On the expenditure side, major efforts were undertaken to control current outlays. Unfortunately, the fiscal situation deteriorated in the last semester of 1987, as revenues declined and extrabudgetary expenditures rose as a result of the deterioration of the political climate. Treasury expenditures were estimated at 1218.5 million gourdes..

Overall, at the end of 1987 the public sector experienced a deficit of 198 million gourdes, that is, three times the projected level. A grant from the USAID, reduced the deficit to 87.8 million. The balance of the deficit had to be financed through Central Bank domestic credit (123.3 million gourdes) and a loan from the World Bank (6 million gourdes). As a result, the public sector internal debt, instead of falling as anticipated, increased by 116 million gourdes, while the net repayment of 40 million gourdes of the external debt did not materialize.

b. Money and Credit

A glimpse at the monetary variables shows that their behaviour deviated from planned levels. The poor result of the stabilization program and the depressed state of economic activity prevailing over the period, combined with the political instability, were primarily responsible, as they affected both public and private sector demand for credit.

The trend of excessive credit expansion was halted in 1986. The trend continued for most of FY87, but was reversed in the 3rd quarter of FY87. As public sector revenue declined seriously, the Government had to resort to Central Bank financing to fulfil its financial requirements. As a consequence, credit to the public sector increased rather than diminished. Similarly, credit to public enterprises increased by 9 million gourdes over the period, as their revenues deteriorated in the make of the worsening economic situation and trade liberalization measures.

The evolution of private sector demand for credit confirmed the sluggishness of economic activity between 1986-1987. Not only did private sector demand stagnate, but it also declined. Mention should be made, however, that this indicator only reflects the demand for credit in the formal sector. It would not be inaccurate to say that as informal sector activity expanded with the upsurge of contraband activities, informal lending activities flourished.

Overall, over the period 1986-1987, net domestic assets of the banking system increased rather than diminished (table 4.2). The banking system's liabilities to the private sector rose by about 11% in FY86 and 8% in FY87, while net domestic credit expansion in relation to the liabilities to the private sector slowed down to less than 5% in FY86 and 2% in FY87 compared to an average of more than 9% over period FY80-85 (Table 2.3).

In July 1986 and in June 1987, the authorities increased the reserve requirement of commercial banks in an effort to mop up some of the economy's excess liquidity. The increase in reserve requirements, by contributing to the rise in real cost of deposits, led to the overbid of the price of credit which further discouraged the already sluggish demand for credit. Likewise, despite the policy of relaxing nominal deposit and loan interest rates, interest rate in real terms increased as inflation was brought down during FY87, and this rise in the price of credit further depressed economic activity.

Another repercussion of the situation was the fact that banks used part of their excess liquidity to reinforce their net external position. As result, net international reserve of the banking system rose by US$26 million in FY86 and $34 million in FY87. In September of 1987, net external international reserves were estimated at - 126.7 million gourdes, a slightly inferior reserve position than expected but a net improvement over FY86 (Table 2.2).

The objective of price stability was achieved in FY86-87. Indeed, during the time period prices as measured by the consumer price index for the Port au Prince area, are estimated to have declined by about 4%. The significant decline in the food price index, which carries a weight of 64.5% of the total index, accounted for most of this movement. In fact, price stability was achieved as a result of trade liberalization of imports and the reduction in excises taxes on some key basis commodities. The upsurge of contraband activities further contributed to the reduction of the price of consumer goods.

4.2.2 External Balance

There was an improvement in the country's external position as the balance of payment registered a surplus of US$32 million dollars, slightly below the targeted level of 1% of GDP. While the improvement in the current account in FY86 was mainly due to a sharp drop in the trade deficit (due itself to a fall in imports), the current account deficit widened in FY87 to US$132 million (averaging 7% of GDP in contrast with 5.3% in FY86) as both trade and service balance deteriorated. However, an overall surplus in the balance of payments was maintained through substantial capital inflow (see Table 2.4).

The positive overall balance of payment led to an increase in gross reserves of US$32 million and to the repayment of some US$2.9 million in external payments in arrears, so that the stock of outstanding arrears was reduced to US$11.5 million as of September 1987. Import coverage improved to about two and half weeks at the end of September 87 compared to less than one and half weeks at the end of September 85.

However, the net 40 million reimbursement of the external debt did not materialize. On the contrary, after falling in 1986, the external debt increased by 9% in 1987, reaching $760 million US dollars in 1987 (Table 2.4). As exports receipts plunged in 1987, the debt service ratio virtually doubled compared to FY83, reaching 20.2% of exports, against 17.6% targeted in the program.

Overall, the improvement in the external and internal balance led to a 14% depreciation, in real terms, of the effective exchange rate in contrast to a 40% appreciation in real terms between 1980-85. Similarly, the discount on the gourde on the parallel foreign exchange market fell back sharply after July 1987 to about 5-7 percent.

4.2.3. Economic Growth

It is with regard to growth indicators that the achievements are the most deceptive. For 1986-1987, GDP growth averaged less than 1%, far below the target level 4 1/5 percent.

Most significant in this poor economic performance of FY87 was the disastrous export performance which in turn affected import and investment capacities. In fact a buoyant export performance was one of the bases for the success of the program.

Against all expectations between 1986 and 1987, export of coffee fell from 287 million gourdes to 172 million as a result of a fall in coffee price of 17.3% and a decline in quantity exported by 27.5%. Exports from the assembly sector, despite a slight increase, were hampered by civil unrest which led to the cancellation of orders and plant closure. In addition, although real wages declined further and remained lower than those of competitors, the lack of appropriate exchange rate and price policy continued to impact on the international competitiveness of the country vis à vis other Caribbean countries[39]. Overall, exports declined by 8.9% against an expected growth of 9.9%. These developments made attainment of the objectives of adjustment much more difficult than was foreseen.

Meanwhile, imports increased by 5.5% during FY87. However, they were well under the target growth rate of 19.8%. This deviation from the target is largely explained by the effects of restrictive demand management policies and their effect on import demand and the disastrous export performance which greatly reduced the country's import capacity.

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[39] See Gladys Delva, " Haiti et la concurrence internationale dans l'industrie de l'assemblage", Ministère de l'économie et des finances, bulletin de conjoncture no.3, pp. 131-138.

The investment performance was also pretty disappointing. There was an increase in the investment GDP ratio from 10.9% to 12.6%, mainly as a result of the increase in concessional assistance. However, the ratio remained below the target of 14.6%. This poor performance can be attributed to the deliberate reduction in public investment and the low confidence of the private sector in the economy. Meanwhile, national savings remained low at 5% of GDP in FY87, owing to the policy of inducing growth of private consumption, and to the decline in public sector receipts.

Several other factors have to be considered in assessing the economic performance for FY87. In this respect, the impact of the trade liberalization measures on the output of the agricultural and industrial sector cannot be ignored. In the manufacturing sector, the reduction of effective protection of existing firms from an average of over 100% to 40% resulted in a serious decline in output and employment. This occurred despite the transitional relief measures introduced by the government. Similarly, the value of agriculture, output[40] grew only at 1.3% in FY87 as a result of lower international commodities prices. These two sectors, already under stress, had to endure additional competition generated by the upsurge of contraband imports,

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[40] The slow supply response on the part local producers to the abolition of export taxes can be explained by the number of institutional and operational constraints facing them.

facilitated by the opening up of provincial ports. As a result, production and sales of those commodities directly hit by contraband (sugar, flower, edible oil, textile, rice) declined significantly[41]. This entailed considerable hardship for local producers.

4.2.4 Social Cost of Adjustment

Despite, its positive effect on private consumption as a result of lower excise taxes on basic commodities, the program had a negative effect on employment and contributed to rising poverty for a large part of Haiti's population. The poor were affected by the reduction in government expenditure in as much as it meant cutbacks in social services and in public sector employment. They were also hurt by the impact of policies on wages and employment in the manufacturing sector.

Economic developments in FY88 were characterized by work stoppages, investor uncertainties, distraction of government attention from economic policy reforms, shortfalls in public revenue, especially during the first half of the fiscal year, and slower disbursement as well as suspension of vital external assistance. Economic growth was negligible, the rate of unemployment exceeded 30% and inflation accelerated to 6%. In

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[41] See Guy Fanfan, "Le riz importé et la chute de l'indice des prix à la consommation, Ministère de l'économie et des finances, bulletin de conjoncture no.3, pp. 153-155.

response to the changing domestic and external circumstances, the four different Governments in FY88 made strong efforts to limit the size of the budget and external deficits. However, the shortfalls in budget support grants and in gross aid disbursements proved too much for the country to deal with. Revenues of 165 million gourdes (16% of total anticipated receipts including grants), initially scheduled for the fiscal year FY88 were lost. This was equivalent to 84% of the anticipated deficit (excluding grants) for 1987-1988.
In the end, there was a fiscal gap of over G150 million (nearly 2% of GDP), which was financed by monetary expansion, and a build up of about US$20 million in external payment arrears.

Overall, the assessment of the adjustment program indicates that the financial situation of the country remains precarious, and that the program has not provided the basis for economic growth. Haiti looks more like a country on the verge of bankruptcy than on the path of recovery. The question remains did IMF program properly address the need of a country? Does the application of short term stabilization measures provide the adequate relief for the economy? Where do we go from there, and what are the lessons to be learned from this experience? These questions will be addressed in the next chapter.

