7.6	2.3	26.0	15.6	2.8	1.4	13.0	14.8
2003								
March	14.0	2.3	30.0	27.5	3.3	1.3	13.0	37.0
June	14.5	3.3	30.0	27.8	3.1	1.3	17.0	41.7
September	15.0	3.3	33.0	27.8	3.4	1.3	15.5	42.5
December	14.5	3.3	31.0	27.8	3.3	1.3	13.0	40.4
2004								
March	15.0	2.3	33.0	27.8	3.6	1.3	13.0	20.8
June	14.0	2.3	36.5	20.0	2.6	1.3	14.5	24.1
September	7.5	1.5	33.0	7.6	3.6	1.3	14.0	22.5
December	3.5	1.4	33.0	7.6	2.6	0.9	14.5	20.2

Source: Bank of the Republic of Haiti.

1/ Interest rates shown here are a simple average of the lowest and highest end-of-period deposit and lending rates reported by the commercial banks.

2/ Change in consumer prices compared to same period 12 months earlier.

Table 28. Haiti: Reserve Requirements by Category of Deposit and Institution

(In percent)

	Local Currency Deposits				Foreign Currency Deposits
			Time Deposits		
	Demand Deposits	Saving Deposits	Less Than One Year	More Than One Year	
I. Commercial Banks					
March 1, 1993 to May 31, 1995	73 ½	46	20	20	0
June 1, 1995 to August 27, 1995	48	48	48	48	0
August 28, 1995 to September 4, 1995	50	50	50	50	0
September 5, 1995 to October 9, 1995 1/	53 ½	53 ½	53 ½	53 ½	0
October 10, 1995 to May 5, 1996 1/	51 ½	51 ½	51 ½	51 ½	0
May 6, 1996 to July 3, 1996 1/	50	50	50	50	0
July 4, 1996 to November 18, 1996 2/	48	48	48	48	0
November 19, 1996 to November 24, 1996	44	44	44	44	0
November 25, 1996 to December 1, 1996	42	42	42	42	0
December 2, 1996 to December 8, 1996	35	35	35	35	0
December 9, 1996 to February 15, 1997	30	30	30	30	0
February 16, 1997 to March 16, 1997	27	27	27	27	0
March 17, 1997 to May 15, 1997	26	26	26	26	12
May 16, 1997 to July 15, 1997	25	25	25	25	12
July 16, 1997 to November 15, 1997	26	26	26	26	12
November 16, 1997 to November 15, 1999	26 ½	26 ½	26 ½	26 ½	12 ½
November 16, 1999 to April 15 , 2000	26 ½	26 ½	26 ½	26 ½	15
April 16, 2000 to August 31, 2000	28	28	28	28	17
September 1, 2000 to September 14, 2000	30	30	30	30	20
September 15, 2000 to June 15, 2001	31	31	31	31	21
June 16, 2001 to present	31	31	31	31	31
II. Mortgage Banks					
March 1, 1993 to May 31, 1995	0	23	10	10	0
June 1, 1995 to August 27, 1995	24	24	24	24	0
August 28, 1995 to September 4, 1995	25	25	25	25	0
September 5, 1995 to October 9, 1995 3/	26 ¾	26 ¾	26 ¾	26 ¾	0
October 10, 1995 to May 5, 1996 3/	25 ¾	26 ¾	26 ¾	26 ¾	0
May 6, 1996 to July 3, 1996 3/	25	25	25	25	0
July 4, 1996 to November 18, 1996 4/	24	24	24	24	0
November 19, 1996 to November 24, 1996	22	22	22	22	0
November 25, 1996 to December 1, 1996	21	21	21	21	0
December 2, 1996 to December 8, 1996	17 ½	17 ½	17 ½	17 ½	0
December 9, 1996 March 16, 1997	15	15	15	15	0
March 17, 1997 to November 15, 1999	15	15	15	15	12
November 16, 1999 to April 15, 2000	15	15	15	15	14 ½
April 16, 2000 to August 31, 2000	16 ½	16 ½	16 ½	16 ½	16
September 1, 2000 to September 14, 2000	18 ½	18 ½	18 ½	18 ½	18
September 15, 2000 to present	19 ½	19 ½	19 ½	19 ½	19
June 16, 2001 to present	19 ½	19 ½	19 ½	19 ½	19

Source: Bank of the Republic of Haiti.

1/ This includes mandatory (remunerated) secondary reserves of 3½ percent.
2/ This includes mandatory (remunerated) secondary reserves of 1½ percent.
3/ This includes mandatory (remunerated) secondary reserves of 1¾ percent.
4/ This includes mandatory (remunerated) secondary reserves of ¾ percent.

