

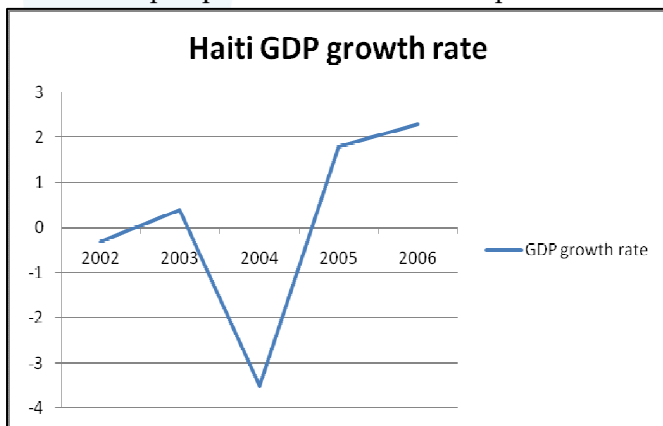


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POST EARTHQUAKE HAITI: CRUSHED PROSPECT FOR ECONOMIC REVIVAL OR OPPORTUNITY FOR CREATION OF A NEW HAITIAN STATE?

Haiti, whose past political, social and economic landscape is coloured with political violence, armed rebellion, economic mismanagement and corruption, is classified as the poorest country in the Western Hemisphere. Approximately two thirds of the Haitian population depend on the agricultural sector, which is vulnerable to natural disasters and widespread deforestation.

Real GDP growth for Haiti moved from negative 1.0 percent in 2001 to positive growth of 3.4 percent in 2007. Moreover exports increased by 57.4 percent to US \$522.09 million over the period 2000 to 2007. Central government revenue grew by over 50 percent during the period 2004 to 2006 to represent 10 percent of GDP in 2006. The pre earthquake projection for average real GDP growth for 2007-2011 is 4 percent. However, it is now clear that the average outturn may be far below what was projected. Reeling from the impact and devastation from a 7.0 earthquake which occurred on the evening of January 12, 2010, development specialists worldwide are wondering whether all prospects for future development in Haiti



have been quashed. The earthquake is the latest of many natural disasters which have impacted Haiti since 2004. In May 2004, three days of heavy rain and floods resulted in the death of more than 2600 people. Later that year, Tropical Storm Jeanne resulted in floods and landslides

killing about 1900 people. In 2008, Haiti felt the effects of three hurricanes and one tropical storm which accounted for the loss of 800 lives and an estimated US\$1 billion in damages.

The impact of these aforementioned natural disasters, however, pale in comparison to the devastation wreaked by the January 12th earthquake. It is estimated that as many as 150,000 to 200,000 may have died and one million people may be homeless as a result of the earthquake. Early estimates suggest that damages from the earthquake may be about 15 percent of Haiti's GDP which stood at \$6.9 billion in 2008. Hospitals, schools, the presidential palace, homes and government offices all lie in ruins following the earthquake, with many poor neighbourhoods such as Carrefour losing as much as 90 percent of the structures. It is clear that a major humanitarian emergency has emerged following the earthquake and a significant and sustainable relief effort will be required to lift the country out of the current state of deprivation.

There exists a number of factors which may prove advantageous in the rebuilding of the Haitian economy. Paul Collier in a 2009 report to the Secretary General of the United Nations outlines some of these factors. The first factor which favours the economic development process is the fact that Haiti is not part of a troubled region; in fact it is part of the Caribbean which is generally peaceful region and its neighbors within the CARICOM Community have pledged commitment to assisting in the development efforts. Haiti is located in close proximity to the United States, a strategic and important ally, which following the earthquake has pledged US\$100 million to rehabilitation efforts and has declared full support for the redevelopment of Haiti. Moreover, through HOPE II, the United States has granted preferential market access to Haiti up to 2018. A large global Haitian diaspora also provides support through significant remittances to family and friends who remain in Haiti. Additionally, Haiti has received HIPC and MDRI debt relief of \$1.2 billion in July which

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will allow greater fiscal flexibility. Since the passage of the earthquake, the IDB and members of the Paris Club have issued an appeal for cancellation of Haiti's bilateral debt. Taiwan, one of the main bilateral partners, has responded and said that it is considering what form of relief can be offered to Haiti.

During the immediate post earthquake period, countries have pledged approximately US\$1 billion in aid for Haiti. In addition NGO's, charities and many other agencies are coming to Haiti's assistance. There is a risk that some of this support may dwindle once the immediate situation in Haiti is stabilized. However, significant efforts are currently ongoing to chart the re-development course for Haiti. These include the convening of an emergency conference on Haiti in Montreal on January 25 which will be followed by another confer-

ence in the United States later this year. The challenge therefore is for the authorities in Haiti to keep these issues on the front burner, while there is still significant interest in the rehabilitation effort. The immediate issue however, is the enormous challenge of providing survivors with food, shelter, medical care and the restoration of some basic services. While it may be difficult to forecast the long term outlook for Haiti; it is clear that the road ahead will be challenging. However, development prospects hinge on the extent to which the donor community follows through and sustains the recent commitments they have made to Haiti, and on the quality of leadership and development policy implemented.

