Overview

Since 2000, Haiti has experienced a period of low economic growth, with a contraction of its gross domestic product (GDP) by 5.3% following the 2010 earthquake. The average GDP growth rate was 3.8% between 2011 and 2014, with a per capita GDP growth rate of 2.4% due to reconstruction funding. A long period of drought in 2014–2015 severely affected agriculture (around 50% losses in the spring harvest) in a country where about 40% of the people depend on agricultural incomes. This decline led to a decrease of 2.7% of GDP growth during 2014.

Haiti’s external debt was US$1.27 billion in 2014 and US$1.3 billion (23% of GDP) in 2015. Haiti’s monetary policy has improved since 2004 through the implementation of new policies, which have contributed to economic growth. It now must focus on maintaining a stable, low inflation rate, which increased from 4.6% in 2014 to 5.5% in 2015. The overall fiscal deficit (including grants) improved from -7.2% of the GDP in fiscal year (FY) 2012/13 to -2.7% during FY 2014/15.

The total value of Haiti’s exports was US$876.8 million in 2013. The main source of exports is the apparel sector, accounting for about 90% of the country’s total exports and about 5% of GDP. The U.S. is the main customer for Haiti’s exports at around 81% of all exports in 2012. Haiti’s trade deficit with the U.S. was 32.8% of its GDP in 2014; it is expected to improve significantly by 2035, to reach 13.5% due to lower oil prices and gradually increasing foreign direct investment. Imports were US$2.97 billion in 2013—mainly food and manufactured products imported from the Dominican Republic and the United States. Haiti is not a resource-dependent country; resource rents account for just 3% of GDP.

Political Economy

Haiti’s economy has suffered from a complex political situation, which includes persistent instability. In addition, it has experienced several natural disasters, such as successive periods of drought and a major earthquake in 2010. As a result, Haiti relies heavily on foreign aid. However, the country does not have the appropriate policy framework to manage the large flows of external funding it receives so as to reduce poverty. Haiti needs to develop a framework that ensures proper leadership from the government, mutual accountability, and strengthens institutional capacity and human resources. Haiti receives consistently average scores on the World Bank’s Country Policy and Institutional Assessment for macroeconomic and fiscal indicators, highlighting the continued room for improvement in the country’s political-economic situation.
GDP and Economic Growth

Haiti has endured 15 years of slow economic growth. Between 2012 and 2014, the average growth rate of per capita GDP in constant dollars was -0.36%, with the biggest drop in 2010 (Figure 1). This rate is well below the regional average growth rate of 1.85%. Haiti remains the poorest country in the Latin American and Caribbean (LAC) region with 59% of the population living in extreme poverty.

Government Revenue and Expenditure

In 2014, the average annual growth rate was 4.6% for imports of goods and services. Public revenue (grants included) and expenditure in Haiti over the period 2012–2015 were on average 20% and 24% of GDP, respectively. Bolivia, another country in the region, had revenue that represented 35.1% of GDP (Figure 2). Haiti adopted a Public Finance Reform Strategy in 2014 to focus on improving tax policy and administration, public financial management, and the enabling environment for the private sector (IMF, 2015).

Tax revenue is low because of a narrow tax base; low yields from income, excise, and trade taxes; and weak administration. Domestic taxes accounted for almost half of the government’s revenue in 2015, followed by grants (30%) and customs duties (20%) (Figure 4). One of the biggest challenges facing Haiti is decreasing donor funding, which has dropped as a percentage of gross national income (GNI) over the past three years and continues to do so. In 2012, donor assistance represented 16% of the GNI, which decreased to 12.4% in 2014. As to expenditure (22.2% of GDP), capital expenditure represented the biggest portion (47%), followed by wages and salaries (29%) and goods and services (14%) (Figure 5).

References and Works Consulted


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