Table 29. Haiti: Reserve Position of the Commercial Banks

	1999	2000	2001	2002	2003	2004
	(In millions of gourdes)					
Deposit liabilities	**18,168**	**24,905**	**26,121**	**30,576**	**43,585**	**48,076**
Actual reserves	3,764	6,899	5,974	6,531	9,518	13,174
Required reserves	4,013	6,639	5,770	6,491	8,806	10,075
Excess/deficiency (-)	-249	261	204	39	712	3,099
	(In percent of deposit liabilities)					
Actual reserves	20.7	27.7	22.9	21.4	21.8	27.4
Required reserves	22.1	26.7	22.1	21.2	20.2	21.0
Excess/deficiency (-)	-1.4	1.0	0.8	0.1	1.6	6.4

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

Table 30. Haiti: Balance of Payments

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

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Current account deficit (-) (excluding grants)	**-259.9**	**-233.1**	**-168.1**	**-141.0**	**-97.5**
Trade balance (deficit -)	-755.8	-750.2	-709.4	-785.4	-809.9
Exports, f.o.b.	331.0	305.2	273.2	330.4	372.7
Of which: Assembly industry exports	257.7	251.2	220.8	278.1	319.0
Imports, f.o.b.	-1,086.7	-1,055.4	-982.6	-1,115.8	-1,182.6
Of which: Petroleum products	-44.2	-163.8	-157.3	-146.3	-218.0
Services (net)	-96.3	-108.1	-92.6	-152.1	-204.9
Receipts	172.0	137.4	163.7	130.9	131.7
Payments	-268.3	-245.4	-256.3	-283.0	-336.6
Income (net)	14.1	1.5	-15.2	-14.3	-13.6
Of which:					
Interest payments	-14.0	-11.0	-13.5	-14.7	-17.7
Private transfers (net) 1/	578.0	623.6	649.0	810.8	931.0
External grants	221.3	160.6	135.1	137.2	113.1
Current account deficit (-) (including grants)	**-38.7**	**-72.5**	**-33.0**	**-3.7**	**15.6**
Capital and financial accounts (deficit -)	**-13.4**	**64.5**	**-35.4**	**-7.2**	**17.4**
Public sector capital flows (net)	41.2	0.8	-8.0	25.3	-4.6
Loan disbursements	66.9	28.3	13.0	49.6	24.0
Amortization	-25.7	-27.5	-21.0	-24.3	-28.6
Banks (net) 2/	-55.1	16.3	3.1	-46.8	29.0
Direct investment	8.0	2.0	4.7	7.8	5.9
Other 3/	-7.5	45.5	-35.3	6.5	-12.9
Overall balance (deficit -)	**-51.9**	**-7.9**	**-68.5**	**-10.9**	**33.0**
Financing	**51.9**	**7.9**	**68.5**	**10.9**	**-33.0**
Change in net international reserves (increase -) 4/	45.9	-3.9	41.0	9.7	-52.8
Change in arrears (reduction -)	6.0	11.8	27.4	1.3	19.8
Rescheduling	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:					
Current account balance, excluding grants (in percent of GDP)	-6.6	-6.5	-4.9	-4.8	-2.8
Current account balance, including grants (in percent of GDP)	-1.0	-2.0	-1.0	-0.1	0.4
Exports (f.o.b) growth	-2.5	-7.8	-10.5	21.0	12.8
Import (f.o.b) growth	6.8	-2.9	-6.9	13.6	6.0
External debt as percent of exports	234.7	273.3	286.1	284.7	261.0
NPV of external debt as percent of exports	...	...	200.9	195.9	186.8
Debt service as percent of exports	7.9	8.7	7.9	8.5	9.2
Net foreign assets of the central bank (US$ million)	172.3	176.2	135.1	125.5	178.3
Gross liquid international reserves (US$ million) 4/	222.3	227.3	177.7	157.0	206.9
Gross liquid international reserves (in months of next year's imports of goods and services) 4/	2.1	2.2	1.5	1.2	1.3

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

1/ Based on remittances transferred through authorized "transfer houses" and central bank, estimates of such transfers channeled through other means.
2/ Excludes commercial banks' foreign currency deposits with the BRH.
3/ Includes short-term capital and errors and omissions.
4/ Includes commercial banks' foreign currency deposits with the BRH.

Table 31. Haiti: Net International Reserves

(In millions of U.S. dollars at end of period)

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Net foreign assets of the banking system	**340**	**328**	**284**	**321**	**344**
Official reserves (net) 1/	**172**	**176**	**135**	**125**	**178**
Assets	**272**	**277**	**228**	**207**	**257**
Gold	0	0	0	0	0
Liquid assets	222	227	178	157	207
Other assets	50	50	50	49	49
Liabilities	**100**	**101**	**95**	**81**	**78**
Of which: Liabilities to the Fund	44	44	35	17.9	11
Other	56	57	60	63	67
Net foreign assets of commercial banks	**168**	**152**	**148**	**195**	**166**
Assets	189	172	172	220	215
Of which:					
Foreign currency deposits at the BRH					
Liabilities	21	20	24	25	49

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

1/ Bank of the Republic of Haiti.