CHAPTER 5

CRITICAL EVALUATION OF STRUCTURAL ADJUSTMENT PROGRAMS

The Haitian structural adjustment experience did not match expectations and has entailed considerable hardship for a large share of the population. In this respect, the experience of Haiti parallels that of the vast majority of countries that adopted structural adjustment programs in the 1980's. These programmes have not changed the dismal situation, and the general ailments of these economies but, instead, have contributed to an aggravation of the crisis. Notwithstanding the role of unforeseen external and domestic developments and the poor political and administrative capabilities of the local authorities in the deterioration of the economic conditions, a number of questions with regard to the conceptual and practical framework of IMF structural adjustment programs must be addressed. This chapter critically reviews the problems inherent in the design of structural adjustment and focuses on the main areas where scope for further action on the part of the IMF and the World bank may be warranted. In so doing we will make reference to the experience of sub-saharan African countries, which has been fairly well documented and whose economic, political, and social structure and development bear resemblance to that of Haiti.

5.1. Economic and Social Cost of Adjustment Programs

One of the most highly criticized aspects of the IMF and World Bank structural adjustment programs is their deflationary character. Wherever implemented, they have systematically brought about recession, unemployment and the further polarization of income and wealth.

In 1989, The Economic Commission for Africa reported that throughout the 1980's, the rate of growth of African GDP averaged just 0.4% over the previous decade with the increase in population, this resulted in a yearly decline in per capita income levels of about 2.6%, falling from $752 in 1980 to $565 in 1988. Whereas investment, as a proportion of GDP, stood at 25.2% at the end of the 1970s, it decelerated to 15.8% at the end of the 1980s. Over the same period food production per head declined by an average of 1% a year. As of 1985, there was estimated to be 22 million unemployed in the formal wage sector (40% of the total labour force), along with another 95 million underemployed throughout the work force.

The economic decline, combined with the persistent cutback in government spending, led to an increase in poverty and a decrease in living standards. These factors have contributed to the increasing malnutrition and infant mortality rate in Africa. Since 1980, per capita private consumption in Africa has fallen by one-fifth from levels that were already low. The average share of health and education in government expenditure declined from 2.5% in 1986, to an estimated 19% in 1988. Endemic diseases, which had actually been brought under control by the 1970s have re-emerged on the continent. Africa's illiterate population soared to over 170 million by the end of 1980s.

A case has been made for blaming these negative effects on the theoretical model underpinning IMF programs. IMF structural adjustment programs (SAPs) are based on orthodox macroeconomic theory applied in rich industrial countries, and make no allowance for the economic structure of developing countries. According to this theory, external and internal financial disequilibria in Third World countries are caused by an excess of aggregate demand, the overextended role of the public sector, price distortion, and an overvalued exchange rate. In accordance with this diagnosis, SAPs seek to restore external and internal balance through expenditure-reducing policies (including cutbacks in public and private expenditure, control of the budget deficit and the supply of money and credit), expenditure-switching policies aimed at shifting resources from the non-tradeable to tradeable goods sector, and from consumption to investment (through exchange rate, price adjustment and interest rate liberalization); and institutional and policy reform (such as trade liberalization, reduced role of the state in the economy, fiscal reform, and privatization).

Cornia and Jolly point out that: "In the early 1980's the dominant emphasis of adjustment packages was on securing a sustainable balance of payment position and non-inflationary domestic conditions. It was too readily assumed that the achievement of sustainable balance on both external and domestic fronts would be both necessary and sufficient for the restoration of economic growth, while the fate of vulnerable groups was considered to be a mater for national governments to deal with in their own way and not an issue of adjustment policy[42]". Accordingly, until the late 1980s, the social dimension was considered distinct from the economic dimension and was absent from the programs.

From a theoretical, as well as an empirical point of view, considerable evidence of the negative impact of restrictive fiscal and monetary policies on short term growth and, possibly, long term development exists. In a review of the available evidence Khan and Knight (1985) concluded that :

> "The studies reviewed generally indicate that, while the size of the effect varied, tighter monetary and credit policies would result in a fall in the growth rate in the first year after they were implemented. Furthermore, if

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[42] Giovanni Andrea Cornia, R. Jolly and F. Stewart, "An Overview of the Alternative Approach", in Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth, A Study by Unicef, p. 132.

monetary and credit restraints took the form of a reduction of the flow of credit to the private sector, the empirical evidence showed that private capital formation and possibly the long-run rate of growth would be adversely affected[43]".

Restrictive demand restraint policies tend to have negative effects on the growth rate of output, either directly, through reducing the level of aggregate demand, or indirectly through reducing domestic investment, or both. In other words, besides depressing short-term output growth through cuts in aggregate demand, these measures, by affecting public investment in infrastructure, have a depressing effect on the level of private investment and, thus, negatively affect the long-term growth rate of the economy.

These expenditure-reducing policies, by contributing to the deterioration of the economic environment, have affected physical infrastructure and human capital. The ensuing deterioration of the population's living conditions will also affect the development of their capabilities in the future. As a result, the IMF's approach to stabilization policy seems to contain a conflict between short-term stabilization and long term growth objectives.

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[43] Giovanni Andrea Cornia, "Adjustment Policies 1980-1985: Effects on Child Welfare" in Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth, a study by UNICEF, p. 56.

Simultaneously, the effect of supply expansion policies, such as devaluation, changes in producer prices and the interest rate is mixed. Most of the effects take some time and investment to materialize because of technical and institutional factors (i.e. poor infrastructure, credit system and land distribution) which are often omitted in the design of the program. The success of supply policies is conditional upon the sequencing[44] of these measures and the availability of finance, which in most cases, have been inadequate.

For instance, the slow supply response of food and export crops to trade liberalization measures suggests a low short-run real price elasticity of supply. The most complete and recent empirical evidence on aggregate supply responses in agriculture by Scandizzo (1984) indicates that price supply elasticities are low , i.e. in the range of 0.1-0.3 for the short run and 0.3-0.5 for the long run[45]. That slow response can be attributed to a number of non-price factors such as soil erosion, land tenure, lack of financial resources, poor infrastructure and institutional constraints facing the peasants.

Khan and Knight (1985) found that "... as a general rule, devaluation will be contractionary... if the initial trade

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[44] Sebastien Edwards, "Sequencing Economic Liberalization in Developing Countries" in Adjusment with Growth: the Fund, the Bank and Country Experiences, the IMF and the World Bank, pp. 9-12.

[45] Ibid., p. 57.

Khan and Knight (1985) found that "... as a general rule, devaluation will be contractionary... if the initial trade deficit is large. The effects devaluations would tend to be deleterious would all developing countries producing the same primary commodities with low demand elasticities devalue successively triggering a local increase in their export volume. They concluded that the growth effect of exchange rate changes depends crucially on such issues as the extent and duration of the real exchange rate change, the structure of production, and the response of trade flow to relative price change[46]".

The production and marketing characteristics of local and export commodities is, therefore, crucial in assessing the likely impact of a devaluation or other price incentives policies. Indeed, using a similar policy will yield a different outcome depending on whether the country is a cacao producer like Ghana or a copper producer like Zambia[47].

A corollary of the neglect of the social cost of structural adjustment programs has been failure of both the government and the international institutions to estimate the distributional impact of policy instruments and/or trade liberalization used in

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[46] Ibid.

[47] J. Loxley and R. Young, " Stabilization and Structural Adjusment: Some Lessons from the Experience of Ghana and Zambia" in Structural Adjusment in Africa: External Financing for Development, The North South Institute, pp. 9-10.

adjustment programs. Each policy instrument used in a typical adjustment program should be analyzed in terms of its overall social and distributional impact. As argued by Loxley, "... it is important politically to know how the welfare of various groups has been affected, but also because it is only through income redistribution that desired allocative effects of the program are achieved[48]". This issue brings the sustainability of IMF short-term stabilization measure in the long-term into question.

5.2 Deficient Premises

In addition to the theoretical inadequacies used in redesign of developing countries' adjustment programs, four parameters important to the success of any medium or long-term SAP are overlooked by the international institutions. These are enumerated below.

5.2.1 Short Time Horizon

One recurrent theme in the structural adjustment discourse is the notion that structural reform should be implemented promptly and in the shortest time possible and that effects will

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[48] John Loxley, "Ghana Economic Crisis and the Long Road to Recovery", p.38.

be felt overnight. In commenting on the expedient nature of the process André Martens wrote:

> "Au contenu de l'ajustement structurel, toujours selon cette littérature, se greffe la nécéssité de faire vite. Il ne faut surtout pas que des groupes de pression puissent se former dans les pays intéréssés pour résister à ces mesures ou encore en tirer bénéfices[49]".

Unfortunately, the long term structural adjustment of an economy takes much longer than conventional stabilization. The 12 to 36 month time frame envisaged by these programs is clearly inadequate to deal with the long-term structural problems such as population, desertification, productivity, environment and rural urban migration, upon which long term growth and stabilization are dependent.

5.2.2 Inadequate Financial Assistance

Adequate structural reform measures to address structural problems require long time horizons and significant investment. Insufficient finance forces the adoption of abrupt demand contraction to achieve external balance. In this respect, it has become clear over the last 10 years that the financial resources available are insufficient to ensure the success of the program. These resources rarely exceed 40% of the external financial needs of the country. This compromises the reform programs unless stringent sacrifices are imposed on the inhabitants, which can

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[49] André Martens, "L' adjustment structurel un concept ouvert", in Structural Adjustment and Social Realities in Africa, edited by G. Bourgoignie, p. 163.

only threaten the chance of a sustainable long term growth development.

The availability of financing is as important as the amount of financing that is made available. In a number of cases, such as in Haiti, the implementation of adjustment programmes has suffered because of delays in the receipt of external financial assistance. Adherence to a timetable for disbursement of external financial commitments and the simplification of the often complex administrative requirements for disbursement are essential for the effective implementation of reform measures. The pace of reform must be matched with the flow of resources. Otherwise, the costs of adjustment can prove to be much heavier than necessary.

