



## Haiti's Eligibility For Debt Relief Coming In From The Cold

After a decade long interval, the international community has finally agreed that Haiti, the poorest country in the Western Hemisphere, is eligible for debt relief under the enhanced HIPC Initiative. Yet on the basis of its debt and other vulnerability indicators there was little compelling reason why Haiti should have been left out in 1996 from a framework that seeks to provide a “permanent” exit from the debt rescheduling cycle for many low-income countries. Haiti's poor were effectively held hostage to geopolitical events over which they had little or no control. A recent analysis conducted by the International Monetary Fund (IMF) and the World Bank reveals that Haiti's external debt is in excess of the sustainability threshold established under the enhanced HIPC Initiative. At the end of September 2005, Haiti's debt stood at around US\$925 million or more than 175% of exports of goods and services. To bring this debt-to-exports ratio to the 150% sustainability threshold, Haiti requires over US\$380 million in debt relief, of which one-third would comprise HIPC relief; the rest comes from the Multilateral Debt Relief Initiative (MDRI). Sustainable growth and poverty reduction in Haiti depends critically on higher official external financing flows. This package should therefore help Haiti to make better progress achieving the Millennium Development Goals (MDGs) geared at eradicating extreme poverty and hunger.

About 80% of the Haitian population lives in absolute poverty, subsisting on under US\$1 a day. Agriculture underpins the livelihood of about two-thirds of Haitians but the sector is highly susceptible to frequent natural disasters as well as widespread deforestation. Haiti ranked 153<sup>rd</sup> out of 177 countries in the United Nations Human Development Index. Only 55% of children between ages 6-12 are enrolled in schools and this is even lower in rural areas. Haiti also faces a high incidence of HIV/AIDS, with about 5.6% of the population living with the virus. The situation is exacerbated by food deprivation and limited access to health care due to poor infrastructure and lack of qualified personnel and drugs.

Some of key challenges confronting Haiti are political and economic instability, recurrent deterioration in security, low growth and high inequality. However over the past few years progress has been made in some areas, especially in strengthening macroeconomic stability. The Haitian economy suffered numerous shocks in

2004, including political turmoil and severe flooding, but has since staged a modest recovery. Real GDP is expected to expand at a rate of 2.5% in the fiscal year 2006, from 1.8% in the previous year. However, recurring security problems threaten to affect economic activity, donor project implementation and other foreign exchange inflows. Fiscal tightening through increased revenue collection and improved expenditure controls resulted in a gradual decline in the overall budget deficit (inclusive of grants) from 3.5% of GDP in FY 2003 to an expected 1.1% of GDP in the current fiscal year. Inflation which was excessively high at 38% in FY2003 is expected to fall to about 14% in FY2006, but is still high relative to comparable low income countries. The country's net international reserves have increased marginally and currently represent about 1.5 months of import coverage.

On the political front, the inauguration of President René Prével in May has brought the return of political normality and some semblance of stability to Haiti. A coalition government was formed, including ministers from different political parties. Both the President and the Prime Minister has the common priorities of primary education, rapid job creation, electricity, basic services in the urban slums as well as a national development approach including all of Haiti's departments and communes.

Going forward, Haiti will need to start enhancing governance, building stronger public institutions and promoting private sector-led growth. The authorities must ensure that mechanisms are in place to monitor the use of the resources made available by the HIPC Initiative. Further macroeconomic, structural and social reforms are vital to enable Haiti to reach to a point where creditors are willing to further reduce the country's debt burden.

**Table 1: Haiti – Selected Poverty and Social Indicators**

	<i>Haiti</i>	<i>LAC*</i>	<i>LIC**</i>
Life expectancy at birth (Years, 2003)	51.6	71.9	58.4
GNI per capita (2005 for Haiti, 2004 for LAC, LIC)	450	3576	507
Adult literacy ratio (% of people age 15 and above, 2003)	51.9	89.6	60.8
Primary school net enrollment ratio (% of relevant age group, 2001)	55	...	...
Infant mortality rate (per thousand, 2003)	76	27	80
Child mortality rate (pre thousand, 2002)	118	32	124
Prevalence of HIV/AIDS (% of persons age 15-49, 2003)	5.6	0.7	2.0

\*- *Latin America and the Caribbean (LAC) Region*

\*\* - *Low Income Countries*

## FINANCIAL & ECONOMIC INDICATORS

As at 28<sup>th</sup> September 2006

Exchange Rate/US\$	Closing Value	Previous Week
Yen	117.81	116.38
Euro	1.27	1.28
Jamaica	66.10	65.94
Guyana	200.70	200.70

Commodity Prices	Closing Value	Previous Week
Crude oil (US\$/bbl)	62.76	61.59
Natural Gas (US\$/mmbtu)	4.15	4.65
Gold (US\$/Troy Ounce)	601.30	584.20

### Eurobond Indices (Returns, % YTD as of 28- Sept- 06)

Lehman Brothers Global Aggregate Index	2.75
JP Morgan EMBI+	-13.81
CMMB Eurobond Index	0.52

Policy Interest Rates (%)	Closing Value	Previous Month
United States	5.25	5.25
Euro Zone	3.00	3.00
Japan	0.25	0.25
Brazil	14.25	14.25
Trinidad	7.75	7.75
Jamaica	11.95	12.15
Barbados	4.75	4.75

Market Interest Rates (%)	Closing Value	Previous Week
US 90-day T-Bill	4.75	4.79
US 10-Yr Treasury	4.61	4.64
3-month UK Libor	5.07	5.06
Japan 90-day T-Bill	0.28	0.28
Brazil 90-day T-Bill	13.76	13.86
TT 90-day T-Bill	6.60	6.60
Jamaica 90-day T-Bill	12.06	12.06
Barbados 90-day T-Bill	5.91	5.91

Sources: Bloomberg, CMMB Research Centre, Central Bank of Trinidad and Tobago, Bank of Jamaica, Central Bank of Barbados, [www.lehman.com](http://www.lehman.com)

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