Table 32. Haiti: Selected Foreign Trade Indices

(FY 1991/92=100)

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Exports					
Value index, f.o.b.	279.5	257.8	262.2	311.6	314.8
(Annual change in percent)	-2.5	-7.8	1.7	18.8	1.0
Price index	104.0	101.6	104.1	117.9	133.6
(Annual change in percent)	-5.0	-2.3	2.5	13.2	13.3
Volume index	268.9	253.7	251.8	264.3	235.7
(Annual change in percent)	-4.3	-5.6	-0.8	5.0	-10.8
Share of traditional exports	7.2	4.8	6.4	5.7	5.6
Imports					
Value index, f.o.b.	415.0	403.1	374.4	426.2	451.7
(Annual change in percent)	6.8	-2.9	-7.1	13.8	6.0
Price index	107.7	109.2	111.1	125.3	138.9
(Annual change in percent)	5.1	1.4	1.7	12.8	10.9
Volume index	385.4	369.3	337.1	340.2	325.1
(Annual change in percent)	5.9	-4.2	-8.7	0.9	-4.4
Terms of trade					
Index	96.6	93.1	93.8	94.1	96.1
(Annual change in percent)	-9.6	-3.6	0.7	0.4	2.2
Memorandum items:					
U.S. consumer price index (period average)	122.6	126.6	128.5	131.5	134.6
Annual change in percent	3.2	3.2	1.5	2.3	2.3

Sources: Bank of the Republic of Haiti (BRH) and Fund staff estimates.

Table 33. Haiti: Composition of Exports, f.o.b.

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)				
Total exports, f.o.b.	**331.0**	**305.2**	**310.5**	**369.0**	**372.7**
Agricultural exports	**24.0**	**14.6**	**19.9**	**20.9**	**21.0**
Coffee	7.1	4.8	2.9	3.6	4.3
Sisal and sisal strings	2.0	0.5	1.2	1.6	0.9
Mango	8.0	4.2	5.5	4.7	6.6
Cocoa	2.2	1.8	5.5	6.1	6.5
Essential oils	4.7	3.4	4.8	5.1	2.6
Light manufactures 1/	**283.4**	**271.0**	**273.0**	**310.6**	**315.5**
Domestic inputs	23.6	19.8	17.4	17.6	18.2
Imported inputs	259.8	251.2	255.6	293.0	297.3
Other items	**23.6**	**19.6**	**17.6**	**37.5**	**36.2**
	(In percent of total exports)				
Agricultural exports	7.2	4.8	6.4	5.7	5.6
Light manufactures 1/	85.6	88.8	87.9	84.2	84.7
Others	7.1	6.4	5.7	10.2	9.7
	(Annual percentage changes)				
Total exports	-3.0	-7.8	1.7	18.8	1.0
Agricultural exports	-28.4	-39.0	36.0	5.1	0.4
Light manufactures 1/	-3.4	-4.4	0.7	13.8	1.6

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

1/ Includes valuation and classification adjustments made by the Bank of the Republic of Haiti.

Table 34. Haiti: Exports of Light Manufactures to the United States

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Total value exported 1/	**267.1**	**259.1**	**227.5**	**283.0**	**322.3**
A. Products from domestic materials 2/	**9.4**	**7.9**	**5.8**	**5.0**	**3.3**
Textiles: yarns, fabrics, and manufactures	1.6	1.5	1.3	1.7	1.3
Wood manufactures	0.2	0.1	0.1	0.1	0.1
Leather manufacturers	3.6	3.6	2.9	1.6	1.4
Other	4.0	2.7	1.5	1.7	0.5
B. Products from imported materials	**257.7**	**251.2**	**221.7**	**278.1**	**319.0**
Textiles, apparel, etc.	**253.0**	**246.9**	**217.8**	**274.5**	**302.3**
Wear, apparel, accessories, and articles made from fur	243.2	237.1	206.2	...	...
Travel goods, handbags, and similar articles	0.8	0.5	0.3	0.3	0.2
Footwear, excluding military and orthopedic	0.0	0.3	0.0	0.0	0.0
Machinery and electronics	**1.4**	**1.5**	**1.7**	**1.8**	**12.4**
Miscellaneous manufactures	**3.3**	**2.8**	**2.2**	**1.8**	**4.3**
Sporting goods, toys, and other similar products	2.8	2.5	1.8	1.5	4.3
Articles of rubber and plastic	0.5	0.3	0.5	0.3	0.0

Sources: Bank of the Republic of Haiti; U.S. Department of Commerce; and Fund staff estimates.