Finally, given the lack of availability of external financing, there is a need to tackle the external debt problem which drains a large part of a country scarce foreign exchange resources.

5.2.3. The International Context

The adjustment process is often viewed as an internal process independent from the international environment. However, the contrary, the adjustment problems of developing countries cannot be understood independently of the international environment in which it has developed. The speed, the extent, (and thus the success of the adjustment) will depend on the future development of such factors as the world growth of output[50], commodity prices, protectionism , and the availability of external financing. These factors are outside the control of the governments that are pursuing the adjustment program.

The need for adjustment in international conditions is of paramount importance because for many countries the extent of adjustment required under present conditions is clearly excessive, and for some it may not be possible without intolerable sacrifice - sacrifice not only of human and social conditions, but also of democracy. As observed by the President of Brazil Sarney: "A debt paid in poverty is an account paid in democracy[51]."

5.2.3 Government Commitment and Ability to Implement such Programs

One area which is often overlooked in designing adjustment programs is the commitment and ability of the local elite to implement programs from abroad which does not take into

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[50] IMF estimates suggest that a 1 percent change in industrial country real GNP growth rate is associated on average with about a 3.5 percentage change of the same sign in the growth rate of export earnings of developing countries.

[51] Giovanni Andrea Cornia, R. Jolly and F. Stewart, "An overview of the Alternative Approach", in Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth, A Study by Unicef, p.133.

consideration the realities of their countries. Indeed, a large part of the blame for the failure of the adjustment program rests upon the political authorities. The program may lack the political support and qualified people to do a good job of selling government policy and staffing the agencies that carry out these policies. Another problem closely related to this is the attitude of the small local elites who are often more interested in their own short term gains and their alliance with rich countries than in sound development and the welfare of the majority. These conflicts can give rise to capital flight, and widespread corruption in developing countries.

The evidence of the 1980s indicated that, given the prevailing international environment, the current approach to adjustment is not capable of bringing about either sustained short and medium-term growth or an improvement in the external balance. The observed drop in investment levels is particularly alarming as it implies mortgaging not only current but also future growth. A continuation of the same approach would likely have further depressing effects on growth. The inadequacy of the current approach, therefore, calls for alternative approaches to structural adjustment.

5.3 Alternative Approach to Adjustment

5.3.1. Adjustment with a Human Face

In the mid 1980s, concerned with the ill effects of adjustment programs on the most vulnerable groups of society and its long term impact on future growth, the Unicef proposed a more humanistic approach to structural adjustment referred to as "adjustment with a human face." The concept of adjustment with a human face is based upon the notion that if adjustment and growth is not targeted at the fulfilment of basic human needs its aim is wrongly conceived. The approach combines the promotion of economic growth, protection of vulnerable groups, and macro-economic adjustment. According to this approach, adjustment policies should form an integral part of long-term vision and development strategy and, as such, take into account the economic, human, sociological and ecological fabric of the society[52].

The cornerstone of this approach is the explicit acceptance of the objective by national and international decision-makers, with the determination to apply its principle at all levels of decision making. The six main policy elements of Adjustment with a human face are[53]:

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[52]. Ibid., pp. 131-156.

[53] A more detailed description of this approach can be found in Part II of "An Adjusment with a Human Face: Protecting the Vulnerable and Promoting Growth", Unicef Study, pp. 131-297.

1. more expansionary macro-economic policies, aiming at sustaining levels of output, investment, and human need satisfaction over the adjustment period;

2. the use of meso policies - within any given frame of macro policy to reinforce the more expansionary macro approach and to secure the priority use of resources to fulfil the needs of the vulnerable. Meso policies determine the impact of policies towards taxation, government expenditure, focusing on exchange and credit and the distribution of income and resources;

3. sectorial policies aiming at restructuring within the productive sector to strengthen employment and income-generating activities and raise production in low income activities, focusing in particular on small farmer and informal sector producers in industry and services;

4. improving the equity and efficiency of the social fabric of the social sector;

5. compensatory programmes to protect basic health and nutrition of the low-income group during adjustment before growth resumption enables them to meet their minimum needs independently.; and

6. Monitoring living standards, health, and nutrition of low income groups during the adjustment process, so that needs may be identified and the effectiveness of adjustment programs assessed and modified accordingly.

As observed by Rossina Wiltshire, one of the challenges of such an approach is that it requires that: "that elements addressing the social dimensions of an adjustment program have to be built in at the same time of conceptualization, design and planning of the structural adjustment objectives of the program. This requires an interdisciplinary approach, which recognizes the interdependence of the economic, social and political sectors of society rather than giving primacy to economic factors and adding the social dimensions as an appendix or after the fact effort to soften the impact of the economic factors[54]". In addition, such an approach requires substantial financial support from international institutions that they may not be willing to provide.

5.3.2 The African Alternative Framework to Structural Adjustment Programs

In light of the deepening of the African economic crisis and the inability of orthodox structural adjustment programs to ease the crisis, the Economic Commission for Africa (ECA) recognized the need to develop an alternative framework to structural adjustment programmes. This framework would stress long term development objectives keeping in mind the diverse socio-economic realities of African societies. The review of adjustment programs in Africa led ECA to conclude that orthodox structural adjustment programmes have served as a temporary palliative for the symptoms of deep structural imbalances in the African countries. These programs have been proven to be narrow in

[54] Rosina Wiltshire and Jan Loubser, "Methodological Issues in Social Dimensions of Structural Adjustment", in Structural Adjustment and Social Realities in Africa edited by G. Bourgoignie, p.271.

scope, insensitive to social, cultural and political realities and mechanistic in analysis and treatment of development issues.

The African alternative framework to structural adjustment programs (AAF-SAP) focuses on the need to transform the structures that are responsible for the current economic crisis. The programs link the need for short-term adjustment and long term transformation. Adebayo Adedeji, General Secretary Assistant of United Nations Organization, describes the program as follows: "AAF-SAP incorporates all the factors that affect the process of adjustments into a coherent conceptual framework by identifying the source at play, the resource that have to be involved in adjustment as well as the needs of society that have to be satisfied. AAF-SAP perceives adjustment as a continuous process that rolls over into the long-term process of social and economic transformation as a single continuum towards socio-economic diversification, self-sustaining growth, economic restructuring and so on[55]".

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[55] Adebayo Adedeji, "The African Alternative Framework to Structural Adjustment Programmes", in Structural Adjustment and Social Realities in Africa edited by G. Bourgoignie, p. 333.

The broad guidelines contained in AAF-SAP for the restructuring of the African economies are:

1) the restoration of economic growth;

2) the transformation of production structures and consumption patterns including the internalization of development;

3) the equitable distribution of wealth and the democratization of the development process; and

4) sub-regional and regional economic integration.

These four elements are articulated in three modules related to production, income distribution and satisfaction of critical needs[56].

Last, but not least the African adjustment program stresses the need for the adjustment and transformation process to be designed and directed from within, with international agencies helping rather than usurping and undermining the country dignity and self respect[57].

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[56] Ibid., pp. 342-348.

[57] Ibid., p. 349.

5.4 Areas of Debate and Concerns

5.4.1. Outward Looking or Export Promotion Strategy

It is interesting to note that as much as the IMF and the World Bank stress export promotion, any restriction on imports is prohibited, being part of conditionality. Underlying this issue is the IMF and World Bank's strong ideological commitment on the merits of outward looking growth development.

Often the example of the Asian NICs is put forward to justify this approach. However, some economists support the view that the success of the Asian NICs is not explained by liberal market-oriented export policies, but more by a system of well-planned and targeted investments, first in import substitution and then in export promotion. Both policies incorporated the need for agrarian and educational reforms. They have resulted in more egalitarian models of development than the ones prevalent in Latin American and most African countries[58].

Moreover, the significant deterioration of the terms of trade of most primary commodity exports in the 1980's and increasing non-tariff barriers in developing countries raises the concern about the sustainability of growth-oriented adjustment programs which rely critically on the expansion of exports. As

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[58] Rolph Van Der Howeven, " Debt, Adjusment and Conditionality: A real Development Fact", in Structural Adjustment and social realities in Africa edited by G. Bourgoignie, p. 269.

rightly suggested by John Loxley: " structural adjustment policy based on achieving growing exports will all end up on barren ground if we continue to accept increased protectionism, or if the aggregate production increases for a commodity in several structural adjustment countries at once just driving the world price down, producing a renewed terms-of-trade setback".[59] It can also be argued that such an outward orientation increases the vulnerability of the economy to external developments.

Finally it must be pointed out that the IMF's renewed emphasis on export promotion strengthens the ecological alarm. In Africa, as in Haiti degradation of the environment, particularly that of arable land has intensified, and desertification is increasing at an alarming rate. Although the acute problem of soil erosion and deforestation has been denounced for more than fifty years, no effective environmental policy has dealt with this.

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[59] See John Loxley and Roger Young, "Stabilization and Structural Adjustment: Some Lessons from the Experiences of Ghana and Zambia in Structural Adjustment in Africa", p.10.

5.4.2 Perfect Clearing Market

As correctly pointed out by Adebayo Adedeji: "underlying the current approaches to adjustment is the well-known argument based on classical economic theory, that output, employment and prices (including wages, interest rates and the exchange rates) are best determined by the unfettered interplay of market forces, and that prices are always the most effective instruments for the efficient allocation of resources[60]". But in fact, as we have previously discussed, the slow supply response of the local peasants to change in relative price is an indication that economic agents are not fully responsive to market forces. The assumption of perfect clearing market, which dictactes devaluation[61], and trade and interest rate liberalization policies in orthodox SAP, once more pointed to the lack of analysis and understanding of the political, sociological and institutional arrangement in African countries[62].

