



# HAITI

July 2022

## STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

In the context of the Staff-Monitored Program, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information, following discussions that ended in early-May 2022, with the officials of Haiti on economic developments and policies underpinning the IMF arrangement under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on June 8 and approved on June 17, 2022.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Haiti\*  
Memorandum of Economic and Financial Policies by the authorities of Haiti\*  
Technical Memorandum of Understanding\*  
\*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**Washington, D.C.**



## IMF Management Approves a Staff-Monitored Program for Haiti

### FOR IMMEDIATE RELEASE

Staff Monitored Programs (SMPs) are informal agreements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board (with the exception of SMPs under the Heavily Indebted Poor Countries process). SMP staff reports are issued to the Board for information.

- *The Staff-Monitored Program (SMP) aims to help the government restore macroeconomic stability and lower inflation—a key goal given the heavy burden of high inflation on the poor.*
- *Efforts to enhance governance in the public sector, mobilize domestic revenues, build capacity, and boost social spending are important elements of the SMP.*
- *The program comprises realistic measures suited to Haiti's fragility and, if implemented, could pave the way to an upper credit tranche IMF-supported program.*

**Washington, DC – June 29, 2022:** Management of the International Monetary Fund (IMF) has approved a Staff-Monitored Program (SMP) for Haiti after discussions from March-May, 2022. The SMP was approved on June 17, 2022 and runs through May 31, 2023. The SMP was designed by IMF staff and the Haitian authorities, keeping in mind Haiti's fragility and capacity constraints while supporting the authorities' economic policy objectives. With timely implementation of the program, the SMP would help the authorities establish a track record of policy implementation, possibly paving the way to an IMF-supported upper credit tranche program.

SMPs are arrangements between country authorities and the IMF to monitor the implementation of the authorities' economic program but are not accompanied by financial assistance.

In recent years, Haiti has experienced a protracted political crisis and assassination of its president, lockdowns, the global pandemic, a surge in gang-related violence, and an earthquake. These shocks have weakened economic and institutional frameworks and adversely affected administrative capacity, while socioeconomic and security conditions have deteriorated to a distressing level.

After three years of economic contraction, IMF staff expect growth to turn positive in FY2022, supported by an increase in investment, and to recover further to 1.4 percent the next year with continued flows of remittances amidst modest improvements in socio-political stability.

In this difficult context, the authorities have committed to implementing policies that would begin to restore macroeconomic stability and growth, strengthen governance, and start to provide poverty relief. With a strong focus on governance, the SMP is geared to increasing accountability and raising ownership of the reform agenda across the country, placing

emphasis on strengthening public finance management, revenue administration, transparency, and anti-corruption measures.

The SMP also aims to raise domestic revenues, which have collapsed in recent years under the strain of social unrest, collection problems, and the security crisis. The authorities have committed to implementing a series of administrative measures, including strengthening the use of the tax identification number and cleaning up taxpayers' portfolios, revise special tax regimes in a new Tax Code, including by eliminating some exemptions, and finalize and publish the new Tax Code, Customs Code and the Customs tariff. This will simplify the tax system, making it more transparent and thus less prone to governance abuses.

Central bank financing of the fiscal deficit has fueled inflation, putting pressure on the exchange rate and leading to a vicious circle of higher fuel subsidy costs, further monetary financing of the deficit and higher inflation. The program thus aims to raise resources for productive spending and reduce monetary financing of the fiscal deficit to reduce inflation. This is critical for the population given the heavy burden placed on the poor from the high increase in prices.

Fuel subsidies have been absorbing at least one third of domestic revenues and crowding out productive spending on investment, health and education. They are also highly inequitable, with over 90 percent of the benefits going to the top 10-20 percent of the income ladder in Haiti. In this light, the authorities plan to prepare the groundwork to eventually tackle this issue. As a first step, they launched in April several social programs under the *Programme d'urgence* targeted to the groups affected by earlier fuel price adjustments.

The Haitian authorities will also strengthen the monetary policy framework and limit foreign exchange interventions to smooth excessive volatility to gradually eliminate the spread with the parallel market. Key steps are also planned to improve the financial regulatory framework and update regulations on anti-money laundering (AML/CFT) to meet international standards.

Over the course of this SMP, IMF staff will work closely with the authorities to support implementation of their program and help them build public support. Indeed, most elements of the authorities' program are underpinned by ongoing IMF technical assistance and capacity building. The Fund will also continue to coordinate closely with Haiti's other development partners to leverage efforts in support of common objectives. The first review of the SMP is expected in September. Satisfactory performance under the SMP could lead to an IMF-supported program under a multi-year arrangement that would require approval of the IMF's Executive Board. SMP are only subject to formal IMF management review.



# HAITI

## STAFF-MONITORED PROGRAM

June 17, 2022

### EXECUTIVE SUMMARY

**Context:** Since 2018, Haiti has experienced a protracted political crisis, repeated country lock-downs and civil unrest, an earthquake, the assassination of its president and a deep recession. Policymakers face economic imbalances, a surge in gang violence, worsening poverty conditions, and dire social challenges aggravated by years of political instability.

**Staff-monitored program (SMP).** It is not feasible for Haiti to implement an upper credit tranche (UCT) Fund-supported program at this time due to the weakened policy frameworks and erosion in administrative capacity during the protracted crisis. The proposed SMP ending May 31, 2023 would help build capacity, support efforts to reduce inflation and raise growth, strengthen fiscal and monetary policy frameworks, address governance weaknesses and combat corruption, and take concrete steps to strengthen social assistance. A successful SMP is needed to build a track record of policy implementation that would improve Haiti's prospects for a UCT program.

#### **SMP policy recommendations:**

- Adopt a FY2022 budget with measures consistent with agreed targets.
- Reduce central bank financing of the deficit and limit foreign exchange (FX) intervention to smoothing excess volatility.
- Mobilize revenues and strengthen public finance management (PFM), notably with higher tobacco, alcohol, and car excises, expansion and simplification of the tax base, and measures to strengthen expenditure management and controls.
- Require a minimum budget allocation to the ministry of social affairs (MAST) and prepare an action plan to implement the national plan for social protection (PNPPS).
- Strengthen the framework for monetary and exchange rate policies by clarifying the objectives and modalities for liquidity and foreign exchange rate operations.
- Advance governance reforms with technical assistance (TA), including governance of the central bank, revenue administration, and public finance management.

**Approved By**  
**Patricia Alonso-Gamo**  
**(WHD); Wes McGrew and**  
**Andrea Schaechter (both**  
**SPR)**

Discussions took place remotely from Washington during a virtual mission from March 4–16, and continued until May 9, 2022. The team comprised Nicole Laframboise (head), Noah Ndela Ntsama, Rina Bhattacharya, Jean Francois Clevy, and Paola Aliperti (all WHD), Patrick Petit (FAD), Neil Shenai (SPR) pre-mission, and Gabriel Duvalsaint (local economist). Experts from FAD, FIN, LEG, and STA who are providing relevant technical assistance participated in some of the meetings. Langy Duverger (local office) and Grey Ramos (WHD) assisted the team with logistics and document preparation. Mr. Saraiva and Ms. Florestal (OED) participated in the discussions.

## CONTENTS

<b>BACKGROUND AND RECENT DEVELOPMENTS</b>	<b>4</b>
<b>OUTLOOK AND RISKS</b>	<b>5</b>
<b>STAFF-MONITORED PROGRAM</b>	<b>6</b>
A. Fiscal Framework and Short-Term Strategy	6
B. Fuel Market Reform and Social Assistance	9
C. Monetary and Exchange Rate Policy	11
D. Financial Sector Policies	13
E. Governance	14
F. Climate Change and Poverty Reduction	14
G. Program Monitoring	15
<b>STAFF APPRAISAL</b>	<b>15</b>
<b>BOX</b>	
1. GDP Rebasing	5
<b>FIGURES</b>	
1. Real Sector Developments, 2015–22	20
2. Fiscal Sector Developments, 2015–22	21
3. Monetary Sector Developments, 2015–22	22
4. Financial Sector Indicators, 2015–21	23
5. External Sector Development, 2015–22	24
6. Social Indicators	25

**TABLES**

1. Quantitative and Indicative Targets, June 2022–March 2023	18
2. Proposed Prior Actions for SMP	19
3. Proposed Structural Benchmarks for SMP	19
4. Selected Economic and Financial Indicators, FY2019–25	26
5a. Non-Financial Public Sector Operations, FY2019–25 (Millions of Gourdes)	27
5b. Non-Financial Public Sector Operations, FY2019–25 (Percent of GDP)	28
6. Summary Accounts of the Banking System, FY2019–25	29
7a. Balance of Payments, FY2019–25 (Millions of US\$)	30
7b. Balance of Payments, FY2019–25 (Percent of GDP)	31
8. External Financing Requirements and Sources, FY 2019–25	32
9. Financial Soundness Indicators, June 2020–December 2021	33

**ANNEXES**

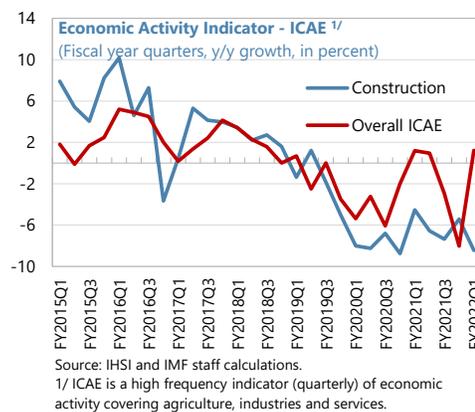
I. Recent Political History	34
II. Public Debt Sustainability Analysis	36
III. External Sector Assessment	57

**APPENDICES**

I. Capacity Development Strategy	62
II. Letter of Intent	67
Attachment I. Memorandum on Economic and Financial Policies	70
Attachment II. Technical Memorandum of Understanding	82

## BACKGROUND AND RECENT DEVELOPMENTS

**1. Since 2019, Haiti has been battered by multiple shocks that have taken a toll on the economy and population.** The past few years have been marked by a protracted political crisis, repeated lockdowns (*Peyi-Lok*), civil unrest, a president's assassination, the pandemic, and an earthquake, whose direct costs were estimated at 11 percent of 2021 GDP (World Bank). The security situation has deteriorated significantly as gangs have expanded control over regions and infrastructure, at times bringing economic activity to a halt. In this context, the economy contracted again in 2021, tax revenues fell further, monetary financing of the deficit was high and, together with supply disruptions, fueled inflation. Official external financing remained low due to the enduring political uncertainty. Confirmed cases of COVID-19, however, have remained relatively low since the pandemic started.