1/ Exports to the United States represent about 90 percent of Haiti's light manufacturing exports.
2/ Fiscal year figures are estimates based on calendar year data.

Table 35. Haiti: Principal Commodity Exports

(Value in millions of U.S. dollars, volume in thousand tons, and unit value in US$/kg, unless otherwise specified)

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Total value 1/	**18.1**	**10.5**	**11.3**	**16.3**	**17.5**
Coffee					
Value	7.1	4.8	2.8	3.6	4.3
Volume 2/	103.2	95.2	54.6	40.2	32.0
Unit price 3/	69.0	50.3	51.1	77.6	95.1
Sisal and sisal strings					
Value	2.0	0.5	0.5	1.6	1.0
Volume	4.1	1.1	1.0	...	...
Unit price	0.5	0.5	0.5	...	...
Cocoa					
Value	6.5	1.8	5.3	6.1	6.5
Volume	18.0	4.1	7.2	3.7	4.1
Unit price	0.4	0.4	0.7	1.6	1.1
Essential oils					
Value	2.5	3.4	2.8	5.1	5.8
Volume	0.1	0.1	0.1	0.1	0.1
Unit price	33.0	33.0	33.0	46.1	71.5

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

1/ Some value figures may not be equal to the product of volume and unit value because of rounding.
2/ In thousands of 60 kilogram bags.
3/ U.S. dollars per 60 kilogram bag.

Table 36. Haiti: Composition of Imports, c.i.f.

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)				
Total	**1168.5**	**1134.9**	**1054.2**	**1199.8**	**1271.7**
Food and others 1/	384.8	393.2	345.2	362.7	415.2
Of which					
Food	265.8	279.4	235.9	267.7	325.8
Fuel and lubricants	186.5	163.8	157.3	196.5	218.0
Machines and transport equipment	171.5	175.2	159.8	165.3	173.2
Raw Materials	24.6	22.1	21.0	19.1	18.9
Manufactured goods	324.8	313.6	293.9	346.9	344.2
Other imports	76.3	66.9	77.1	109.4	102.1
	(In percent of total)				
Food and others	32.9	34.6	32.7	30.2	32.6
Fuel and lubricants	16.0	14.4	14.9	16.4	17.1
Machines and transportation	14.7	15.4	15.2	13.8	13.6
Raw materials	2.1	1.9	2.0	1.6	1.5
Manufactured goods	27.8	27.6	27.9	28.9	27.1
Other imports	6.5	5.9	7.3	9.1	8.0
	(Annual percentage change)				
Total	**6.8**	**-2.9**	**-7.1**	**13.8**	**6.0**
Food and others	-10.1	2.2	-12.2	5.1	14.5
Fuel and lubricants	114.9	-12.2	-4.0	24.9	10.9
Machines and transportation	0.9	-10.2	-4.9	-8.9	-0.9
Raw materials	10.2	-3.4	-6.3	18.0	-0.8
Manufactured goods	-1.0	-12.3	15.2	41.8	-6.6

Sources: Bank of the Republic of Haiti; U.S. Department of Commerce; and Fund staff estimates.

1/ Includes beverage, oils and fats, and pharmaceutical products.

Table 37. Haiti: Official Grants

(In millions of U.S. dollars)

	Fiscal Year Ending September 31				
	2000	2001	2002	2003	2004
Total	**221.3**	**160.6**	**135.1**	**137.2**	**113.1**
Bilateral donors	**145.9**	**108.6**	**109.6**	**101.4**	**86.3**
Canada	29.4	15.5	13.0	10.0	7.0
France	9.4	11.3	6.0	5.0	6.0
Germany	3.7	4.3	8.0	4.0	0.0
Japan	12.2	10.0	10.0	5.0	2.7
Netherlands	5.5	2.7	1.3	2.0	0.0
Switzerland	1.4	1.3	1.4	1.4	0.0
Taiwan Province of China	8.4	8.6	20.0	10.0	1.9
United States	76.0	55.0	50.0	64.0	67.5
Other bilateral donors	0.0	0.0	0.0	0.0	1.1
Multilateral donors	**36.7**	**40.4**	**17.5**	**27.9**	**22.8**
European Union	14.6	10.0	5.0	12.1	20.3
UNDP	2.2	2.5	2.5	1.5	2.5
WHO-PAHO	1.8	4.0	0.0	0.0	0.0
WFP	4.8	7.9	5.0	5.0	0.0
Other UN organizations	10.8	10.3	5.0	5.0	0.0
Other multilateral donors	2.6	5.9	0.0	4.3	0.0
Nongovernment organizations	**38.7**	**11.6**	**8.0**	**8.0**	**4.0**

Sources: U.S. Monitoring Report, World Bank survey on donor financing; and Fund staff estimates.