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[60] Adebayo Adedeji, p. 340.

[61] D.M. Schydlowsky, " Alternative Approaches to Short-Term Economic Management in Developing Countries" in Adjusment and Financing in the Developing World: The Role of the IMF, ed. Tony Killick, pp. 105-135.

[62] John Loxley, " Alternative Approaches to Stabilization in Africa" in Africa and the International Monetary Fund, edited by G.K. Helleiner, pp. 120-147.

In conclusion, it can be said that until people designing these structural adjustment programs put more effort into analyzing how people react and how less developing countries work we will have programs that are deficient. But more importantly the developed countries must recognize that the distress situation of third world countries today is the direct outcome of their development strategies and macro economic policies. Until this time structural adjustment will remain a euphemism for deep-rooted problems to be solved.

CONCLUSION

This paper has reviewed the effectiveness of IMF structural adjustment programs in dealing with the economic crises prevailing in low-income countries in general and in Haiti in particular through the decade of the 1980s.

The analysis has pointed out that IMF structural adjustment programs (SAPs) are based on economic models portraying the economic, social and political realities of developed countries, and that these differ significantly from those prevailing in less developed countries. Consequently, the policies prescribed by these programs are often inadequate to tackle the economic imbalances in the Third World. During the last decade, IMF SAPs have offered superficial relief to the macro-economic problems of developing countries, and specifically did not address the roots of these problems. Little effort and financial resources were devoted to designing viable development strategies to ensure these countries' long term recovery and sustainable economic development. In fact, the current programs have perpetuated the unequal distribution of income and wealth existing within less developed countries and also between them and the rest of the world. It could be argued that the IMF's primary objective in putting in place structural adjustment facilities was to prevent the collapse of the current international economic order and not to improve the position of less developed countries globally.

In the case of Haiti, as for many developing countries, the SAP did not achieve its objectives. Despite some temporary improvement in the balance of payments and public sector accounts, the program failed to meet the growth and equity goals which are crucial to long term economic development. The program brought about recession, unemployment and further polarization of income and wealth, thereby endangering future development prospective. In a broader context, it can be argued that the austerity measures imposed by the IMF have contributed to political instability and represent a threat to democracy in the Third World. Furthermore, these programs have increased low-income countries' dependence on external assistance, the maintenance of which has become an overriding concern to which their development, sovereignty and dignity have become subservient.

There is no disagreement over the need for more policy reforms. The argument is over the scope, the pace and the timing of these reforms. From the analysis it can be argued that in future SAPs, more emphasis should be placed on mobilisation of resources to assist the most vulnerable groups (i.e. women and children) in coping with the program effects, to support the small scale agricultural and industrial business activities, and to promote self-reliance by employing endogenous physical and human resources to the extent possible. At the same time, priority should be given to programs which integrate the agricultural sector in the growth process and recognize the role of the informal sector. Job creation should also be given a high priority. Moreover, special attention should be paid to the improvement of infrastructure and to environmental issues. Another essential consideration is that governments and local elites be fully committed to their country's economic development. All these will be impossible to realise unless sufficient external funding is made available and, at an international level, better representation of Third World's interest is achieved at such institutions as GATT, the World Bank and the IMF.

Today, in Haiti and in most African countries, the situation is alarming and calls for a new approach to structural adjustment.

Table 1.2
Agricultural Production
(in thousands of metric tons)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
I. Major Commodities for Domestic Consumption								
Rice	124.0	119.7	115.8	113.4	121.9	124.2	123.2	135.1
Corn	186.2	179.2	175.7	170.9	186.0	186.4	196.3	205.7
Millet	125.2	120.8	117.7	106.6	118.2	121.4	119.2	124.1
Beans	52.6	50.8	50.3	46.7	47.2	47.5	48.2	48.7
Bananas	519.7	501.5	504.1	509.6	500.4	510.4	525.4	530.9
Meat	69.4	61.1	70.9	92.3	41.0	68.8	73.9	92.1
Eggs	17.5	17.9	17.8	18.6	18.9	-	-	-
II. Exportables								
Coffee	42.9	33.2	32.2	36.3	36.9	37.7	30.1	-
Sugar cane	5,640.8	5,443.4	5,440.0	5,700.0	5,772.4	4,542.9	-	-
Cotton	5.9	5.7	5.4	6.0	-	-	-	-
Cocoa	3.4	2.2	4.5	5.0	5.9	5.2	-	-

1/ These data should be understood to be somewhat imprecise. Crop estimates made by experts from bilateral aid donors, international organizations, and and private consultants often differ sharply from those of the Ministry of Agriculture. Some of the difficulty in estimation arises from lack of qualified personnel, but estimation handicapped by the widspread occurence of intercroppoing and the variability of yield. Estimation is also more difficult difficult for crops that are consumed directly by the peasant producer instead of beeing sold through market channels.

Source: World Bank, Economic Recovery In Haiti: Performance, Issues and Prospects, Dec.1988, table 1.1 p.95.

Table 1.3
Composition of Merchandises Exports FY80-87

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	(in US $ million)							
Total Exports	**226.2**	**158.2**	**195.3**	**195.1**	**229.1**	**217.2**	**216.2**	**197.5**
Agricultural Exports	118.5	52.9	55.2	72.5	68.4	66.5	72.3	48.3
coffee	90.9	30.1	35.9	52.5	45.8	48.6	57.5	34.4
cocoa	4.5	3.4	2.2	4.7	4.5	6.9	5	5.4
essential oils	5.4	4.9	5.7	7.7	5.6	4.3	4.3	4.6
sugar	6.4	0	0	1.7	6.4	4.3	4.1	2.6
sisal	9.5	7.3	9.7	5.3	5.7	2.4	1.4	1.3
meat	1.8	4.2	1.7	0.6	0.4	0	0	0
Bauxite	19.6	16.6	21.3	0	0	0	0	0
Light Manufactures	68	79.6	98.9	100.5	124.7	126.9	129.7	128.5
From domestic materials	31.2	26.4	30	24.2	27.6	29.4	27.9	26.6
From imported material a/	36.8	53.2	68.9	76.3	97.1	97.5	101.8	101.9
Other Exports b/	20.1	9.1	19.9	22.1	36.4	23.8	14.2	20.7
	(In percentage of total exports)							
Agricultural Exports	52.4%	33.4%	28.3%	37.2%	29.9%	30.6%	33.4%	24.5%
Light Manufacturing	30.1%	50.3%	50.6%	51.5%	54.4%	58.4%	60.0%	65.1%
Bauxite & others	17.6%	16.2%	21.1%	11.3%	15.9%	11.0%	6.6%	10.5%
	Volume, Unit and Value of Coffee Exports , FY80-88 c/							
Volume	25	13.5	14.6	23.7	23.4	17.7	16.6	12
Unit Price	3641.8	2451.9	2462.3	2217.1	1957.3	2752.3	3471	2866.7
Value	90.9	33.1	35.9	52.5	45.8	48.6	57.5	34.4

a/ Only domestic value added by export assembly industry is included
b/ Included items such as soya cake, minor manufactured exports and, in FY 80 cement US $700,000.
c/ Volume in thousands of metric tons; unit price in US dollar per metric ton; value in million of US dollars. Because of rounding, value figures may not equal the product of volume and unit price.

Source: IMF, Haiti Recent Economic Development, Statistical Appendix, Dec 1984 and May 1989.

TABLE 1.4

Composition of Imports, FY80-87

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	(in US $ million)							
Total Imports, f.o.b	**284.1**	**316.0**	**269.8**	**281.7**	**298.4**	**283.0**	**253.1**	**267.1**
Freight & Insurrance Payment	50.1	57.3	49.1	52.9	53.7	50.9	45.3	47.9
Total Imports	334.2	373.3	318.9	334.6	352.1	333.9	298.4	315.0
Food products,beverage, tobbaco	69.5	89.2	79.8	88.0	88.9	94.6	71.2	77.9
Raw material	8.1	9.7	10.5	12.5	13.1	12.2	8.7	7.8
Fuel and lubrifiants	61.4	64.7	55.6	61.3	61.4	63.9	50.8	42.0
Fats and oil	24.4	27.5	15.5	29.8	33.7	31.3	33.9	36.4
Chemical products	29.9	35.1	35.9	39.8	43.1	42.2	36.0	38.2
Machines & manufactured products	119.2	146.3	126.7	177.7	192.0	200.9	156.8	171.8
Other items	1.7	2.6	2.4	2.6	3.0	3.9	3.8	4.1
BOP adjusments a/	(56.2)	(45.2)	(77.4)	(77.3)	(83.4)	(115.3)	(68.8)	(63.2)
	(In percentage of total imports)b/							
Food products,beverage, tobbaco	24.5%	28.2%	29.6%	31.2%	29.8%	33.4%	28.1%	29.2%
Raw material	16.2%	16.9%	21.4%	23.6%	24.4%	24.0%	19.2%	16.3%
Fuel and lubrifiants	18.4%	17.3%	17.4%	18.3%	17.4%	19.1%	17.0%	13.3%
Fats, oil and chemical products	19.7%	20.6%	19.9%	25.6%	26.7%	27.3%	29.1%	29.5%
Machines & manufactured products	42.0%	46.3%	47.0%	63.1%	64.3%	71.0%	62.0%	64.3%

Note: in 1985, 41.4% of total imports subject to import duties

a/ Adjusments for gross imports of lights assembly industry products

b/ Excludes balance of payment adjustments

Source: IMF, Haiti Recent Economic Development, Statistical Appendix, Dec. 1984 and May. 1989.

