

LOAN COMMITTEE

LC/M/86-32
September 30, 1986

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

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WBG ARCHIVES

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	Molares
		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."

DISTRIBUTION

COMMITTEE

Senior Vice President, Operations (Chairman)
Senior Vice President, Finance
Vice President & General Counsel
Vice President, Operations Policy
Regional Vice President concerned*
Vice President, Energy & Industry (for lending
in these sectors and SALs)
Vice President, Economics and Research (for non-
project lending)

OTHERS

Standard (see OMS 9.25 page 7)

*Copy to all other Regional Vice Presidents

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.