1/ Beginning in 1995, some grants channeled through NGOs may be included in the figures for grants by bilateral donors, but explicit data on grants by NGOs are not readily available.

Table 38. Haiti: Loan Disbursements

(In millions of U.S. dollars)

	Fiscal Year Ending September 30				
	2000	2001	2002	2003	2004
Total	**69.9**	**28.3**	**13.0**	**49.6**	**24.0**
Bilateral	**16.2**	**13.0**	**3.3**	**12.5**	**4.0**
France	0.0	0.1	0.0	0.0	0.0
Taiwan province of China	15.5	12.9	3.3	12.5	4.0
Others	0.7	0.0	0.0	0.0	0.0
Multilateral	**53.7**	**15.2**	**9.7**	**37.1**	**20.0**
EIB	1.5	0.0	0.0	0.0	0.0
IDA/IBRD	7.9	4.9	0.0	0.0	0.0
IDB	42.7	8.5	3.6	35.2	19.5
OPEC/IFAD	1.7	1.8	6.1	1.9	0.5
IMF	**0.0**	**0.0**	**0.0**	0.0	**0.0**
Memorandum item:					
Total, excluding the IMF	69.9	28.3	12.2	49.6	23.3

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

Table 39. Haiti: Stock of External Public Debt 1/

	Fiscal Year ending September 30				
	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)				
Total	**1140.9**	**1171.6**	**1223.3**	**1300.1**	**1316.6**
Medium and long-term debt	**1135.0**	**1153.0**	**1172.4**	**1247.9**	**1238.5**
Bilateral creditors	163.0	176.2	189.0	208.4	207.0
United States 2/	10.3	9.8	9.4	8.7	8.2
France	41.5	41.1	49.7	57.3	53.4
Others 3/	111.2	125.3	129.9	142.4	145.4
Multilateral creditors	932.5	938.7	956.6	1026.0	1022.5
IBRD/IDA	486.2	484.8	495.5	528.4	517.5
IFAD	22.0	21.7	25.6	28.8	28.4
IDB	420.1	426.6	430.3	462.7	470.9
OPEC special fund	4.2	5.6	5.2	6.1	5.7
IMF and IMF trust fund	39.5	38.1	26.8	13.5	9.1
Other debt 4/	**5.9**	**18.6**	**50.9**	**52.1**	**78.1**
Short term	0.0	0.0	0.0	0.0	0.0
Arrears	5.9	18.6	50.9	52.1	78.1
	(In percent of GDP)				
Total	**56.6**	**63.6**	**68.4**	**85.7**	**72.0**
Medium and long-term debt	**56.4**	**63.1**	**66.9**	**84.0**	**69.8**
Bilateral creditors	4.1	4.9	5.5	7.0	5.9
United States 2/	0.3	0.3	0.3	0.3	0.2
France	1.0	1.1	1.4	1.9	1.5
Others 3/	2.8	3.5	3.7	4.8	4.1
Multilateral creditors	23.6	26.1	27.6	34.7	28.9
IBRD/IDA	12.3	13.5	14.3	17.9	14.6
IFAD	0.6	0.6	0.7	1.0	0.8
IDB	10.6	11.9	12.4	15.6	13.3
OPEC Special Fund	0.1	0.2	0.2	0.2	0.2
IMF and IMF trust fund	1.0	1.1	0.8	0.5	0.3
Other debt 4/	**0.1**	**0.5**	**1.5**	**1.8**	**2.2**
Short term	0.0	0.0	0.0	0.0	0.0
Arrears	0.1	0.5	1.5	1.8	2.2
Memorandum item:					
Nominal GDP (millions of U.S. dollars)	3953.8	3596.4	3465.2	2956.8	3536.7

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

1/ Includes concessional and commercial public debt, officially guaranteed debt, and central bank liabilities, including use of Fund resources.

2/ Debt cancellation by the United States in 1991 was accounted for only in 1995 after Haiti's return to constitutional rule.

3/ Increase in 1995 reflect recognition of debt in dispute.

4/ Excludes overdue suppliers' credits in dispute ("dette en litige").