Table 1.6: Selected Economic Indicators
A Comparison between FY75-80 and FY80-85

Average growth rate	FY75-80	FY80-85
Gross Domestic Product /a	5.3	(0.9)
Agriculture /b	1.6	(1.3)
Industry /b /c	9.5	(2.5)
Services /c	6.3	(0.8)
GNP per capita	3.3	(2.6)
Private real consumption per capita	2.5	(3.1)
Export Volume /d	10.3	(1.3)
Import Volume /d	10.0	(2.9)
Consumer price index	6.5	8.3
Unemployment (%)e/	-------- (%)	---------
(end of period)	21.9	29.8
Ratio to GDP		
Gross domestic investment	16.6	16.4
public	9.1	10.0
private	7.5	6.4
National Savings	9.6	8.2
public	1.8	0.5
private	7.8	7.7
Current Receipts /g /h	17.2	13.8
Current Expenditures /g /h	16.6	12.7
Capital expenditure /g /h	9.8	8.2
Public Sector Balance		
before grants	(7.7)	(9.4)
Public Sector Balance		
after grants	(4.5)	(6.0)
Domestic Bank Financing /i	1.1	2.8
External Current Account	(7.0)	(8.2)
Net change in Reserves /j	------- (US $ Mn)	------
(- mean drawdown)	29.3	(130.8)
External Debt Outstanding ($US million)		
(disbursed only at end of the period)	318.2	687.4

a/ In real terms , at market prices
b/ In real terms , at factor costs
c/ Includes miining, manufacturing, construction, water, and electricity
d/ Good and nonfactors services
e/ Estimated from available data on total labour force and civilian employment only and FY80-85 period figure refers to 1983
f/ At current prices
g/ Overall budget balance (consolidated public sector)
h/ FY80-85 period figure refers to 1982; FY80-85 period figure refers to 1982
i/ By Monetary Authorities
j/ Cummulative during period

Source: World Bank, Economic Recovery In Haiti, Table 1, P.3

Table 2.1
Public Sector Budgetary Operations, FY80-87
(In million of gourdes)

	1980	1981	1982	1983	1984	1985	1986	1987
General Government								
Current Revenue	691.1	659.9	749.1	846.5	914.1	1,124.2	1,129.8	1,020.5
Current Expenditure	736.4	825.6	848.5	939.9	1,114.7	1,281.5	1,271.4	1,218.5
Capital Expenditures	496.7	738.5	626.2	623.5	752.7	631.4	499.1	610.8
Overall balance	(542.0)	(904.2)	(725.6)	(716.9)	(953.3)	(788.7)	(640.7)	(808.8)
Major Public Entreprise								
Current Revenue	398.3	505.2	528.0	658.9	839.3	876.7	905.7	855.6
Current Expenditure	336.2	408.0	381.9	469.8	582.2	618.4	710.4	691.0
Overall surplus, of which transfers to Treasury a/	62.1	97.2	146.1	189.1	257.1	258.3	195.3	164.6
Capital Expenditures	101.1	144.4	102.6	225.6	262.2	192.2	144.4	145.7
Overall Balance	(39.0)	(47.2)	43.5	(36.5)	(5.1)	66.1	50.9	18.9
Consolidated Public Sector								
Total Receipts	1,089.4	1,165.1	1,277.1	1,505.4	1,753.4	2,000.9	2,035.5	1,876.1
Total Expenditure	1,072.6	1,233.6	1,230.4	1,409.7	1,696.9	1,899.9	1,981.8	1,909.5
Capital Expenditures	597.8	882.9	728.8	849.1	1,014.9	823.6	643.5	756.5
Overall Balance:	(581.0)	(951.4)	(682.1)	(753.4)	(958.4)	(722.6)	(589.8)	(789.9)
Financed by:								
External Financing								
Grants-in -aid	192.0	236.5	285.0	280.5	310.0	359.5	470.0	497.0
External Loans	175.5	469.0	156.0	376.2	313.8	146.7	156.5	241.4
Concessional loans	158.5	217.0	195.5	319.4	339.1	224.8	166.4	286.6
Commercial loans	17.0	252.0	(39.5)	56.8	(25.3)	(78.1)	(9.9)	(45.2)
Domestic Financing	213.2	246.2	240.9	96.7	334.6	216.3	(36.7)	51.5
of which Monetary Authorities b/	213.2	261.4	241.3	74.6	312.1	216.8	3.2	70.1
Memorandum								
GDP	7,309	7,344	7,425	8,148	9,082	10,047	11,218	11,234
Deficit (as % fo GDP)	(7.9)	(13.0)	(9.2)	(9.2)	(10.6)	(7.2)	(5.3)	(7.0)

a: General Government and major public sector entreprises.

b: Central Bank and the state-owned Banque Nationale de Credit

Source: World Bank Report, Economic Recovery in Haiti: Performance, Issue and Prospects (1988,1990).

Table 2.2
Financing of Public Sector Deficit
(Fiscal Year ending Sept. 30)

	1980	1981	1982	1983	1984	1985	1986	1987
			(in million of gourdes)					
Deficit before grant/:	**581.0**	**951.4**	**682.1**	**753.4**	**958.4**	**722.6**	**589.8**	**789.9**
Grants-in -aid	192.0	236.5	285.0	280.5	310.0	359.5	470.0	497.0
Deficit after grant	389.0	714.9	397.1	472.9	648.4	363.1	119.8	292.9
			(In percentage of deficit before grant)					
External Financing								
Grant-in-aid	33.0	33.0	24.9	41.8	37.2	32.3	49.8	79.7
External Loans	30.2	49.3	22.9	49.9	32.7	20.3	26.5	30.6
Concessional loands	27.3	22.8	28.7	42.4	35.4	31.1	28.2	36.3
Commercial loans	2.9	26.5	(5.8)	7.5	(2.6)	(10.8)	(1.7)	(5.7)
Domestic Financing	36.7	25.9	35.3	12.8	34.9	29.9	(6.2)	6.5
of which Monetary Authorities/b	36.7	27.5	35.4	9.9	32.6	30.0	0.5	8.9

a: General Government and major public sector entreprises.
b: Central Bank and the state-owned Banque Nationale de Credit

Source: World Bank Report, December 1988, p.17.

Table 2.3
Accounts of the Banking System
(in million gourdes)

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
	(as of September 30)							
Net international reserves	147.3	(18.8)	(72.3)	(186.7)	(269.7)	(432.2)	(300.2)	(126.7)
Assets	259.2	173.3	253.7	236.2	271.3	201.8	209.0	305.7
Liabilities	(111.9)	(192.1)	(326.0)	(422.9)	(541.0)	(634.0)	(509.2)	(432.4)
Net Domestic Assets	1,492.2	1,874.5	2,134.2	2,349.5	2,699.5	3,065.8	3,222.0	3,354.1
Credit to public sector	1,032.1	1,705.4	1,131.0	1,587.0	1,933.9	2,150.2	2,113.5	2,199.3
Official capital and surplus	(155.3)	(193.4)	(174.5)	(125.6)	(158.5)	(161.9)	(208.7)	(242.0)
Credit to private sector	1,010.4	1,103.9	1,088.3	1,013.2	1,070.3	1,164.7	1,172.4	1,185.0
Other assets	(395.0)	(741.4)	89.4	(125.1)	(146.2)	(87.2)	144.8	211.8
Liabilities to private sector	1,639.5	1,855.7	2,061.9	2,162.8	2,429.8	2,633.6	2,921.8	3,227.4
Monetary liabilities	675.2	817.7	909.9	931.8	1,117.1	1,204.2	1,381.2	1,584.7
Quasy-money	925.8	985.6	1,064.3	1,152.5	1,240.7	1,343.3	1,454.1	1,548.9
Other liabilities	38.5	52.4	87.7	78.5	72.0	86.1	86.5	93.8

Source: IMF, Haiti Recent Economic Developments, Statistical Appendix, Dec 1984, May 1989 (p.77)

Table 2.4
Balance of Payments FY80-87 ($US Million)
(fiscal years ended September 30)

	1980	1981	1982	1983	1984	1985	1986	1987
Trade Balance	(129.6)	(224.8)	(151.0)	(169.6)	(164.3)	(164.3)	(131.7)	(172.1)
Exports GFS	316.1	248.6	293.0	285.5	317.3	304.0	291.6	277.6
Imports GNFS	445.7	473.4	444.0	455.1	481.6	468.3	423.3	449.7
Net Factor Income	(15.9)	(14.7)	(16.8)	(24.5)	(19.8)	(14.6)	(16.7)	(16.4)
Net Current Transfers	52.0	64.8	49.7	42.5	45.0	48.1	52.0	56.3
Current Account Balance	(93.5)	(174.7)	(118.1)	(151.6)	(139.1)	(130.8)	(96.4)	(132.2)
Long Term Capital Inflow	112.4	174.7	110.9	136.2	141.8	118.7	136.6	174.5
Direct investment	13.0	8.3	7.1	8.4	4.5	4.9	4.8	5.0
Official capital Gransts	33.4	66.1	69.2	69.3	78.2	87.3	106.7	121.8
Net LT Loans	33.1	90.3	44.4	35.3	46.9	39.7	33.0	43.7
Other LT Inflows	32.9	10.0	(9.8)	23.2	12.2	(13.2)	(7.9)	4.0
Total Other Items	(31.1)	(35.9)	(14.2)	(14.5)	(29.4)	7.4	(9.0)	(14.8)
Net Short term Capital	2.8	1.7	(4.4)	15.6	(1.2)	(9.5)	(0.2)	(4.0)
Capital Flows NEI	0.6	0.4	(8.1)	(5.6)	(8.2)	13.6	(7.1)	(8.4)
Errors and Omissions	(34.5)	58.5	(2.1)	(12.3)	(13.7)	(6.3)	(4.1)	0.5
Overall Balance	(12.2)	54.6	(18.0)	(12.3)	(20.4)	(14.3)	30.2	32.6
Net change in Arrears	0.0	20.5	0.4	(12.2)	(6.3)	9.6	2.4	(0.5)
Net Change in Reserves (increase -)	12.2	34.1	17.6	29.9	26.7	4.7	(31.2)	(32.1)
Res. in months of Imports	0.8	0.3	0.6	0.5	0.6	0.3	0.4	0.6
External Debt								
Total outstanding public debt	318.5	427.2	483.9	585.2	673.7	687.4	715.4	760.2
Nonfinancial public sector	297.6	384.8	413.0	492.7	562.9	574.1	620.3	677.7
Debt service	21.58	22.81	26.57	30.55	35.3	44.8	44.5	56.2
Debt Outstanding % of GDP	21.8%	29.1%	32.6%	34.5%	37.1%	34.2%	31.9%	33.8%
Debt service % of GDP	1.5%	1.6%	1.8%	1.8%	1.9%	2.2%	2.0%	2.5%
Debt service % of exports	6.8%	9.2%	9.1%	10.7%	11.1%	14.7%	15.3%	20.2%

Source: IMF Report, Haiti - Recent Economic Developments (1984,1989) Statistical Appendix.

