Minutes of Loan Committee Meeting to consider
HAITI - Proposed Structural Adjustment Operation
held on September 22, 1986 in Conference Room E-1208

A. Present
   Committee:  Other:
   Chairman:  Mr. Stern  Messrs/Mmes. Burnett  Koenig
   Legal:  Mr. Shihata  Choksi  Linde (IMF)
   ERS:  Mrs. Krueger  Clements  McMullen
   OPS:  Mr. Kopp  Collell  Meo
   Region:  Mr. Knox  Donovan  Molas
             Dubey  Pfeffermann
             Fox  Picciotto
             Hino (IMF)  Roger
             Jacqmotte

B. Issues
   1. The Meeting was called to consider the Initiating Memorandum dated
      September 15, 1986 for a structural adjustment operation in Haiti. The
      discussion focused on the main issues raised in the Country Policy Department's
      memorandum of September 19, 1986.

C. Discussion
   Nature of Operation

   2. It was pointed out that, while the proposed operation is based on
      substantial adjustment policies, the high degree of uncertainty surrounding the
      outcome of the presidential elections in November 1987 made it impossible to
      consider a medium-term policy reform program which should be the basis for
      embarking on a series of structural adjustment credits. Consequently, it was
      decided to consider this initial operation an "Economic Recovery Credit."
Macro Framework

3. The meeting noted that careful monitoring of Haiti's macro-economic performance would be essential. In that context, the representatives of the IMF explained that the benchmarks of the proposed IMF Structural Adjustment Facility (SAF) for Haiti would, in both content and monitoring, be identical to performance criteria for upper tranches under a Standby Arrangement. The Committee agreed, on that basis, that compliance with the benchmarks of the SAF would meet the Bank's concern and that satisfactory progress in implementing the macro program as certified by the Fund would be made a condition of second tranche release (without creating a formal linkage with the Fund operation).

Public Sector Reform

4. The Region explained that major public enterprise action had already been taken and that other restructurings would be determined at appraisal. Attention would be focused on the flour mill and the cement plant; a timetable for conversion of the cement plant to clinker would be agreed. Possible closure of the sugar mill in the north cannot be contemplated until alternative employment possibilities have been identified. The Chairman stressed the need to inform external donors through the Haiti Subgroup of the Caribbean Group for Collaboration of Economic Development (CGCED), as well as the Haitian authorities, that future policy-based lending by IDA would depend on donors' support in improving the public investment program.

Trade and Industrial Policy

5. The Region emphasized that the remaining import quotas were inconsequential and could not be used as a pretext for reimposing quotas on other goods. A Committee member remained concerned that the continued existence of the legal and bureaucratic mechanism for import quotas might facilitate the reimposition of quantitative restrictions in the future. The Region did not foresee this being a serious danger in the case of Haiti. It was noted that the industrial investment code would in due course need to be modified to reflect the new trade and investment regime; this, however, was not an immediate priority.

D. Conclusion

6. The Loan Committee approved the Region's proposal to appraise an Economic Recovery Credit in Haiti in the amount of $30-40 million, including the policy objectives noted in the Initiating Memorandum and the above discussion.