Table 40. Haiti: Scheduled External Public Debt Service

(In millions of U.S. dollars)

	Fiscal Year ending September 30				
	2000	2001	2002	2003	2004
Total scheduled payments	**42.6**	**38.5**	**48.2**	**57.4**	**50.7**
Interest	**14.0**	**11.0**	**13.5**	**16.7**	**17.7**
Bilateral creditors	2.9	2.6	3.8	5.8	4.7
United States	0.7	1.2	0.7	0.7	0.5
France	1.5	0.7	1.0	1.0	1.5
Others 1/	0.6	0.8	2.2	4.2	2.6
Multilateral creditors	11.2	8.3	9.6	10.9	13.0
IMF	1.1	1.0	0.6	0.3	0.4
IBRD/IDA	3.8	2.1	4.0	4.0	3.8
IDB	5.9	5.1	4.8	6.3	8.6
OPEC Fund/IFAD	0.3	0.1	0.3	0.3	0.2
Amortization payments	**28.6**	**27.5**	**34.7**	**40.7**	**33.1**
Bilateral creditors	8.7	6.2	4.2	4.2	5.4
United States	0.5	1.1	0.5	0.5	0.5
France	3.1	2.7	3.0	3.0	3.9
Others 1/	5.1	2.4	0.6	0.6	1.0
Multilateral creditors	19.9	21.3	30.5	36.5	27.6
IMF	2.9	0.0	13.8	14.9	4.4
IBRD/IDA	6.5	9.6	8.0	9.7	10.0
IDB	8.7	8.9	7.0	10.3	11.3
OPEC Fund/IFAD	1.7	2.8	1.7	1.7	1.8

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

1/ The main creditors are Venezuela, Argentina, and Canada.

Table 41. Haiti: Stock of External Arrears

(In millions of U.S. dollars)

	Fiscal Year ending September 30				
	2000	2001	2002	2003	2004
Total	**6.0**	**17.8**	**50.9**	**52.1**	**78.1**
Multilateral creditors	**2.1**	**11.2**	**39.0**	**33.3**	**49.2**
IDB	0.2	4.0	19.6	0.0	0.0
World Bank/IDA	0.8	6.1	19.0	32.4	49.2
IMF	0.2	0.0	0.0	0.0	0.0
Other (OPEC and IFAD)	0.9	1.1	0.4	0.9	0.0
Bilateral creditors	**3.9**	**6.6**	**11.9**	**18.8**	**28.9**
U.S.	0.5	0.7	0.8	0.6	0.0
Canada (Wheat Board)	0.1	0.1	0.1	0.1	0.0
France (Bank de France, CFD, and COFACE	2.1	3.3	6.1	10.8	18.8
Italy (SACE)	0.6	1.3	3.3	4.7	6.2
Spain (CESCE)	0.6	1.3	1.6	2.7	3.9
Others	0.0	0.0	0.0	0.0	0.0

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

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
1. Tax on net income and profits (Amended by decree of September 29, 1988)			
1.1. Corporate income tax	Tax on net industrial and commercial profits of enterprises (including state enterprises) and companies, including capital gains and after deduction of all legitimate charges; dividends paid to affiliated companies are not taxed.	Enterprises with a turnover not exceeding G 50,000. Agricultural cooperatives, mutual loan associations, and enterprises granted privileges under the Investment Code. 50 percent of capital gains on developed property and 25 percent on undeveloped property.	Net profits of **local companies** are subject to the actual profits regime *(regime réel).* The actual profits regime includes the following schedule of marginal rates: **Profits in gourdes** — **Percentage** 1–20,000 — 10 20,001–100,000 — 15 100,001–250,000 — 20 250,001–750,000 — 30 Over 750,000 — 35 Enterprises are required to make an installment payment equal to 1 percent of the previous year's profits **plus** 1 percent of the current value of imports. Undistributed profits are taxable at the rate of 15 percent after five years unless reinvested. Foreign companies: In addition to the actual profits regime, a surcharge representing 30 percent of net profits **after** tax, constituting the final tax on profits to be distributed to foreign shareholders.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
1.2. Personal income tax	Based on aggregate income, including income from real estate; industrial, commercial, and agricultural profits; investment income; income from literary works and patented inventions; wages and salaries; interest and dividends received; and all types of capital gains.	**Exemptions**: Foreign diplomatic and consular personnel. **Deductions**: (1) deficits carried over from previous fiscal years; (2) for a principal residence: 20 percent of the annual rent or the sum of real estate tax and mortgage interest payments; (3) donations to charitable or public-interest institutions, up to 20 percent of income; and (4) 50 percent of capital gains on developed property and 25 percent on undeveloped property.	For income, a progressive general schedule with the following marginal rates: **Income in gourdes** — **Percentage** 0–20 000 — 0 20,001–100,000 — 10 100,001–250,000 — 15 250,001–750,000 — 25 Over 750,000 — 30 with the application of tax credits and source withholding. For **profits**, applicable rates are as follows: **Presumptive regime**: G 50,000–250,000 1 percent of turnover 2 percent of the value of imports, c.i.f. (in both cases, constituting payment in full) **Actual profits regime**: See 1.1 above. Taxpayers whose noncommercial profits are less than G 20,000 are subject to a **presumptive** tax of 1 percent of their gross income, with a minimum of G 600, deductible from the final tax but not refundable. Source withholding on: wages (1½ percent of the tax paid the previous year), unreported bonuses (10 percent, in full payment), commissions and capital gains on developed land (2½ percent) and undeveloped land (10 percent), and on interest and dividends (15 percent).