**2. The authorities have taken steps since mid-2021 to make the political transition more inclusive and address some governance concerns.** Appointed by President Moïse just days before his assassination, Prime Minister Ariel Henry took office after a period of uncertainty and formed a new government in November that included eight members from opposition groups. He put into place his *Accord politique pour une gouvernance apaisée* signed with some opposition groups and civil society, and in early-2022 extended the term of the remaining one third of the Senate. Prime Minister Henry however faces challenges and one other political accord led by civil society (*Accord de Montana*) is still in play. The main objectives of both accords are to establish a transitional government and hold elections. There is no election timetable yet as the consensus appears to be that preparation is needed to ensure broad-based, legitimate elections.

**3. Staff have remained engaged and the IMF has been the largest source of external financing since 2019.** The Fund provided financial assistance without *ex post* conditionality to Haiti equivalent to about US\$360 million in total since 2020, starting with a disbursement under the Rapid Credit Facility in April 2020 (SDR 81.9 million, equivalent to 50 percent of Haiti's quota) as well as relief on debt service falling due to the IMF during 2020 and 2021 for a cumulative amount of about SDR 15 million under the Catastrophe Containment and Relief Trust (CCRT). Haiti also received about SDR 157 million under the general SDR allocation in 2021. An SMP agreed "ad referendum" in mid-2020 was not approved because of governance issues related to procurement. After the authorities took steps during 2021, supported by Fund technical assistance (TA), to strengthen basic governance safeguards in public procurement, among other things, it was agreed that SMP discussions could re-start.

## OUTLOOK AND RISKS

**4. The outlook is based on normative policy implementation under the SMP accompanied by an increase in international assistance.** The baseline scenario assumes implementation of sound macro policies and select reforms under the SMP. While the authorities' program aims to lay the groundwork for an eventual UCT arrangement, reform implementation after the SMP is assumed to be modest under the baseline given the uncertainties regarding policy commitment beyond 2023. Spillovers from the war in Ukraine will likely raise inflation and affect the balance of payments due to higher commodity and food prices, which will have a negative impact on the poor.

- **Growth** is expected to pick up modestly to 0.3 percent in FY2022, supported by higher investment. Assuming some political stability and implementation of reforms, growth would reach 1.5 percent over the medium term with a moderately high supply of credit, facilitated by some improvement in the security situation, contributing to recovery.
- **Inflation** is expected to rise further as higher fuel prices pass through other components of the CPI basket, but would moderate as inflationary financing of the fiscal deficit declines. Inflation is projected at 27.5 percent (y/y) at end-FY2022, falling to 14 percent by end-FY2023.
- The **current account** is expected to remain in surplus in FY2022 as political uncertainty, the security situation, and supply-side disruptions weigh on imports. It is projected to show a small deficit over the medium term, supported by steady remittance inflows, a modest resumption in exports, and higher official transfers in FY2022-FY2023 which together provide room for some import growth and drive a small positive effect of reforms on productivity growth.
- As a percent of GDP, the **deficit** of the nonfinancial public sector (NFPS) is expected to decline to 1.5 percent in FY2022 and widen to 2.3 percent in FY2023 before stabilizing at around 2.8 percent. The near-term fiscal stance is driven by financing availability and reflects assumption of continued administered fuel prices.

### Box 1. GDP Rebasings

**Haiti's statistical institute (IHSI) released a rebased GDP series in October 2020.** The new series was rebased to 2012 from the old base of 1987 and significantly improved the quality of national accounts data (Appendix I). It includes now an estimate of the informal sector, provides a more detailed breakdown of the services sector, and updates Haiti to the 2008 System of National Accounts. Nominal GDP in gourdes under the new series for 2019 (2012) was revised up by 65 (74) percent. Naturally this led to a large drop in all of the estimated fiscal and external ratios. On the other hand, it highlighted the urgent need for domestic resource mobilization and the low base of export revenues.

**5. Haiti is exposed to a wide range of risks, primarily on the downside.** Internal risks include a failure to implement policies under the proposed SMP, worsening governance and corruption problems, heightened political instability and resumption in social unrest, gang-related disruptions, natural disasters, and/or a surge in COVID cases. Externally, Haiti is vulnerable to higher-than-anticipated world fuel prices and/or lower-than-expected remittance and external financing

flows. On the upside, lower fuel prices over the medium term would reduce Haiti's energy import bill. Without improved policies, progress mobilizing revenues, and strengthened governance, the medium-term outlook would be similar to the recent low or negative growth, high poverty equilibrium. Alternatively, improvements under the SMP could build some momentum for deeper, more comprehensive reforms under a UCT-supported program that could raise growth to higher levels in the medium term.

**6. Near term reform should focus on realistic measures calibrated to Haiti's fragility and that would build capacity.** A key factor underpinning the repeated cycle of failed reform efforts has been programs that did not match Haiti's fragility. Earlier analysis on the sources of fragility prepared in the context of the 2020 Country Engagement Strategy (CES) helped to inform the policy and capacity building priorities in the proposed SMP, which are aligned with the enhanced Fund strategy on fragile states.<sup>1</sup> The authorities' program aims to raise ownership of policies, including with an emphasis on transparency and governance measures. By lowering inflation, with its heavy toll on the poor, articulating anti-corruption measures, and providing some social assistance, the program could raise public support for reform, including of fuel prices, and empower policy-makers to stick with sound policies. That said, downside risks are significant given ubiquitous governance weaknesses and corruption vulnerabilities which are likely to influence implementation. Together with the unresolved political crisis and grave security conditions, risks to the program are very high.

## STAFF-MONITORED PROGRAM

*The proposed SMP would help strengthen fiscal and monetary policy frameworks, support efforts to reduce inflation and raise growth, address some governance weaknesses, take concrete steps to strengthen social assistance, and build administrative and institutional capacity.*

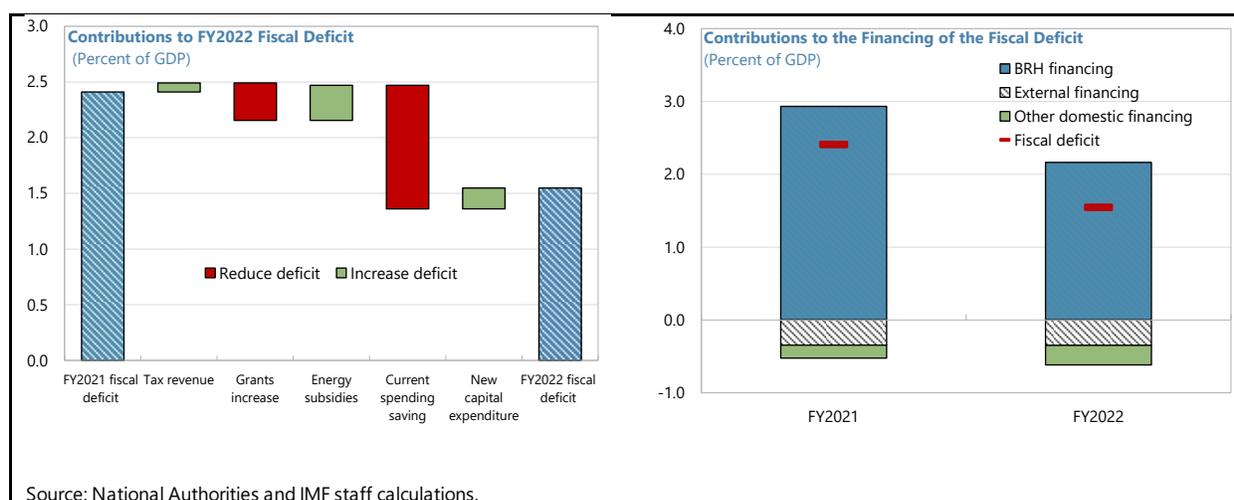
### A. Fiscal Framework and Short-Term Strategy

**7. Financing constraints and weak revenue mobilization drive the fiscal stance.** With the goal of reducing inflationary financing of the deficit to restore macro stability, the fiscal stance is dictated mainly by the availability of financing. A tax-to-GDP ratio of only 5.8 percent in FY2022 and higher-than-expected domestic amortization of 0.8 percent of GDP has necessitated combined cuts in non-subsidy-related current spending and domestically-funded capital expenditures by 1.2 percent of GDP in order to contain gross fiscal financing needs. Fuel subsidy costs are expected to rise by about 0.5 percent of GDP in FY2022 due to higher world prices. While the non-subsidy spending cuts help lower the projected deficit to 1.5 percent of GDP in FY2022 from 2.4 percent of GDP in FY2021, it provides space to allocate funds equivalent to 0.15 percent of GDP on social programs to mitigate the impact of the December 2021 fuel price increases on vulnerable groups. The modest rise in revenue collection would allow domestically-funded capital spending to rise to 1.5 percent of GDP by FY2025 which should help support positive growth while stabilizing the deficit

<sup>1</sup> Staff plan to extend the analysis in the original CES to deepen the understanding of the sources of fragility in Haiti, in consultation with the authorities, to better inform Fund policy and technical advice. An updated CES is expected before the end of the SMP.

at about 2.8 percent of GDP in the medium-term. In the event of a shortfall in projected external budget support, the program includes adjustors on quantitative targets (QT, see ¶29).