Table 4.1
Target from the Program

Table 4.1a
Net Financing of the Public Sector from Domestic and Nonconcessional External Source (1)
(million gourdes)

	Ceillings of Cumulative Net Financing (2)
October 1, 1986 to December 31, 1986	-25
October 1, 1986 to March 31, 1987	-34
October 1, 1986 to June 30, 1987	-55
October 1, 1986 to September 30, 1987	-60

(1) Defined as: net credit from the domestic banking system to the public sector; net foreign financing at nonconcessional terms; and domestic borrowing outside the banking system.
(2) A negative sign denotes net repayment of outstanding credits or an accumulation of deposits.

Table 4.1b
Summary Operatins of the Treasury
(million gourdes)

	Targets of Cumulative Treasury Receipts (1)	Ceillings on Cumulative Treasury Outlays (2)
October 1, 1986 to December 31, 1986	350	330
October 1, 1986 to March 31, 1987	880	656
October 1, 1986 to June 30, 1987	1020	970
October 1, 1986 to September 30, 1987	1130	1290

(1) Includes cash grants.
(2) The expenditure ceillings for the periods ending March, June and September 31, 1987, may be increased by any cumulative excess in receipts of those targeted in the preceding quarter.
Includes amortization payments

Table 4.1c
Credit Ceilings

	Net Domestic Assets Consolidated Balance Sheet of BRH and BNC (1)	Credit to Private Sector by BNC
Position as of September 30, 1986	1503	292
Limits on position		
as of: December 31, 1986	1603	310
March 31, 1987	1446	312
June 31, 1987	1425	316
September 30, 1987	1440	316

(1) Defined as the difference betwen their liabilities to the private sector and their net international reserves.

Table 4.1d
External Debt Operation
(million US dollars)

	Total External Arrears	Public Sector Commercial Debt (1)
Stock Outstanding as of Sept. 30, 1986	14.4	100.0
Limits on maximum stock		
as of: December 31, 1986	13.0	99.0
March 31, 1987	2.6	98.0
June 31, 1987	1.2	97.0
September 30, 1987	-	96.0

(1) Includes short and medium term external commercial debt of the nonfinancial public sector, publicily guaranteed commercial debt and short term foreign liabilities of the Monetary Authorities.

Source: IMF Report, p.61-63

Table 4.2
Performance under Program FY86-87
(In million Gourdes)

	FY87	Target	Difference
	(Fiscal Years Ended Sept. 30)		
Treasury Operations			
Total receipts	1,020.5	1,190.0	169.5
Current expenditure	1,218.5	1,250.0	31.5
Deficit:	(198.0)	(60.0)	(138.0)
Financing:			
Grants-in-aid	92.0	140.0	(48.0)
Net external debt	(23.8)	(40.0)	16.2
domestic debt	111.6	(40.0)	151.6
Account of the Banking System			
1. Monetarity Authorities			
net foreign assets	(225.2)	(216.0)	(9.2)
net domestic assets	1,545.6	1,440.0	105.6
total liabiliaties to private sector	1,320.4	1,224.0	96.4
2. Consolidated Banking System			
net external assets	(126.7)	(136.0)	9.3
net domestic assets	3,354.1	3,168.0	186.1
total liabiliaties to private sector	3,227.4	3,032.0	195.4
Selected Economic Indicators			
GDP annual growth rate	0.5	4.5	(4.0)
In % of GDP			
public sector deficit	6.8	7.0	(0.2)
investment	12.6	14.6	(2.0)
national savings	5.0	6.2	(1.2)
current account deficit	(5.8)	(7.2)	1.4
balance of payments	1.5	1.0	0.5
Growth rate of (%)			
consumer price	4.0	4.0	0.0
exports	(8.6)	9.9	(18.5)
imports	5.5	19.8	(14.3)
Debt Service Ratio			
as % of exports	20.2	17.6	2.6

Source: Ministere de l'economie et des finances, Bulletin de conjoncture no.3, p17-18.

CHART [illegible].1

Coffee Export Revenues
1980-88

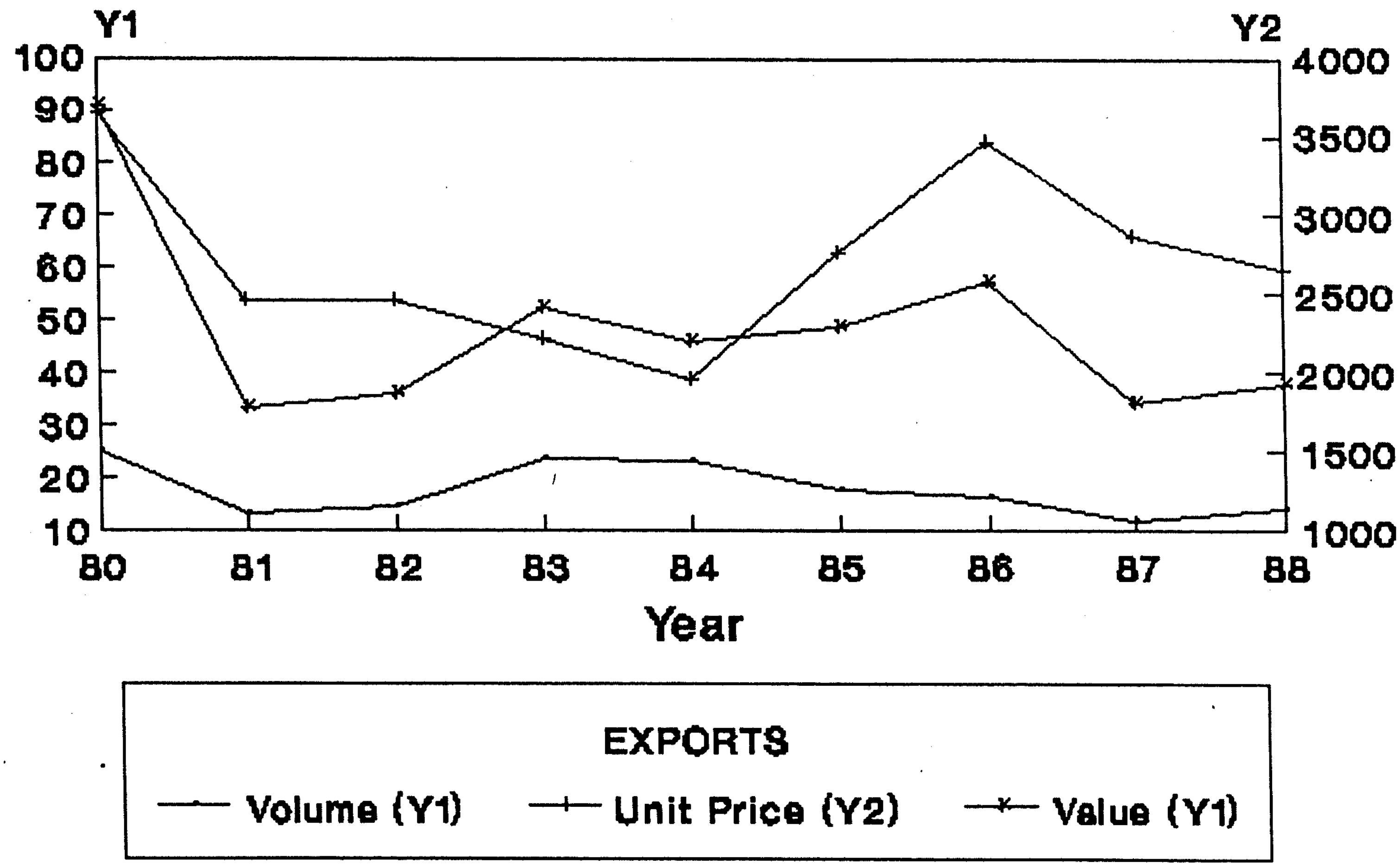
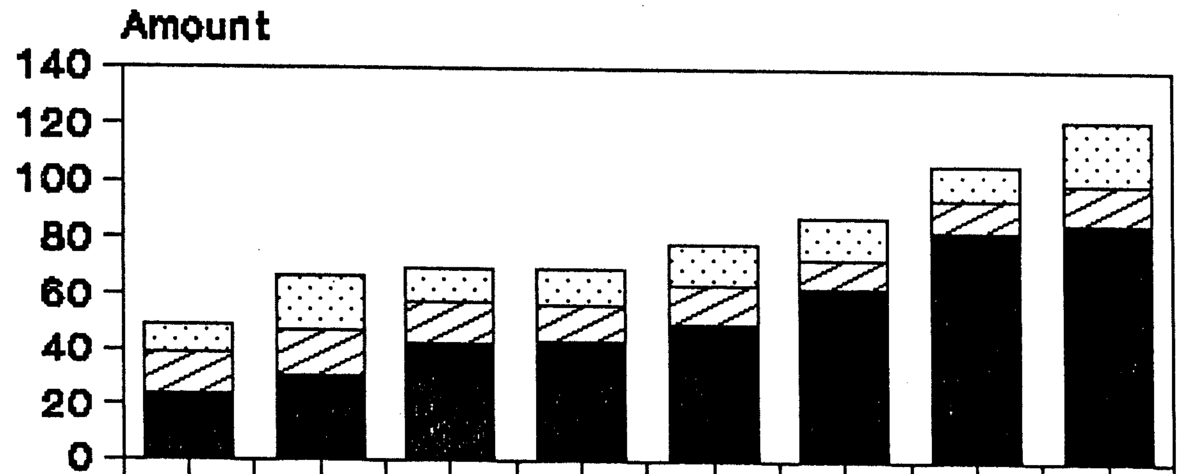


