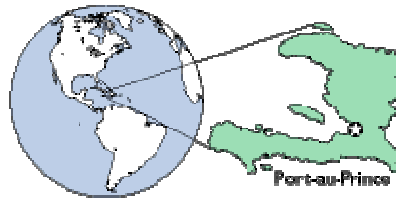


COUNTRY REVIEW

Haiti



26 October 2009

ANALYST: David Atkinson

EULER HERMES COUNTRY RISK GRADE: D

**Country Risk Grades are on a scale of AA, A, BB, B, C, D
where AA is the lowest and D the highest risk.**

The content of the report (which is subject to change without notice) reflects only our opinion, which is based on information received by us. Accordingly no warranty, representation or other assurance is given as to the accuracy or completeness of the report. The report is for general information and is not intended to address any requirements you may have, for which you must obtain independent advice. The report does not constitute any form of advice, recommendation or arrangement by Euler Hermes Kreditversicherungs-AG or by the Euler Hermes Group of Companies and must not be relied upon in the making of any decision, agreement or arrangement. © Euler Hermes UK plc 2008

CONFIDENTIAL: INTERNAL USE ONLY

COUNTRY PROFILE

Capital city:	Port-au-Prince
GDP:	USD6.9bn (2008e)
Population:	8.8mn (2008e)
GDP per capita:	USD790 (2008e)
Currency:	Gourdes (HTG)
Form of state:	Republic
Head of State:	President Rene Preval
Next elections:	2011

CURRENT GRADE: D

Haiti has a long history of political instability. As recently as 2004, President Jean-Baptiste Aristide was forced out of office by armed rebellion, to be succeeded by an interim government under UN auspices, but it was not until May 2006 that a new democratically elected president—Rene Preval (Lespwa)—and government were in place. The UN continues to maintain a peacekeeping force (Minustah) in Haiti, the mandate for which was recently extended. However, political stability is not assured. Lespwa has a legislative majority but party discipline is weak. On almost all international measures of political/social stability and institutional development Haiti fares badly. The World Bank Institute's Governance Research Indicator puts political stability, government effectiveness, rule of law and control of corruption well below average even of the low income group of economies and even further behind the average of the Caribbean region and Haiti is in the lowest percentile on three of these indicators.

Over the past 30 years Haiti's per capita GDP has declined by 35%, largely reflecting the underlying political and social instability. Agriculture still accounts for 26% of GDP and industry just 16%. The majority of goods exports are from the assembly industry (where international competition is strong but Haiti benefits from preferential access to the US market) but remittances from abroad are the most important source of current account foreign exchange earnings. These have been hit by the recession in the US, has have disbursements of donor aid and consequently the economy will probably contract again in 2009, after a couple of years of growth. Both the fiscal and current account deficits depend on official and bi-lateral aid for financing.

Nonetheless, there has been progress under the Preval administration, which has secured substantial debt relief (around 70% of the debt stock) under the HIPC Initiative and the MDRI and has extended the IMF PRGF programme until 2010. This improved policy framework should allow growth to resume as the US begins to recover and has led to a steady increase in FX reserves.

Overall, there are signs of improvement in economic performance and the political situation, though a robust virtuous economic growth circle, even from such a low base, is far from secure and systemic political risk remains very high. The Structural Business Environment is among the weakest in our assessment, unsurprisingly as GDP per capita is one of the lowest in the world and the institutional framework has been damaged by years of social and political instability.

Recommend retention of grade D.

David Atkinson

London: +44 (0)20 7860 2807

PROPOSED GRADE: D (ME Score: n.a.)

EXPOSURE Q2 2009:Nil

EHCRC DECISION: RETAIN D.