REGIONAL NEWS SUMMARY

CL FINANCIAL

- After six months, top investment banker Steve Bideshi is leaving his job as the interim CEO of state-controlled CL Financial after the Government failed to come to terms with him with regard to a three-year compensation package. (TG 13 Jan)
- Several groups are calling on the Guyana government to take steps to ensure that no more time is lost in bringing a measure of relief to the hundreds of policyholders and investors who incurred losses in the wake of the collapse of CLICO. (SN 15 Jan)
- CL Financial board member, Michael Carballo, has resigned as the group's financial officer with effect from January 31. He will be replaced by Winston Millet. (TE 20 Jan)
- Insurance giant CLICO is struggling to repay policyholders because it is not making money quickly enough. (TE 22 Jan)
- Clico has hired some financial advisors to help policy holders receive their funds on time. (Newsday 22 Jan)

THE STANFORD GROUP

- Allen Stanford's gold customers will regain possession of \$21.2 million in coins and bullion seized 11 months ago from the company's Houston headquarters when federal regulators raided the offices on suspicions the financier was running a \$7 billion Ponzi scheme. (Cnn 7 Jan)
- Toronto-Dominion Bank has won more time to negotiate access to transaction records with investors who claim to have lost \$61 million that was to be deposited in Allen Stanford's Stanford International Bank Ltd. Money that was deposited at Toronto-Dominion and was to be transferred to a Stanford account in Antigua, is missing. (Cnn 12 Jan)

- Ralph Janvey, the court-appointed lawyer charged with returning assets to investors, sued about 200 Stanford customers, accusing them of unfairly cashing out before Stanford's firm was shut down in February 2009, says he has recovered nearly \$2 million from some investors. (Cnn 18 Jan)

CARIBBEAN

- Guyana President Bharrat Jagdeo says initial indicators show that the Guyana economy grew by around 2 per cent during 2009 (TE 2 Jan)
- Two Trinidad and Tobago banks, Republic and First Citizens, cut lending rates to 9.75% (TE 3 Jan)
- The Jamaican central bank has admitted that its support to the Golding administration reached J\$23.1 billion in the past two months. The majority of the funds, J\$18 million, was used to buy up bonds issued by the government on December 15 to finance its budget. (JG 6 Jan)
- The Jamaican Government cannot repay the IMF standby arrangement without increased productivity to offset its declining revenues, say analysts. Labour productivity needs to be increased and bureaucracy reduced, whilst the real sector needs to increase production in areas such as ethanol and rice. (JO 6 Jan)
- A rise in unemployment is to be expected in T&T during 2010, the rate having risen to 5.8% in the third quarter of 2009, meaning that more than 35,000 are unemployed. (TG 7 Jan)
- Sagicor Financial Corporation is in a strong financial