**8. The modest mobilization of revenues together with moderately higher budget support over the next few years will create some space for more productive spending.** The government announced in December 2021 they would resume the 1995 law allowing petroleum product prices to adjust regularly to changing world prices: kerosene and diesel prices rose from 163 and 169 HTG per gallon to 352 and 353 HTG, respectively—a level that at the time covered costs, margins, and statutory taxes—while the price of gasoline was raised by 25 percent from 201 to 250 HTG (US\$2,50) per gallon. However, as the 1995 law did not include a price smoothing mechanism, subsequent large world price increases were not passed on. The authorities indicated they are not able to adjust prices for the foreseeable future given the additional hardship imposed on the population by higher imported food prices that, together with the difficult security situation, could fuel social unrest. Given the very high uncertainty surrounding the likelihood and timing of this reform, and to be prudent, the SMP baseline scenario does not assume any changes in fuel price policy henceforth.



**9. Revenue mobilization is a key priority for FY2022.** In addition to the gradual application of fuel excises (¶12), the authorities will increase excises on tobacco, alcohol and other goods—as proposed in a draft Tax Code to be finalized by September, and implement a series of administrative measures, including strengthening the use of the tax identification number (TIN) and cleaning up taxpayers' portfolios. The authorities emphasized that, given the narrow tax base consisting mainly of a few large taxpayers and imports transiting through the capital's port and airport, raising revenue will depend on the security situation and longer-term efforts to broaden the tax base. While special regimes will be revised in the new Tax Code, including by eliminating some exemptions, a few existing incentives will likely be grandfathered and removing large scale exemptions on necessities will remain difficult. As such, there is limited short term revenue potential through removal of exemptions.

**10. Monetary financing will be reduced to help lower inflation and restore macro stability.**

A lower deficit but higher domestic debt reimbursement in FY2022 leads to gross financing needs estimated at 2.9 percent of GDP in FY2022 compared to 3.4 percent of GDP in FY2021. With about 0.8 percent of GDP covered by domestic borrowing and project loans, BRH financing is estimated at about 2.2 percent of GDP, of which 0.7 percent of GDP will be fully sterilized by issuance of central bank bills or sales of foreign exchange (FX), if needed. This will ensure that BRH financing of the government in FY2022 is contained at 1.5 percent of GDP, the level consistent with staff estimates of non-inflationary monetary financing (assuming money grows at or less than the rate of nominal GDP over the medium-term). In FY2023 and later years, central bank financing is projected to stabilize around 2 percent of GDP, reflecting a prudent estimate of demand for BRH securities by domestic banks. In the event of an adverse shock, the authorities would need to take contingency measures, including mobilizing additional external support.

**Text Table 1. Haiti: Financing of the Fiscal Deficit**  
(In billion HTG and percent of GDP)

	FY2021		FY2022	
	HTG bn	% of GDP	HTG bn	% of GDP
<b>External financing</b>	<b>-5,865</b>	<b>-0.3</b>	<b>-7,490</b>	<b>-0.3</b>
Project loans	4,851	0.3	3,450	0.2
Amortization	-10,716	-0.6	-10,940	-0.5
<b>Domestic financing</b>	<b>46,821</b>	<b>2.8</b>	<b>40,752</b>	<b>1.9</b>
BRH	49,839	2.9	46,533	2.2
Commercial bank deposits and T-Bills	3,751	0.2	12,275	0.6
Domestic suppliers	10,950	0.6	0	0.0
Domestic debt amortization	-17,719	-1.0	-18,056	-0.8

Source: Authorities' data; and IMF staff estimates and projections.

**11. Public debt is sustainable with “high risk of distress” and debt carrying capacity is rated “medium”.** Although the GDP rebasing lowered by almost half the debt-to-GDP ratio, slightly higher primary deficits over the medium term, funded by a gradual increase in external concessional financing against the background of subdued export growth, brings the present value of public and publicly guaranteed external debt as a share of exports into the “high” range of debt distress thresholds in the joint IMF-World Bank DSA (Annex II). A low primary deficit, dampened by the real interest rate/growth differential, and slower exchange rate depreciation—driven by lower inflation in the medium term—contribute to improved debt dynamics. Debt carrying capacity is unchanged at “medium” and the debt outlook remains subject to important risks and vulnerabilities.

**12. The authorities will start implementing structural fiscal reforms to raise revenues over the medium term** (¶19). Drawing on past Fund TA, the authorities will start to tackle the structural decline in revenue collection. As structural benchmarks (SB) under the program, the authorities will proceed with stakeholder consultations on a new draft Tax Code (*Code général des impôts*) and Tax Procedure Code (*Livre de procédure fiscale*)—prepared with Fund TA—and finalize them (end-September 2022 SB). Through the same consultation process, they will also finalize and publish the Customs Code and tariffs (end-September SB). These codes will simplify the tax system, making it more transparent and thus less prone to governance abuses. Given the imperative of expanding Haiti’s tax base, the authorities will also systematize the use of tax identification numbers among financial agencies, including the tax, customs and treasury departments (end-September SB). They plan other broader revenue administration reforms identified by TA experts, although payoffs are expected only in the longer-term since these involve the adoption of a medium-term reform plan aimed at modernizing both tax and customs agencies, strengthening the core tax and customs functions, and making intensive use of technology and data matching.

**13. Public financial management (PFM) reforms are necessary to reduce the scope for misuse of public funds and strengthen the quality of spending.** The government adopted a budget for FY2022 that is consistent with agreed targets under the SMP. The treasury single account (TSA) will be broadened to include all bank accounts of the central budgetary units, including emergency funds, thus improving controls and lowering borrowing costs (end-September SB). Foreign-financed resources should be brought into the TSA over the medium-term. The authorities will also prepare a medium-term budget framework (MTBF) for FY2023–2025, with the NFPS deficit target the main anchor (end-September SB). The MTBF, which will be an annex to the FY2023 budget, will strengthen management of public investment. Reforms on the TSA and MTBF will continue to be supported by Fund TA until at least September. Finally, in line with their commitment at the time of the RCF disbursement, the authorities published the audit on COVID-19 spending on June 9, 2022. Based on a preliminary review, the Superior Court of Accounts and Administrative Disputes (CSCCA) paints a very negative view of the government's planning, management, and coordination of COVID-related spending, in particular flagging a lack of supporting documentation from the Ministry of Finance and other government agencies which impeded the Court's ability to render a full opinion. Nonetheless, the audit quality was adequate, reflected the willingness of the government to expose its weaknesses, and highlighted PFM issues in need of improvement. The authorities should indicate what and when they intend to address the questions and recommendations laid out by the Court and staff will review these issues at the time of the first review.

**14. The authorities agreed to report transparently on the use of the SDR allocation.** Prior to converting about half of their SDR allocation into freely usable currencies, the staff engaged with the authorities on best practices as laid out in the Fund Guidance Note. The BRH and Ministry of Finance signed a memorandum of understanding consistent with domestic legal and institutional frameworks, clarifying the obligations of each party arising from the use of the SDR allocation for fiscal purposes. The authorities agreed to report transparently on any future use of SDRs.

## B. Fuel Market Reform and Social Assistance

**15. The authorities initiated reform of the fuel sector in late-2021.** The fuel import monopoly granted to the government agency *Bureau de Monétisation des Programmes d'Aide au Développement* (BMPAD) was withdrawn last November, allowing imports to be allocated through a competitive bidding process managed by the Ministry of Economy and Finance (MEF). The premium over an internationally recognized price index determines the winning bid and any fuel distributor can import at or below the winning premium or obtain supply from the winning bidders. Fuel prices were raised in December but the authorities have not made adjustments since then. In addition to the reasons cited above (¶18), they said more time is needed for the compensating measures (see below ¶16) recently launched to take effect. They stated they intend to eventually eliminate fuel subsidies when conditions permit.

**16. As noted above, measures are being implemented to mitigate the impact of December fuel price reforms on vulnerable groups.** While the top income quintile absorbs over 90 percent of the fuel subsidy benefits, price increases affect the transport industry directly and lower income groups indirectly through higher food prices (World Bank). Resistance to reform from the transport

sector has been strong. This time the authorities have been working with transport unions to design a support package, including identifying all eligible vehicles. They are allocating resources equivalent to 0.15 percent of GDP over the next four months to social benefits under the *Programme d'urgence* comprising the distribution of hot meals, expansion of the school canteen program, school bonds for 50,000 low-income parents, acquisition of 100 new school buses, and fuel vouchers for the vehicles registered on the main transport routes. The voucher system is expected to allow designated participants access to a certain number of gallons at discounted prices and will be managed in coordination with fuel distributors, who will in turn be reimbursed by the government. Some of the mitigating measures listed above may be continued after September.