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
2. Social security contributions			
2.1. ONA (old-age pensions)	A monthly contribution by private sector employers and employees to the pension scheme, based on actual wages, with a daily minimum of G 13.50.		Monthly contribution **Wages in gourdes** — **Percentage** Less than 20l — 2 201–500 — 3 501–1,000 — 4 Over 1,000 — 6 Payable by employer and employee.
2.2. OFATMA (work-related accidents)	Monthly contribution paid by employers to assist employees who are victims of work-related accidents or illnesses, based on actual wages, with a daily minimum of G 8.50.		Paid by the employer: 2 percent for commercial enterprises; 3 percent for agricultural, industrial, and construction enterprises; AND 6 percent for mining operations.
3. Payroll tax (Decree of October 14, 1988)	Paid by employers and based on the total value of the cash and noncash emoluments of public and private sector employees.	Assembly sector	2 percent.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
4. Property taxes (Land tax on developed property) (Decree of April 5, 1979, as amended through January 1982).	Based on the net annual rental value of land and buildings erected with nontraditional materials. Diplomatic missions, NGOs, and international organizations.	Full exemption for the buildings of government departments providing nonprofit public services; buildings used for religious activities; and buildings belonging to cultural associations, educational institutions, and diplomatic missions. **Reductions**: Single-rental apartments: Furnished: 30 percent. Multiple-rental apartments: Furnished:50 percent. Unfurnished: 33 percent All buildings in locations other than Port-au-Prince and Pétionville: reductions of 75 percent (1st year), 50 percent (2nd year), and 25 percent (3rd year). Owner-occupied property with a rental value of less than G 480 in urban areas and G 900 in rural areas is exempt.	Annual rental value rate **In gourdes** — **In percent** Up to 2,400 — 6 2,401–3,300 — 7 3,301–7,200 — 8 7,201–9,600 — 9 9,601–12,000 — 10 12,001–14,400 — 11 14,401–16,800 — 12 16,801–19,200 — 13 19,201–21,600 — 14 Over 21,600 — 15

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
4.2. Stamp tax (Decree of September 28, 1977)	Stamp tax on sales of tangible or intangible assets or inheritances.		On the selling price or the value of the assets: Sales of tangible assets: 2 percent Sales of intangible assets: 3 percent Inheritances: 1–8 percent. depending on the type of goods and the degree of relationship between the parties involved.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
5. Taxes on goods and services			
5.1. Value added tax (Decree of September 19, 1982, as amended through June 1996)	General tax on sales of goods (including agro-industrial), on the provision of services (including water, electricity, and local bank premiums and charges), and on imports, calculated at each stage in the production/distribution/import chain, with credit for tax paid on purchases.	**Exemptions**: (1) business persons with a turnover of less than G 100,000; (2) service providers with a turnover of less than G 100,000; (3) international services (transportation equipment maintenance); (4) interest on bank loans and on banking and insurance operations; (5) wages and education and health care expenses; (6) operations of nonprofit organizations; (7) exports and reexports; (8) imported petroleum products; (9) equipment and inputs for agriculture, livestock, and fisheries; and (10) supplies for education. Deductions: The tax collected on inputs of a taxable operation is deductible from the tax applicable to that operation.	10 percent of the price of goods and services, including other duties and taxes.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
5.2. Excise duties (Decree of September 3, 1971, as amended in August 1987)			
5.2.1. Excise duty on tobacco products	Specific regular and supplementary duty on cigarettes.	Tobacco cultivated and dried domestically with no further processing and powdered tobacco are exempt.	12 percent.
5.2.2. Excise duties on alcoholic beverages (Decree of April 1984, as amended in 1988 and 1993)	Specific duties on imported and domestically produced spirits, wines, and malted beer.		4 percent rum and beer. 5 percent boissons vineuses et toutes les autres boissons alcooliques ou alcoolisées.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
5.2.3. Excise duties on petroleum products (Decree of February 1995, as amended in May 1996)	Specific duties collected by Customs at the time of importation.	Electricité d'Haïti and government bodies; diplomatic missions; and certain NGOs.	**Fixed duties** (in gourdes per gallon): Gasoline G 3.30 Diesel oil G 3.10 Kerosene G 2.50 Aviation fuel G 0.25 Lubricants G 0.15 Heating oil G 0.10 **Variable duties** (in gourdes per gallon): Based on original reference levels, as follows: Gasoline G 6.80 Diesel G 4.00 Kerosene G 0.44 The price at the pump is to be adjusted upwards or downwards when the change in the landed cost exceeds 5 percent.
5.2.4. Excise duties on other items and on carbonated beverages	Specific duties on refined sugar, flour, and carbonated beverages manufactured locally.		Sugar: G 20.00 per 100-lb bag Flour: G 3.75 per 100-lb bag Carbonated beverages: 07.20 per 144 bottles
5.2.5. Excise duties on luxury foodstuffs	Levied on a wide range of imported foodstuffs.		*5 percent* of the value, c.i.f.