REGIONAL NEWS SUMMARY cont'd

- position, the company's president said following concerns raised about the financial institution after it issued more than 11.7 million new shares in a private placement in Barbados. (TE 7 Jan)
- India-based energy company Oil and Natural Gas Corporation has pulled out of an exploration project offshore Trinidad after its other Indian partner withdrew from the deal. (TE 9 Jan)
 - The T&T Government has raised its lending ceiling to small, medium and micro entrepreneurs. (TE 9 Jan)
 - The year 2009 was a slow one for the T&T local equity market, and investors should not expect easy gains in the year ahead. Bourse projects the TT Composite Index to decline two to five per cent this year. (TE 11 Jan)
 - The Jamaican Government has essentially already secured 15% of the support it will need for its planned debt exchange transaction that will involve the swapping of over J\$720 billion in its domestic debt for lower yielding bonds. (JO 13 Jan)
 - The Governor of the Central Bank of Barbados reported that net international reserves were projected to decline in 2010 and foreign reserves cover may revert to the levels of 2008 - around 17%. The fiscal deficit widened to 8.6 % from 6.4 % in 2008 as the economy contracted more than expected. (BN 13 Jan)
 - The Central Bank of Barbados has confirmed reports from the Barbados Hotel & Tourism Association that there was a \$170 million shortfall in tourism earnings in 2009. (BN 13 Jan)
 - The value of total exports from Latin America and the Caribbean in 2009 fell 24% with regard to the previous year due to the global crisis, according to new estimates released by ECLAC. (Cnn 8 Jan)
 - The Jamaica Debt Exchange programme will replace 350 Government of Jamaica bonds held by financial institutions and retail investors with 24 new notes in four classes, and cut as much as 16 percentage points off the prevailing interest charges. (JG 15 Jan). It is slated to save the country J\$40 billion in interest payments on domestic debt over the coming financial year. (Cnn 13 Jan)
 - Over the last decade and a half, a number of leading Jamaican businesses have been snapped up by Trinidadian companies as a result of their ineffective management, a hostile operating environment and under-capitalization. (JO 15 Jan)
 - IMF announced agreement in principle with Jamaica on an economic programme supported by an SDR 802.5 million (about US\$1.25 billion) loan under a 27-month Stand-By Arrangement. The programme has three main elements:
 - A fiscal consolidation strategy to streamline expenditure and reform the public sector;
 - A comprehensive debt management strategy to reduce the governments interest bill;
 - A reform to strengthen the financial system. (Cnn 15 Jan)
 - Customers in T&T looking for US dollars are struggling to get them at commercial banks. The exchange rate started the year at TT\$6.38 for one greenback. However bankers say this demand is not unusual (TE 16 Jan)
 - Standard & Poor's, Fitch, Moody's and CariCRIS cut Jamaica's credit ratings, saying a domestic bond exchange proposed by the government constitutes a debt default. (Cnn 15 Jan; JG 17 Jan)
 - Latin America and the Caribbean lost 2.2 million jobs in 2009 amid the global financial crisis, reversing five straight years of falling unemployment, the International Labour Organization said. (JG 17 Jan)
 - The financial year 2009 held mixed fortunes for locally-sponsored mutual funds. While international equity markets prospered, the regional markets declined. The TT Composite Index declined 9.2 per cent in 2009 as weakening local economic conditions dampened prospects for the majority of listed companies. Regional equity markets saw similar downturns over the year. (TE 18 Jan)
 - Ongoing court actions have slowed the liquidation of assets of the Hindu Credit Union, forcing thousands of members to wait even longer to get their money from the failed co-operative returned to them. (TE 19 Jan)
 - Finance Minister Audley Shaw announced new powers for the central bank over Jamaican firms in a round of sweeping policy changes for the financial system that would also force Shaw into stronger stewardship over the treasury. The Bank of Jamaica Act will also be amended to establish the central bank as the authority responsible for overall financial stability, which will allow the BOJ to access data from parent and affiliate institutions of financial institutions under its direct supervision. (JG 20 Jan)
 - The Government is committing to the IMF that it will reduce the size of the public sector wage bill from 11.75% of GDP during the fiscal year that ends March 31, 2010 to 9.5% of GDP in 4 years. (JO 20 Jan)
 - T&T Government will be pushing forward with its plans to reform the financial services sector following Cabinet's approval of draft legislation for credit unions. (TE 21 Jan)
 - Jamaica's fiscal deficit is now estimated at 10% of GDP, and the overall public-sector deficit will likely round out the year at 12.75% of GDP (JG 22 Jan)
 - Three days into the offer for the Jamaica Debt Exchange, Finance Minister Audley Shaw said the response has been remarkable. (JG 22 Jan)
 - Trinidad and Tobago's economy should grow by 2% this year after falling by 3% last year. However, unemployment and inflation are expected to rise again in 2010. (TE 22 Jan; Newsday 22 Jan)

ANNOUNCEMENTS

CARIBBEAN BUSINESS EXECUTIVE SEMINAR

The Future of the Financial Industry after the Crisis

April 30th, 2010, Port of Spain, Trinidad

The CCMF announces the 14th in its series of seminars for top Caribbean executives, on the above theme. The seminar will feature a roster of international and regional financial experts, who will speak on the following:

- Should there be a return to traditional banking?
- The new financial order: Strategies for growth after the crisis
- The future of financial conglomerates
- Financing growth in emerging markets in the new environment
- A new model for financial regulations
- Should there be new guidelines for investment strategies for insurance?
- Regulation of under-regulated and unregulated institutions in the financial sector

In addition to the featured speakers, there will be a panel comprising representatives of each type of financial institution, drawn from different countries in the region. Reports and presentations from our past seminars can also be found at this website.

The most recent executive seminar hosted by the CCMF took place in Kingston, Jamaica on September 4, 2009, on the topic "Strategies to cope with global uncertainty – choices for Caribbean business and finance".

A report and presentations from this seminar, and presentations from previous seminars, may be found at www.ccmf-uwi.org. Updates and registration information for the 14th Caribbean Business Executive Seminar 2010 will also be posted at this address.

Queries can be addressed to: Caribbean Centre for Money and Finance, The University of the West Indies, St. Augustine Campus, Trinidad and Tobago, Tel: (868) 645 1174; (868) 645 1610, Fax: (868) 645 6017, Email: ccmf@sta.uwi.edu

EMPLOYMENT OPPORTUNITY: CONSULTANT FOR PROJECT ON FINANCIAL RISK ASSESSMENT IN AN INTEGRATING REGION: THE CARIBBEAN

Objectives of Project: To develop and upgrade methodologies for the overall assessment of the financial stability of the Caribbean region, including financial soundness indicators and early warning systems; to contribute to upgrading national financial stability reports; and to publish a regional financial stability report.

Duration: 36 months

Experience and qualifications: The candidate must have at least a graduate degree in economics or finance and must have at least 10 years senior management experience in financial regulation, especially expertise in early warning systems, financial stress testing and financial risk analysis. The candidate must also be familiar with the financial systems in the Caribbean.

For more information please see our website: www.ccmf-uwi.org.

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