CHART . 1

GRANT DISBURSEMENTS BY DONOR
(US$ Million in current prices)



	80	81	82	83	84	85	86	87
Private Organization	10.6	18.8	12.2	13.2	14.6	14	12.7	22.4
Multilateral Aid	14.5	16.9	14.5	12.6	13.5	10.6	10.5	13.2
Bilateral Aid	23.9	30.4	42.5	43.5	50.1	62.7	83.5	86.2

CHART 2.2

HAITI
Real & nominal effective exchange rates

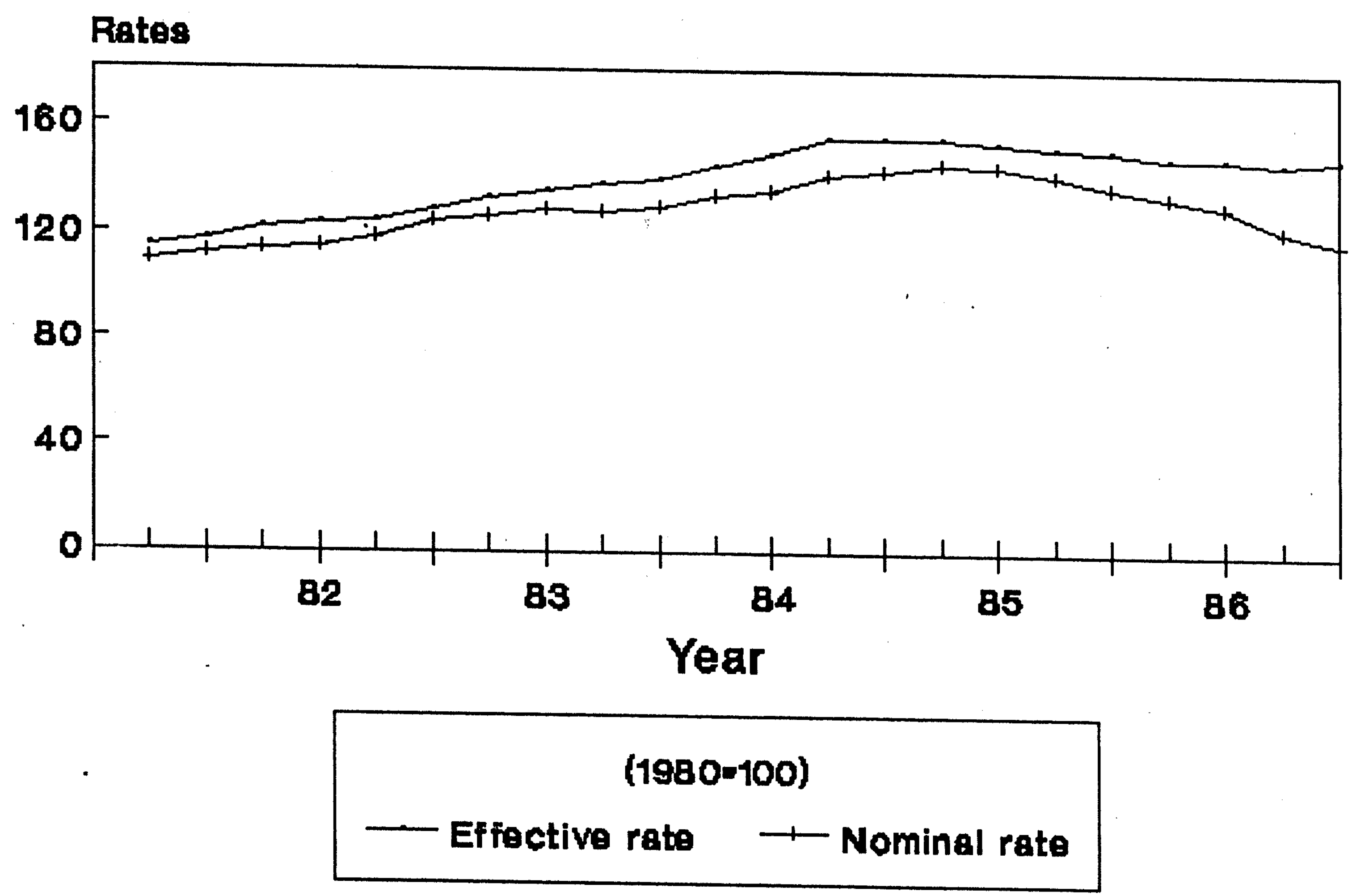
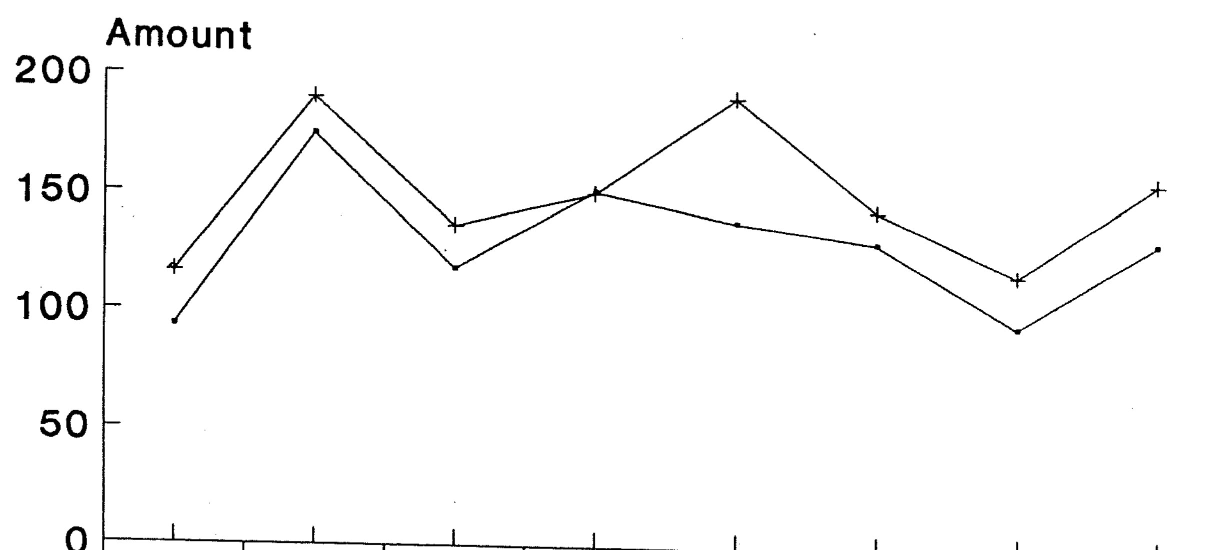


CHART 2.3

Fiscal deficit & current account balance
(Million US$)

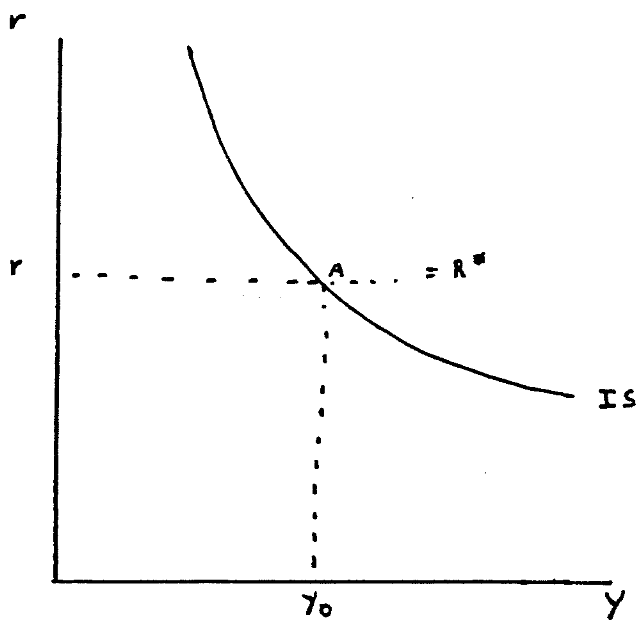


	80	81	82	83	84	85	86	87
Current Account	93.5	174.7	118.1	151.6	139.1	130.8	96.4	132.3
Fiscal Deficit	116.2	190.3	136.4	150.7	191.7	144.5	118	158