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
5.3. Business fees and licenses			
5.3.1. Business fees (Decree of September 28, 1987)	Annual presumptive professional fee payable by any individual or legal entity engaged in a professional activity in Haiti, levied by the commune of which the taxpayer is a resident Communes are classified into three groups, the main one being Port-au-Prince and its suburbs. This fee is either fixed, on the basis of the schedule and depending on the location of the business and the sector of economic activity involved; or variable, based on the difference between the turnover and the wage bill of the business.	Local governments, farmers, stock breeders, fishermen, wage earners, cooperatives, artists, authors, musicians, and singers.	**Professional fee** (business license): **Group I**: From G 40 (small retailers) to G 2,000 (mining industries) Average: G 400–1,000 For exempt export industries: G 7,500 **Groups II and III**: ½ and ¼, respectively, of the Group I rate.
5.3.2. Licenses (Decree of January 13, 1978)	Annual tax on the authorization to engage in certain industrial or commercial activities or certain professions. All foreign and domestic enterprises are subject to this tax, as are manufacturers of products for local consumption, distilleries, breweries, and tobacco factories.		Tobacco factories G 2,500 Breweries G 1,500 Distilleries G 20 per boiler Local factories based on turnover G 250–1,000

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
5.4. Motor vehicle tax			
5.4.1. Tax on initial registration (Decree of February 18, 1987)	Based on the value, c.i.f.	25-seat van 2-ton truck	Van (12–24 seats): *5 percent* of the value, c.i.f. Truck (<2 tons): 5 percent of the value, c.i.f. **Other vehicles** G 0–35,000 5 percent G 35,000–55,000 10 percent G 55,000–75,000 15 percent Over G 75,000 20 percent
5.4.2. Annual fee (April 1993, as amended in May 1996) (Registration tags)	Based on the cylinders, weight, and number of wheels of private and public vehicles.		Excise of 10 percent on all vehicles with a capacity of at least 2000 cubic centimeters. Private (gasoline): 4–8 cylinders: G 60–110 Public (gasoline): 4–8 cylinders: G 60–120 Public (diesel): 2–8 cylinders: G 60–100 Public (trucks): ½–8 tons, 4–6 wheels: G 80–240

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
6. Taxes on international trade and transactions (Regime amended in February 1995)			
6.1. Import duties			
6.1.1. Customs tariff	A minimum tariff is applied to merchandise originating from countries that have entered into trade agreements with Haiti. A reduced tariff is applied to merchandise originating from WTO member countries. A maximum tariff, generally double the minimum tariff, is applied to merchandise originating from other countries.	Certain industrial machinery, tractors, works of art, plant seeds and bulbs, fertilizers, and a few other chemical products. Educational materials; health products; gasoline; kerosene; all products destined to agriculture; and chemicals.	The tariff currently contains 21 sections with a total of 99 chapters. Except in the case of certain staples and the items mentioned below, the following tariff structure is temporarily applicable.

	Previous rate	New rate
	(In percent)	
General rate		
	0–10	0
	15–20	5
	25–30	10
	35–50	15
Specific rates		
Rice	50	3
Grains	50	0
Vegetable oils	20	0
Sugar	20	3
Cement	10–33	3
Gasoline	57.8	57.8

Summary of the Tax System
(As of March 16, 2005)

Tax	Nature of Tax (Base)	Exemptions and Deductions	Rates
6.1.2. Verification fee	Import surtax, now levied at the Haitian port of entry rather than at the foreign port of shipment.	Assembly sector, personal imports; and diplomatic missions.	5 percent of the c.i.f. import value.
7. Other taxes 7.1. Identification card tax (Decree of September 28, 1987, as amended through May 1993)	Annual tax for the issuance or validation of the identification card levied on all individuals, legal entities, and sole proprietorships.	Diplomatic and consular services.	Legal entities: G 600 Sole proprietorships: G 5O–15O Individuals Wage earners (<G 20,000): G 15 Wage earners (G 20,000–100,000): G 150 Vehicle owners: G 150 Persons subject to property taxes: G 150 Wage earners (>0 100,000): G 250

Source: Ministry of Economy and Finance.