**17. Preparing the groundwork for fuel price reform should be a top priority of the government.** Staff stressed that Haiti's fuel price policy is inequitable and grossly inefficient. The highest income groups absorb most of the benefits while the subsidy costs have averaged between 2-3 percent of GDP annually since 2019. This crowds out productive spending on investment, health, education, and law and order, and results in a gross misallocation of scarce resources. Preparations should include communicating about the costs and tradeoffs, who benefits from subsidies, the new assistance programs to compensate the groups most affected, and the eventual strategy to exit the country from this no growth trap. The communication strategy should explain the eventual reform strategy, including adoption of a price smoothing formula that would gradually adjust prices to reduce the subsidy while protecting the public from sharp price swings. With domestic revenue collection at under 6 percent of GDP and development partners hesitating to provide budget support to fund wasteful spending on fuel subsidies, a viable medium-term fiscal and growth outlook for Haiti, including under a Fund-supported program, is difficult to envision without addressing this flaw.

**18. The government will define the action plan to implement the new *Politique Nationale de Protection et de Promotion Sociale (PNPPS)*.** The system of social protection is fragmented by a large number of different programs, agencies, and international providers that together constitute a patchwork of social assistance with limited coverage and effectiveness, including due to the volatility of external funding (Country Report 20/122). Over time, the mandate of MAST was either duplicated or sidelined by extra-budgetary activities, including at the request of international donors who sought to limit governance risks in the execution of programs. Unfortunately, this undermined the government's ownership of social policy, weakened capacity at the MAST, and resulted in disjointed strategy with weak outcomes relative to amounts spent. To address this, the government prepared the PNPPS with assistance from development partners and involving an inclusive national consultation process. They committed to preparing this year an action plan for its implementation.

**19. The authorities aim to integrate, expand, and better coordinate social programs in line with the PNPPS.** Under the SMP, the authorities have identified on-budget all public spending on social programs, including those executed by the off-budget *Fonds d'Assistance Economique et Social (FAES)*. In that way, the program supports the aim of centralizing the design and implementation of social policy at the MAST over the medium-term. It also includes as a QT a floor for budget allocations for social spending purposes based on currently identified programs. This should support capacity building, ownership, and the effectiveness of Haiti's overall strategy under the PNPPS. In the

short term, other agencies will remain involved to support implementation of programs, including notably to expand the SIMAST database of beneficiaries used to identify target populations, a program supported by the WFP and World Bank, and to finance monetary transfers and support measures under the programs *Klere Chimen* and at the *Bureau du secrétaire d'état à l'inclusion des personnes handicapées* (BSEIPH), both projects supported by the World Bank.

**20. Greater coordination under the MAST will involve increasing the transparency of operations at FAES.** Launched primarily to coordinate external aid on social and education projects, it has become an execution agency of other ministries' domestic resources with limited to no oversight or accountability. Its governing board has not convened for years and its resources and programs have not been subject to documentation or public review since the Petrocaribe audit. As a benchmark under the SMP, the authorities will provide quarterly and annual financial statements of FAES and the board will re-convene before June 2022 and meet regularly thereafter (quarterly SB). All domestically funded social program resources would also be transferred back to the MAST in the 2023 budget (end-September SB) and all externally funded resources of the FAES should be included in the budget in the medium term.

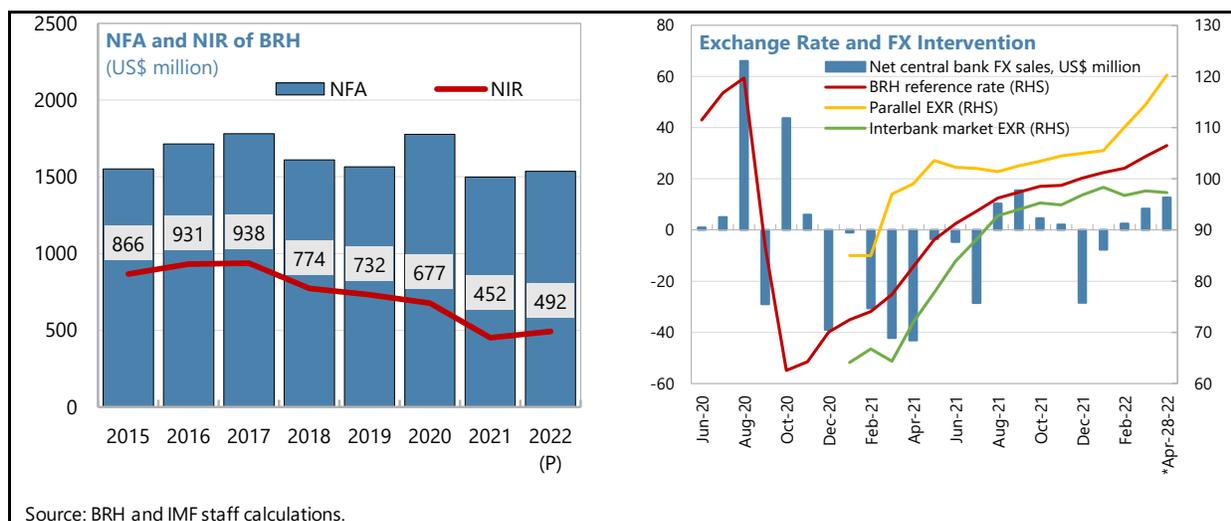
### C. Monetary and Exchange Rate Policy

**21. The BRH will take steps to strengthen the monetary policy framework in a context of a more flexible exchange rate regime.** Monetary policy has been passive in a context of fiscal dominance. The interest rate channel is weak, real interest rates are negative, and required reserve ratios relatively high. To anchor monetary policy, the BRH committed to: (i) adopting a ceiling on credit to the NFPS as the main anchor to limit monetary financing of the deficit to 1.5 percent of GDP in FY2022 and about 2.0 percent of GDP thereafter; and (ii) conducting short term liquidity operations at a fixed rate with full allotment, including at seven-days, to manage excess liquidity in the banking system and strengthen the policy transmission. As the ceiling for BRH financing to the government does not include an adjustor for shortfalls in external budget support (¶29), the authorities will need to raise financing from other domestic sources or externally on concessional terms to cover any shortfall in external budget support. Any monetary financing above the level agreed under the SMP framework (1.5 percent of GDP in FY2022 and 2.0 percent of GDP thereafter) would be sterilized, including through FX interventions if necessary. To ensure that fiscal dominance is reduced, staff recommended revising the *Pacte* between the ministry of finance and BRH to reflect the targets agreed under the program. Overall, this approach would help the BRH resist pressures to finance the government excessively or intervene in the FX market unduly.

**22. The authorities are working on deepening the financial markets.** The BRH has initiated reforms to deepen the government securities market; develop the inter-bank money market with new facilities, including overnight lending facilities, open market operations, repos, and reverse repos; and enhance domestic savings instruments. Deepening the securities market will provide an alternative source of funding to the treasury and a more effective conduit for monetary policy. While new money market facilities could help the BRH manage liquidity conditions, staff consider that the design and use of these instruments, such as collateral policies and liquidity forecasts, would benefit from in-depth discussion with Fund TA experts to ensure that they do not: (i) undermine the

incentives for banks to manage their risks; (ii) expose the central bank balance sheet to credit, market and liquidity risks; and (iii) create impediments to the functioning of the money market. While the authorities agreed to continue implementing TA recommendations on strengthening the quality of monetary statistics, staff stressed that more timely transmission of monetary data will be necessary for program monitoring.

**23. The BRH should limit interventions in the FX market to smoothing excessive volatility of the exchange rate.** Haiti's external position is assessed to be broadly in line with medium-term fundamentals and desired macroeconomic policies (Annex III). Since the sharp appreciation in the gourde/dollar rate in the second half of 2020, the BRH has managed an orderly exchange rate adjustment, intervening to calm market pressures when there were large current account transactions while using prudential measures, including reserve requirements, to limit banks' vulnerability to FX liquidity risk. After narrowing from an estimated 25 percent in March 2021 to about 4 percent at end-2021, the parallel market premium widened to an estimated 12 percent by end-March. Under the SMP, the BRH will adopt a floor on net international reserves (NIR) and committed to limiting FX interventions to smoothing volatility, thereby allowing the exchange rate to serve primarily as a shock absorber.<sup>2</sup> The authorities agreed that an FX market intervention rule, with pre-defined targets, could enhance the transparency of interventions and encourage banks to manage their liquidity in a more forward-looking way.



**24. The authorities concurred with staff on reforms needed to strengthen the functioning of the FX market.** In consultation with IMF experts, the BRH stated it would prepare a roadmap of FX market reforms under the SMP to: (i) put in place appropriate mechanisms for FX interventions such as well-designed weekly FX auctions in lieu of the foreign exchange allocation system;<sup>3</sup> (ii)

<sup>2</sup> Consistent with the proposed adjustor on the fiscal targets, the NIR target would be adjusted only in the event of a shortfall in external budget support.

<sup>3</sup> BRH interventions on FX market are based on *foreign exchange allocation* techniques, used to provide FX for strategic imports, such as oil or food, when FX reserves are scarce, with BRH reference rate a weighted average of the interbank market rate (60 percent) and the informal market rate (40 percent).

review limits on banks' net open FX positions; and (iii) revise FX regulations and phasing out FX surrender requirements over the medium term, including those introduced by Circular 114-2.<sup>4</sup> This roadmap would facilitate the management of a market-determined flexible exchange rate and help gradually eliminate the spread with the parallel market while promoting external competitiveness. Staff are examining if the FX regulations give rise to exchange restrictions or multiple currency practices (MCPs). The authorities have committed to not impose or intensify restrictions on the making of payments and transfers for current international transactions, and not introduce or modify MCPs.