Year

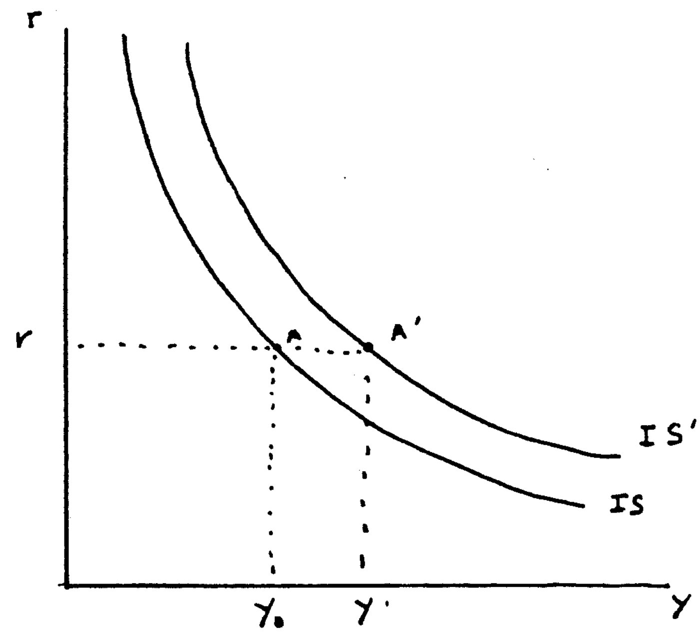
Current Account — Fiscal Deficit

Chart 2.3



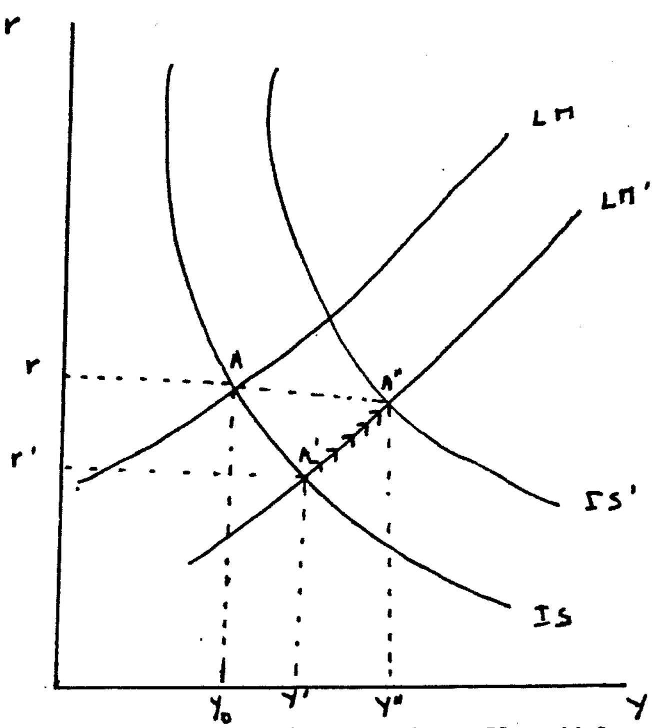
Output Determination

Chart 2.4



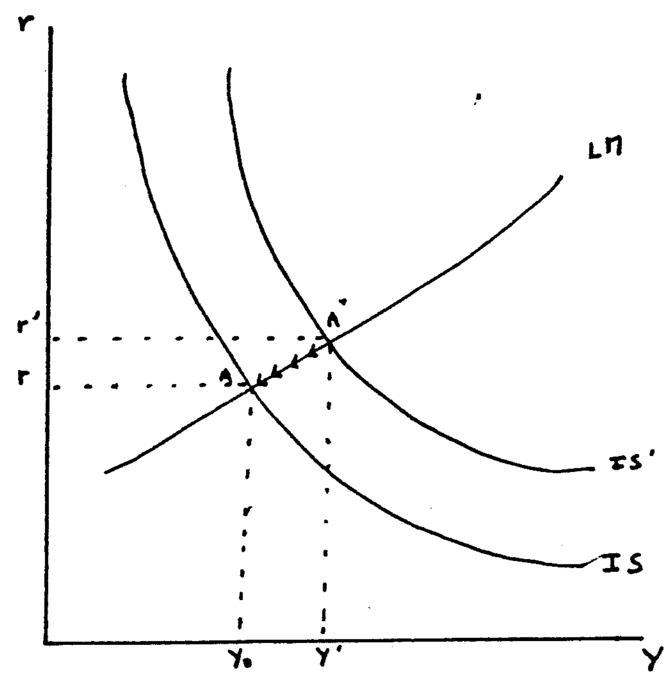
Fiscal Policy under fixed exchange rate

Chart 2.5



Monetary policy under flexible exchange rate

Chart 2.6



Fiscal policy under flexible exchange rate

POLICY CHANGE AND TIMING MATRIX
1986/87 - 1988/89

Policy Area	Objectives and Targets	Strategies and Measures	Timing of Measures 1/ 1986/87	1987/88	1988/89
1. Fiscal Policy	Reduction in nonconcessional debt of the public sector.	- Improved revenue collection, tax reform, and improved control of expenditure and public enterprises.	X	X	X
(a) Revenue	Improved revenue collection.	- Improve operations of tax and customs authorities.	X	X	X
		- Improve customs valuation.	X	X	
		- Reinforce value added tax collection.	X		
		- Eliminate petty specific taxes.	X		
		- Introduce new income tax law.	X		
		- Establish variable petroleum import tax.	X		
(b) Expenditure	Maintain tight limits on Treasury expenditure and reallocate toward development.	- No extrabudgetary spending.	X	X	X
		- Reinforce control of expenditure.	X		
		- Audit Ministry of Finance.	X		
		- Improve public sector accounting.	X	X	X
		- Limit public sector wage bill.	X	X	X
		- Review public sector staffing.	X	X	
		- Reallocate current expenditure toward health, education, agriculture and road maintenance, especially for non-wage recurrent spending.	X	X	X
2. Public Enterprises	Eliminate real resource losses and improve efficiency.	- End transfers from budget.	X		
		- Remove privileged status.	X	X	
		- Audit all enterprises.	X		
		- Reduce costs at Ciment d'Haiti and liberalize cement market.	X	X	X
		- Restructure Minoterie (flour), Citadelle sugar mill and Ciment d'Haiti, and remove privileged status.	X	X	X

POLICY CHANGE AND TIMING MATRIX (Continued)
1986/87 -1988/89

Policy Area	Objectives and Targets	Strategies and Measures	Timing of Measures 1986/87	1987/88	1988/89
(a) Banks and Credit Agencies	Improve credit for agriculture.	- Close Bureau de Credit Agricole and Banque Nationale de Developpement Agricole et Industriel.	X		
		- Establish new agricultural development bank.	X		
(b) Public Utilities		- Limit employment increases.	X	X	X
		- Reduce and then eliminate public sector arrears to Electricite d'Haiti.	X	X	X
		- Continue marginal cost pricing at Electricite d'Haiti.	X	X	X
Public Investment	Greater emphasis on priority needs of productive sectors and on human capital.	- Complete ongoing high priority projects.	X	X	
		- Eliminate projects without investment content.	X		
		- Prepare series of small employment-generating productive projects to attract new external donors.	X		
		- Review investment program annually to ensure adequate counterpart funding.	X	X	X
		- Improve coordination with nongovernment organizations in health, education and agriculture.	X	X	X
		- Improve external aid coordination.	X	X	X
		- Convene meeting of the Haiti subgroup of the Caribbean Group for Cooperation in Economic Development.	X	?	?
Monetary and Credit Policies	No recourse by the public sector to credit from the domestic banking system.	- Fiscal policy.	X	X	X
	Active monetary policy.	- Use reserve ratios flexibly.	X	X	X
	Improve allocation of credit.	- Liberalize interest rates.	X	X	
Competition Policy	Improve allocation of resources.	- Eliminate most quotas.	X		
		- Reduce tariffs to levels averaging about 20% and only a few exceeding 40%.	X		

POLICY CHANGE AND TIMING MATRIX (Concluded)
1986/87 - 1988/89

Policy Area	Objectives and Targets	Strategies and Measures	Timing of Measures 1986/87	1987/88	1988/89
6. External Policies	Maintain overall balance of payments surplus.	- Refinance existing arrears.	X		
		- Promote exports.	X	X	X
	Improve access to export markets.	- Renegotiate U.S. textile quota.			
7. Agricultural Policy	Improve producer incentives, especially for exports.	- Progressive elimination of coffee export tax.	X	X	
		- Elimination of other minor export taxes.	X		
		- Replace grain import quotas with tariffs and/or import threshold prices.	X	X	
		- Raise rentals on State lands.		X	
		- Tax large land holdings.			X
	Improve public services and credit to private farmers.	- Improve operations of Ministry of Agriculture and decentralize staff.	X	X	X
		- Provide adequate non-wage recurrent funds to Ministry of Agriculture	X	X	X
		- Strengthen extension service.	X	X	X
		- Emphasize irrigation rehabilitation, operation and maintenance over new construction.	X	X	
		- Establish new agricultural development bank.	X		
	Improve rural development projects.	- Remove subsidies on fertilizer supplied under some projects.	X		
		- Focus more on production.		X	X
8. Industrial Policy	Assist firms restructure toward exporting and efficient production.	- Provide technical assistance and credit.	X	X	X
	Promote private investment and exports.	- Apply consistently the 1985 Investment Code.	X	X	X
		- Improve administrative procedures, including customs handling.	X	X	X
		- Encourage private Free Zone and private industrial parks.		X	X
9. Social Sectors	Improve human capital.	- Improve internal efficiency of public health and education ministries and their cooperation with the private sector and nongovernment organizations.	X	X	X
		- Emphasize family planning.	X	X	X
		- Reassign health personnel away from Port-au-Prince.	X	X	
		- [illegible]	[illegible]	[illegible]	[illegible]

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