## D. Financial Sector Policies

**25. While reforms to increase financial inclusion and growth are advancing, monitoring of banks' financial situation remains crucial.** As noted earlier, the banking sector remains small relative to the economy and the population is largely unbanked. However, small non-bank financial institutions have been expanding and the BRH has been strengthening supervision of this sector, including with the assistance of Fund TA to upgrade the regulatory framework and move to risk-based supervision. Measures taken to support the sector at the beginning of the COVID-19 pandemic, now removed, contributed to supporting banks' portfolios together with a moderate accumulation of government securities. Over the next twelve months, the authorities' program has three key components:

- **Banking supervision.** On January 13, the BRH adopted seven new draft banking regulations—prepared with the IMF expert on risk-based banking supervision—covering consolidated supervision, licensing rules, authorizations of changes in the status of financial institutions, minimum capital requirements, reporting obligations of financial institutions, and IT Security. Three additional draft regulations related to credit classification and provisioning, credit risk concentration, and institutions' charts of account are expected after consultations with stakeholders. The BRH has committed to implementing these new regulations while continuing to establish a risk-based supervision framework.
- **Digital money.** The development of fintech offers potential for increasing financial inclusion and growth, but requires an upgrade of the regulatory framework which is bank-centric and lacks an updated national payment system. Mobile money operators need to partner with a supervised bank to offer their services but are not subject to specific guidelines. The BRH is receiving support from specialized firms and has requested Fund assistance to provide guidance on the ongoing exploration of a retail central bank digital currency (CBDC). Staff stressed that a cautious approach is needed given the need for strong internal oversight which is not fully established at the BRH. The authorities will also work on modernizing the migration to new international

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<sup>4</sup> The BRH issued Circular 114-2 in September 2020 mandating banks and money transfer companies: (i) exchange dollar remittances into gourdes for persons not holding US dollar bank accounts; (ii) convert all dollar remittances into gourdes at the BRH reference rate, a less favorable rate; and (iii) for money transfer companies, to sell 30 percent of FX purchased to the BRH and 40 percent to banks—which themselves were/are not allowed to keep a net open FX position above 0.5 percent of equity.

messaging standards that would promote interoperability and financial integrity, and new laws to protect privacy and fight cyber-crime.

- **Anti-money laundering (AML/CFT).** The Caribbean Financial Action Task Force's identified widespread deficiencies in Haiti's AML/CFT framework, and the Financial Action Task Force (FATF) added Haiti to its grey list as a jurisdiction under increased monitoring. Staff and the authorities agreed on the urgent need to revise the law against regarding AML/CFT. With TA from the IMF, the BRH will bring it into compliance with FATF international standards for approval by end-March 2023 (end-March SB). These legislative revisions should be part of a larger plan to address legal and institutional AML/CFT deficiencies— necessary to exit the FATF's grey listing process and build an effective framework.

## E. Governance

**26. Most measures under the SMP focus on, or include elements of governance and anti-corruption reforms (Table 3).** With Fund TA, the authorities published a decree in November 2021 outlining the transparency requirements for public procurement contracts, including the publication of tenders, contracts, and the beneficial owners of successful bidders. Staff will be monitoring implementation of the decree as a continuous SB under the program. As constitutional reform in Haiti is under consideration at some point in the future, the authorities committed to ensuring that the law governing the CSCCA guarantees the functioning of this court in accordance with international standards applicable to supreme audit institutions. They also requested a Fund *Governance Diagnostic* which they expect to publish. Finally, the authorities are working to finalize the reform of anti-corruption laws to ensure compliance with the United Nations Convention against Corruption.

**27. In line with the 2019 safeguards assessment recommendations, the SMP puts emphasis on reforms to enhance central bank autonomy and improve its governance and accountability.** These include: (i) the approval by the BRH Board of Directors of the draft amendments to the central bank law prepared in consultation with Fund staff (end-September SB) and (ii) completion and publication of the BRH external audit and financial statements for 2021 (end-June SB). Staff also urge the BRH to expedite transition to International Financial Reporting Standards, already supported by Fund TA, and resume required efforts to strengthen the independence and modernization of the internal audit and control functions. Staff will monitor implementation of other recommendations from the 2019 safeguards assessment, including the reestablishment of the Audit Committee of the BRH Board and implementation of the measures put in place prior to the RCF disbursement to strengthen governance of foreign reserves management.

## F. Climate Change and Poverty Reduction

**28. Haiti is vulnerable to natural disasters and climate change.** Soil erosion and environmental degradation has increased vulnerabilities, threatening economic and financial stability and affecting productivity, growth, livelihoods, and food security. In this context, the authorities hope to initiate a diagnosis of climate hazards and risks with assistance from the World Bank and

IMF to better integrate climate policies into macroeconomic frameworks. The immediate priorities of the program to restore macro stability and raise revenues for the basic functioning of the state will serve in parallel as a necessary condition to launch a climate resilience and recovery plan.

**29. The protracted political and security crisis has exacerbated poverty conditions in Haiti.**

As noted above, the SMP is focused in the short term on building social and macroeconomic stability and restoring growth, conditions necessary to sustain policies and start raising the resources needed to reduce poverty. Alongside efforts to extend the social safety net, the authorities have committed to better coordinate aid and strengthen its effectiveness in reducing poverty by increasing capacity at MAST and starting to build a cohesive and impactful social safety net.

## G. Program Monitoring

**30. Quantitative targets (QTs).** Periodic QTs are presented in Table 1 below and comprise: (i) a floor on the NFPS primary balance; (ii) a ceiling on BRH net credit to the NFPS; (iii) a floor on NIR; (iv) a floor on budget allocations to MAST for social expenditure; and (v) continuous QTs of a zero ceiling on non-concessional external borrowing and on domestic and external arrears accumulation. A floor on central government fiscal revenue is set as an indicative target (IT). The QTs include an asymmetric adjuster on the NFPS primary balance and NIR for shortfalls in expected external budget support, allowing the government to spend the surplus given the need to increase productive spending and the findings of Haiti's debt sustainability analysis that public debt is sustainable (DSA, Annex II). There is no adjuster on BRH net credit to the NFPS. The test dates are set at end-June and end-December 2022. ITs will apply to September 2022 and March 2023.

**31. Structural benchmarks (SBs).** The proposed program includes two prior actions (Table 2). In addition, the program has identified SBs that are achievable in the short term, serve as important stepping-stones towards more fundamental reforms to be undertaken in the context of a UCT-level program (Table 3), and that reflect Haiti's capacity constraints and political challenges. For most of the proposed SBs, considerable background work has already been prepared, with long-running TA support from the Fund, which should facilitate implementation. The proposed SBs focus on setting up a sound policy framework for stability, steps to strengthen revenue mobilization, PFM measures to improve budget controls and reporting, and governance measures to strengthen institutions or raise accountability on the use of public resources. In the area of social policy, the team has coordinated closely with key partners (WFP, World Bank, IDB) and the authorities on the design of SBs with the aim of promoting implementation of the PNPPS, taking steps to build the required infrastructure and legal framework to permit cash transfers using existing beneficiary identification, and for advancing progress to launch a universal social benefit.

## STAFF APPRAISAL

**32. Political and economic conditions in Haiti have been extremely difficult in recent years but the authorities are determined to advance stability and reform.** They have worked to increase transparency and governance in public procurement and the fuel sector, and took a first

step toward tackling the fundamental crack in the fiscal foundation related to fuel prices. Unproductive spending in the face of low revenues and external financing has led to a vicious circle of monetization of the deficit, inflation, currency depreciation, higher fuel subsidy costs, and so on. As external partners are reticent to fund unproductive and inequitable spending on fuel subsidies, a sustainable medium-term outlook is hard to envision without tackling the source of this destructive dynamic. To pave the way to a UCT-quality Fund-supported program, it will be important to take steps toward addressing the cost of fuel subsidies in a sustainable manner and in a way that protects the most vulnerable. The authorities intend to move the economy off this merry-go-round as soon as conditions permit and, supported by the SMP, hope to start a cycle of productive spending, revenue raising, growth and poverty reduction.

**33. The proposed SMP takes steps to launch a virtuous cycle.** The program includes reforms to raise revenues and improve the management of public resources while making some room for much-needed spending on health, education, social assistance, infrastructure and security. The authorities' program makes room to compensate vulnerable groups to help them adjust to recent fuel price increases. In addition, their program includes efforts to start boosting tax and customs collection and improving the productivity of current spending. These efforts are expected to be supported moderately by Haiti's development partners.

**34. Better budget management and revenue administration would promote macro stability, a necessary condition for growth and poverty reduction.** This would permit a greater degree of monetary policy independence, giving the central bank the flexibility to focus on its core policy objectives: stabilizing prices while maintaining adequate liquidity and stable financial conditions to accommodate growth. Meeting the program objectives of reducing BRH credit to the NFPS, maintaining NIR levels, and bringing inflation down would be major first steps toward a more sound future. Lowering inflation is a critical social policy objective since it helps improve the purchasing power of the poor.

**35. Providing social relief up front to alleviate the hardship of widespread poverty is vital to building support and launching growth.** In addition to lowering inflation, the authorities' program sets several benchmarks in support of the PNPPS and strengthening the social safety net. Over the next year, budget resources to support social spending, including for the *Programme d'Urgence* and allocations to MAST and SIMAST will be assured under the SMP, enabling the authorities to assist vulnerable populations.

**36. Governance and anti-corruption measures are key components of virtually all reforms in the program.** This includes steps to strengthen accountability in the collection and use of public resources, including with extra-budgetary agencies, raise the transparency of public procurement, strengthen governance at the central bank, and bring AML/CFT laws up to international standards. This emphasis is important to start building the trust of the public and that of development partners.

**37. The financial and business environment would benefit from macro stabilization, greater political stability and restoration of law and order.** Social, political, and economic uncertainty has harmed the business environment in Haiti, discouraging investment and

employment. Fiscal and macroeconomic stability aims to promote a recovery in revenues to allow spending on the provision of the most basic goods and services, including on law and order. The deterioration in security conditions now poses the main obstacle to private sector growth.

**38. Fund staff support the authorities' request for an SMP but downside risks are very high.** The authorities implemented the two prior actions, reinforcing a commitment to reform. The program takes account of the sources of Haiti's fragility identified in the first CES and has integrated these constraints into the formulation of realistic and tailored measures that can deliver some quick wins. The program also incorporates ongoing TA projects that are intensively synced with program goals and priorities, such as TA on budget formulation, tax reform and central bank governance. The program also reflects extensive collaboration with development partners to ensure that efforts are leveraged for maximum impact, including for example in the design and focus of social policy recommendations. That said, downside risks are significant, not least related to political fragility and the difficult security conditions that impede economic activity. In this regard, staff urge the authorities to communicate and raise awareness about the objectives of their economic program in order to build ownership and public support and raise the probability of its success.

**Table 1. Haiti: Quantitative and Indicative Targets, June 2022–March 2023 1/**  
(In millions of Gourdes, unless otherwise indicated)

	Actual Stock at end- Sep. 2021 <sup>2/</sup>	Cumulative Flows from September 2021			Cumulative Flows from September 2022		
		Dec. 2021	June. 2022		Sept. 2022	Dec. 2022	Mar. 2023
		Est.	Quantitative target	Actual	Indicative target	Quantitative target	Indicative target
<b>I. Periodic quantitative targets</b>							
Net international reserves of central bank (in millions of U.S. dollars) - floor	413.92	27	30	40	8	18	
Primary balance of the non-financial public sector - floor		-8,813	-20,317	-28,860	-13,242	-26,484	
Net central bank credit to the non-financial public sector - ceiling	160,047	20,922	36,096	46,533	12,795	25,590	
Central Government <sup>3/</sup>	162,197	20,922	36,096	46,533	12,795	25,590	
Other non-financial public sector entities	-2,150	0	0	0	0	0	
Budget allocation to MAST for social expenditure - floor <sup>4/</sup>	---	0	3,000	3,300	3,300	6,600	
<b>II. Continuous quantitative targets</b>							
Domestic arrears accumulation of the central government	0	0	0	0	0	0	
Public sector external arrears accumulation (in millions of U.S. dollars)	0	0	0	0	0	0	
New contracting or guaranteeing by the public sector of nonconcessional external debt ( in millions of U.S. dollars) - ceiling	0	0	0	0	0	0	
<b>III. Indicative targets</b>							
Central government fiscal revenue, excluding grants - floor <sup>5/</sup>		27,632	93,731	125,552	41,093	82,187	
<b>Memorandum items</b>							
External budget support (in millions of U.S. dollars) <sup>6/</sup>			9.0	18.1	0.0	18.8	
Gross International Reserves (stock, in millions of U.S. dollars) <sup>7/</sup>	2,534	2,547	2,562	2,574	2,603	2,613	
(in months of imports of goods and services of the following year)	5.8	5.6	5.5	5.0	4.8	4.8	

Sources: Ministry of Finance, Bank of the Republic of Haiti, and Fund staff estimates.

1/ The program includes an adjuster on the NFPS primary balance and NIR target for shortfalls in external budget support lower than the planned amounts. The BRH financing to the Treasury does not include an adjuster. The Quantitative and Indicative Targets (QTs, ITs) are set for end-month, i.e. end-June and end-December for QTs and end-September and end-March for ITs.

2/ September 2021 refers to data at the end of FY2021.

3/ Excludes SDR allocation and resources freed by IMF CCRT debt relief.

4/ Budget envelope allocated to the Ministry of Social Affairs and Labor (MAST), excluding transfers to the population. The floor corresponds to the sum of both budget allocation (or executed spending if lower) on all social programs in the MAST budget, including resources allocated to/and implemented by the FAES, the Programme d'Urgence (2022), and *Klere Chimèn*; does not preclude other government entities from supporting MAST program implementation.

5/ Includes domestic taxes on corporates, personal income, and sales, and customs duties.

6/ Timing of disbursements is uncertain; annual amount divided by quarter.

7/ For program monitoring purposes, the program exchange rate for the period May 2022 to May 2023 is HTG/US\$ 100.0123 (BRH reference rate on December 16, 2021).

**Table 2. Haiti: Proposed Prior Actions for SMP**

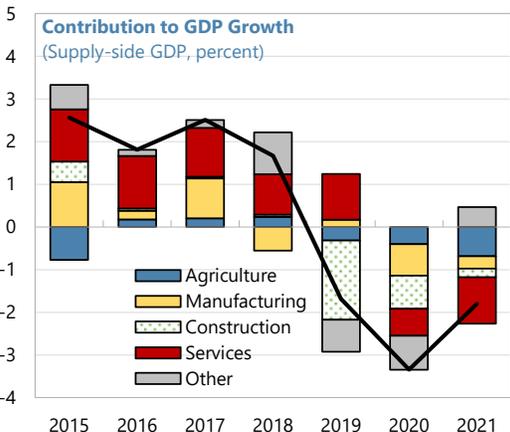
<b>Prior Actions</b>	
• Complete and publish the financial and operational audit on COVID-related spending agreed at the time of the RCF disbursement.	Prior action
• Adopt and publish a budget for FY2022 consistent with agreed targets and fiscal measures under the SMP.	Prior action

**Table 3. Haiti: Proposed Structural Benchmarks for SMP**

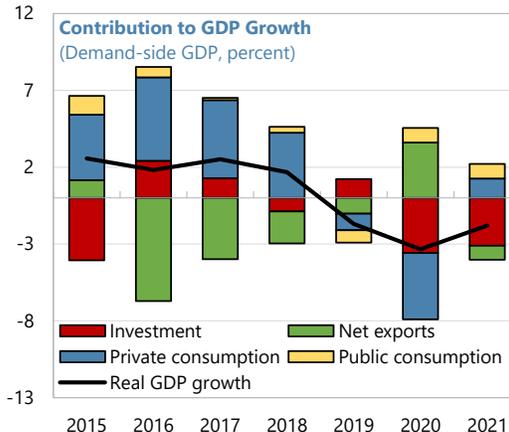
<b>Measure</b>	<b>Timing</b>
<b>Governance</b>	
• Publish all public procurement contracts awarded since the publication of the November 2021 procurement decree No. 52, including information on the beneficial owners of successful bidders.	monthly
• Approval by the BRH Board of Directors of draft amendments of the BRH law, prepared in consultation with IMF staff, which: (i) clarifies the objectives of the BRH, (ii) strengthens its autonomy, (iii) enhances its governance, and (iv) improves accountability and transparency.	end-Sept. 2022
• Approval by the Council of Ministers of revisions to the AML/CFT law prepared with Fund TA to address technical deficiencies identified in Haiti's FATF Action Plan and bring it into line with FATF international standards.	end-March 2023
<b>Public Finance Management / Governance</b>	
• Expand the Treasury Single Account (TSA) at the central bank to include all the central budgetary units, including the emergency fund.	end-Sept. 2022
• Prepare and adopt a medium-term budget framework, for FY2023, FY2024, and FY2025 with the NFPS deficit as the main anchor.	end-Sept. 2022
• Publish quarterly and annual reports on the operations and finances of <i>Fonds d'assistance économiques et sociale</i> (FAES) and reactivate the Governing Board of FAES again with quarterly meetings thereafter.	Quarterly
<b>Tax Policy and Tax/Customs Administration</b>	
• Conclude public consultations on the tax code and tax procedures code and finalize codes.	end-Sept. 2022
• Publish all codes and tariffs relating to customs.	end-Sept. 2022
• Issue decree making use of TIN compulsory for all finance departments, with sanctions for fraudulent or non-use, and publish TIN database and file of active taxpayers.	end-Dec. 2022
<b>Safeguards</b>	
• Complete FY2021 financial audit of BRH and publish the audited financial statements.	end-June 2022

**Figure 1. Haiti: Real Sector Developments, 2015–22 1/**

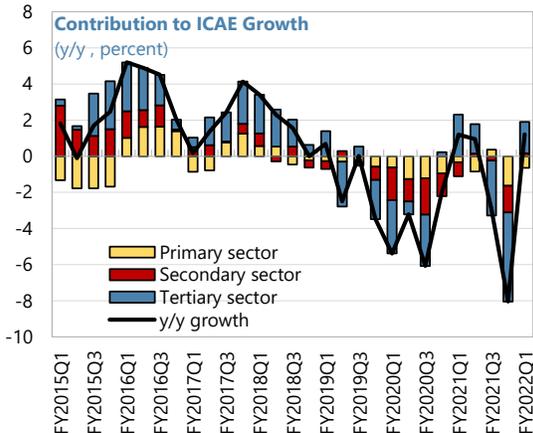
Real GDP contracted for the third consecutive year in FY2021, declining by 1.8%...



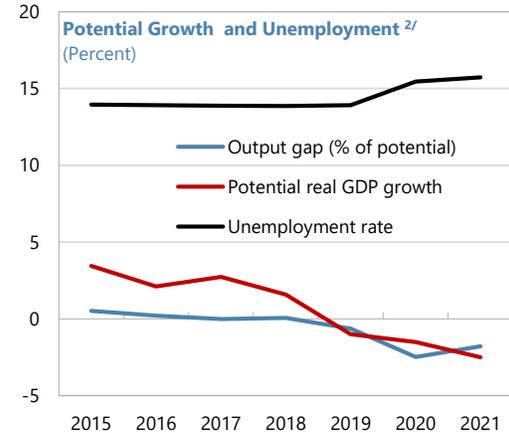
...and reflecting, for the most part, a sharp decline in investment by over 21 percent, ...



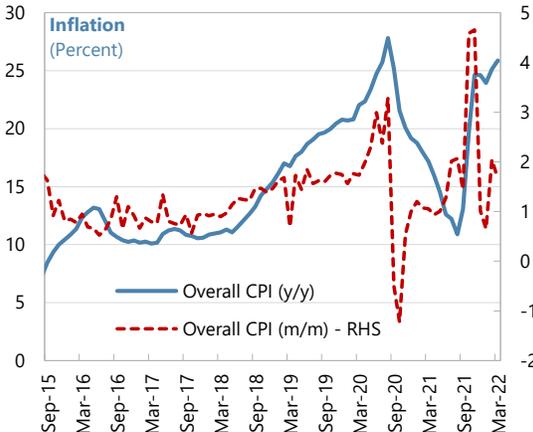
... and negative growth in all key sectors, particularly in agriculture, ...



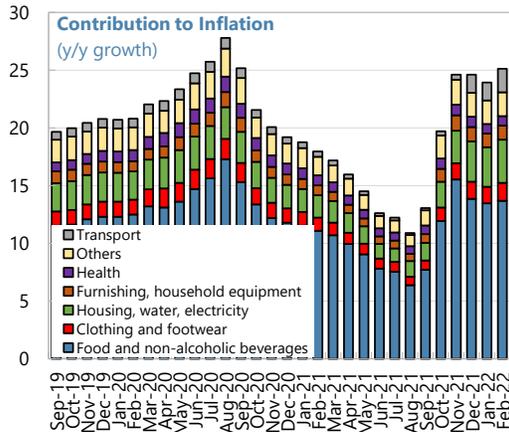
... resulting in a sharp widening in the output gap (to 1.8 percent of potential) and increase in unemployment.



Inflation rose sharply in late-2021 and early 2022, recording 1.6 percent (m/m) and 25.9 percent (y/y) in March ...



...with sharp increases in the cost of food and beverages, utilities, housing, fuel and transport.



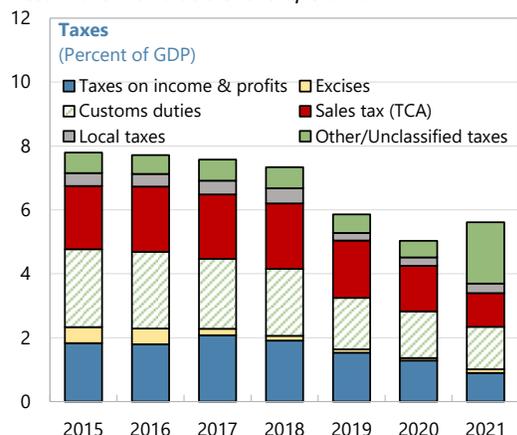
Sources: National authorities; World Bank; International Labour Organization (ILO) and IMF staff calculations.

1/ Data are in fiscal years, ending September 30.

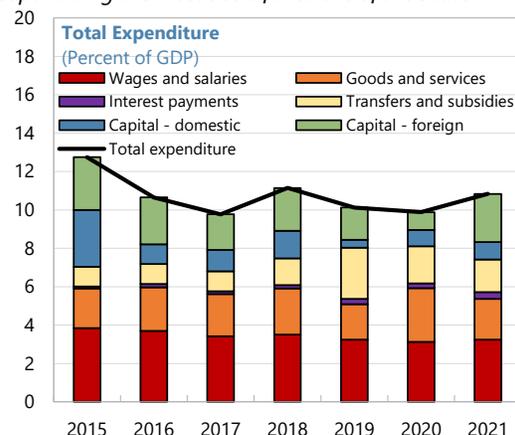
2/ Unemployment, total is the modeled ILO estimate.

**Figure 2. Haiti: Fiscal Sector Developments, 2015–22 1/**

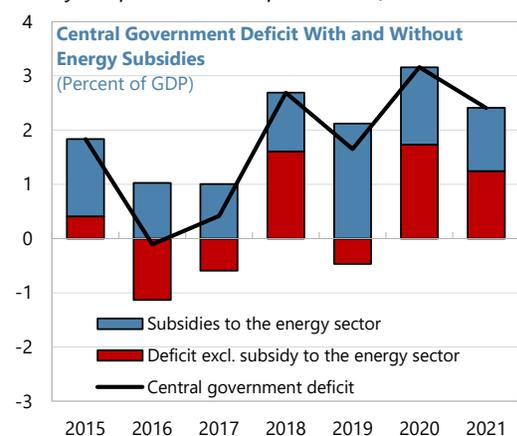
While tax revenue has collapsed and remains one of the lowest in the world as a share of GDP...



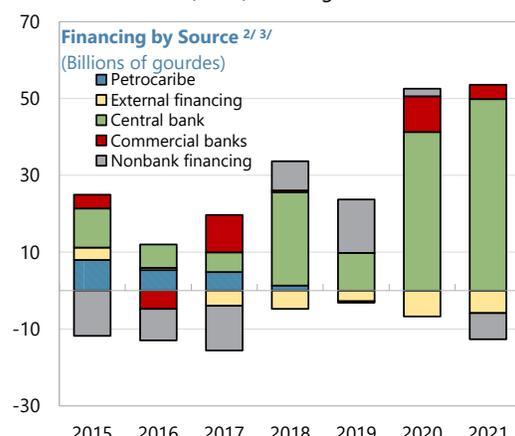
... it is hard to see expenditures fall any further without jeopardizing the most basic functions of the State.



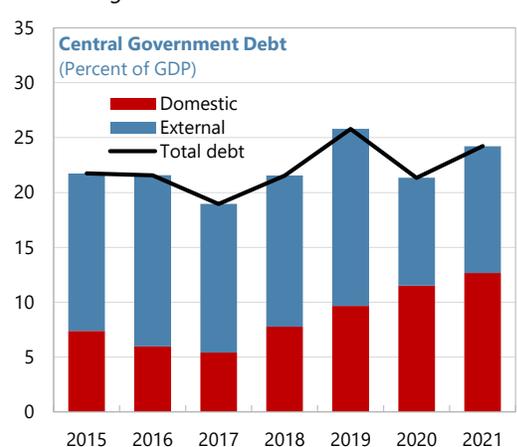
The deficit is not high given the output gap, but has been driven by inequitable and unproductive fuel subsidies ....



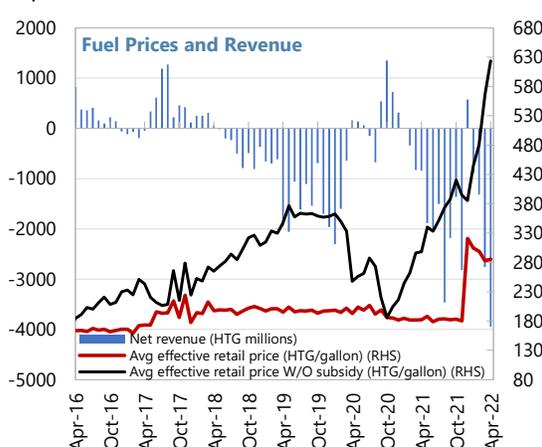
... without any sources of financing, leaving the central bank to cover most of the financing need.



This has put pressure on inflation and the exchange rate, and led to higher domestic debt.



The fuel price hike in December provided short-lived fiscal relief.



Source: National authorities and IMF staff calculations.

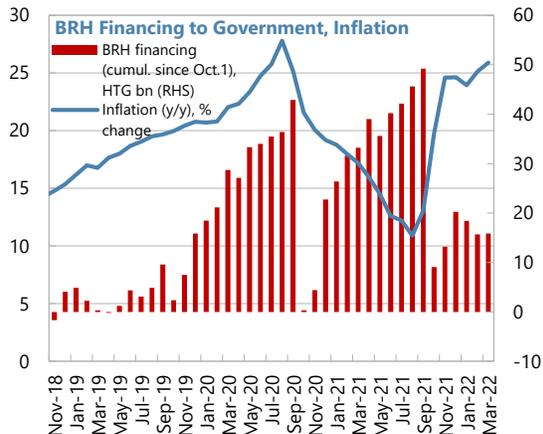
1/ Data are in fiscal years, ending September 30.

2/ External financing includes project loan disbursements and external arrears net of amortization.

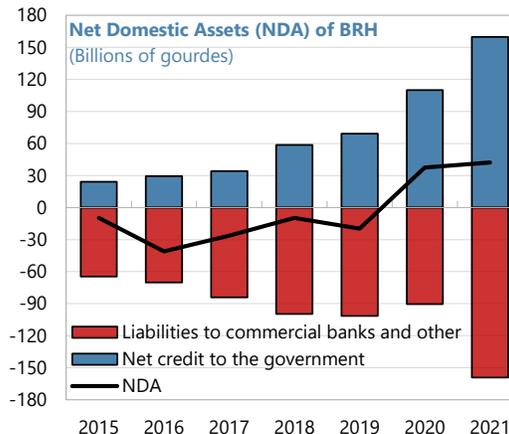
3/ Non bank financing includes domestic supplier credits and domestic arrears.

**Figure 3. Haiti: Monetary Sector Developments, 2015–22 1/**

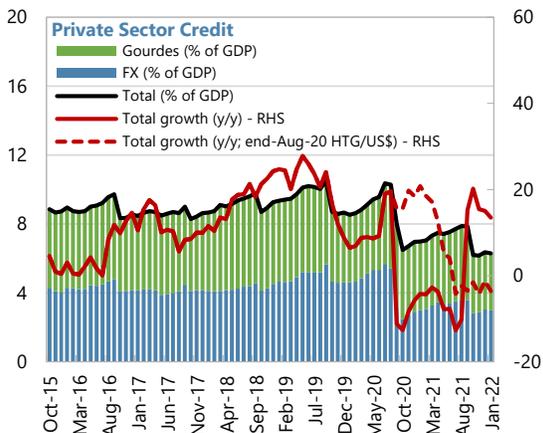
BRH financing of the government rose in FY2021, pushing up inflation...



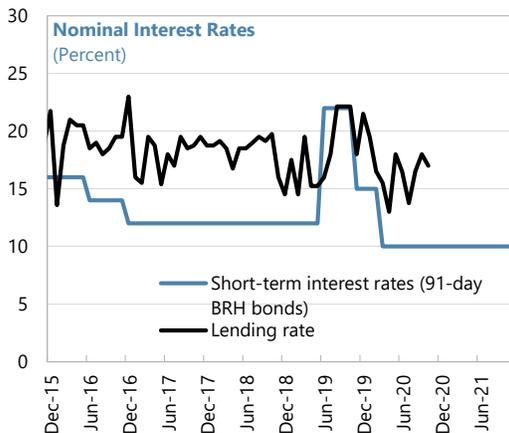
... as liquidity from the banking system stabilized.



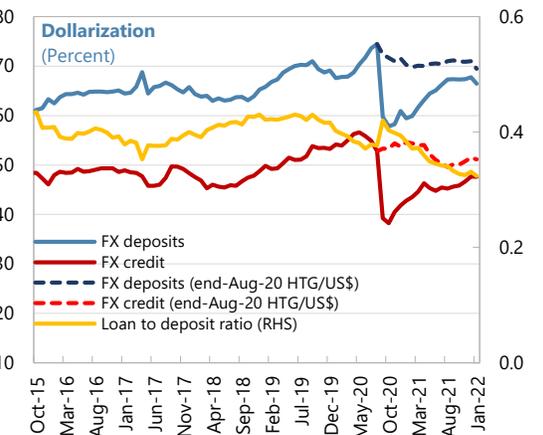
Private sector credit picked up but lending in gourdes retreated.



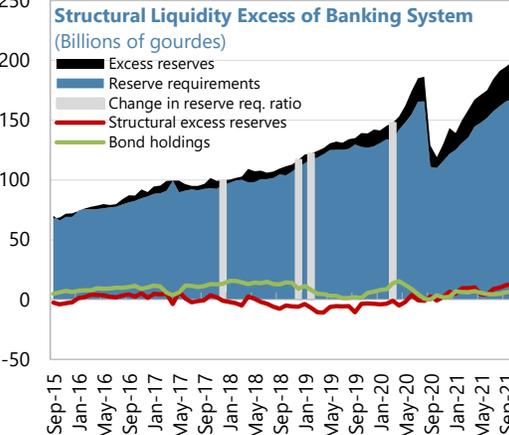
Lending rates are volatile and periodically decouple from the BRH policy rate.



Dollarization of deposits and credit has been stable in terms of the constant exchange rate...



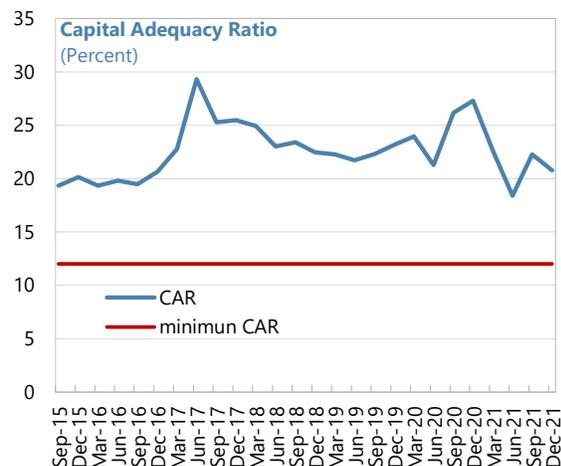
... while excess structural liquidity in the banking system is rising somewhat.



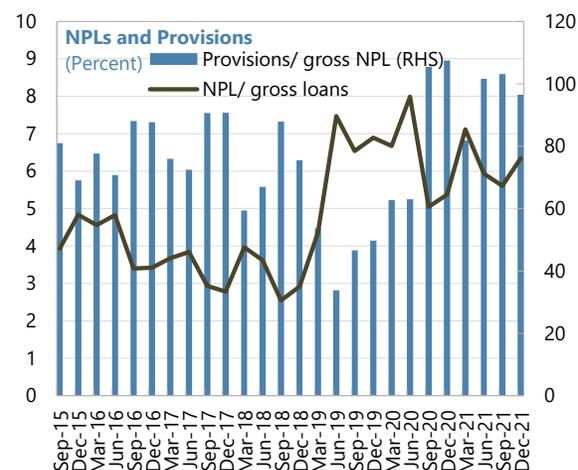
Source: National authorities and IMF staff calculations. 1/ Data are in fiscal years, ending September 30.

**Figure 4. Haiti: Financial Sector Indicators, 2015–21 1/**

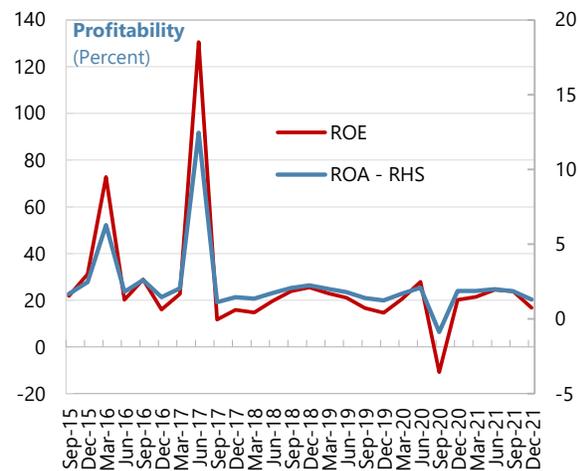
The banking system has adequate reported capital buffers...



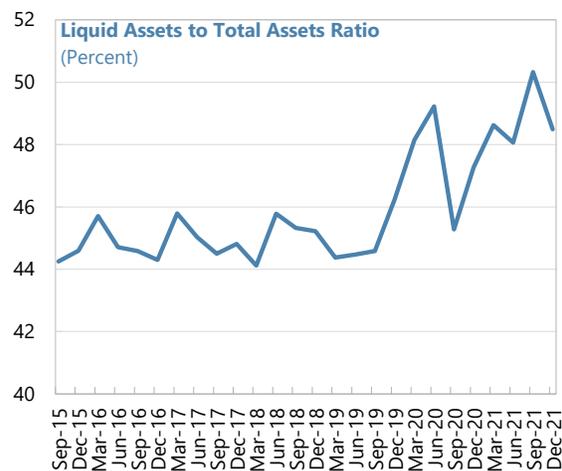
...but relatively high NPLs and related provisions.



Profitability has recovered since the exchange rate shock of August 2020 and has been stable since ....



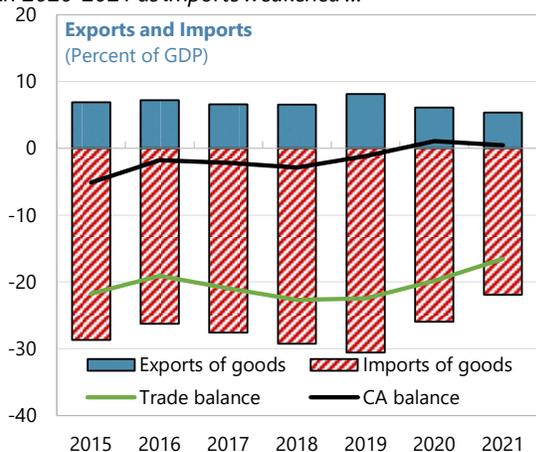
... while liquidity conditions remain favorable.



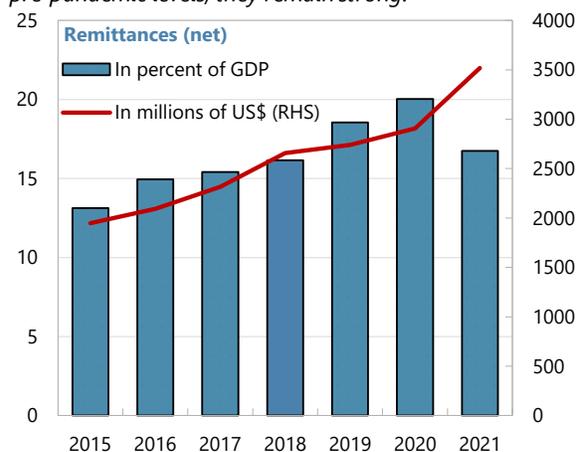
Source: National authorities and IMF staff calculations.  
1/ Data are in fiscal years, ending September 30.

**Figure 5. Haiti: External Sector Developments, 2015–22 1/**

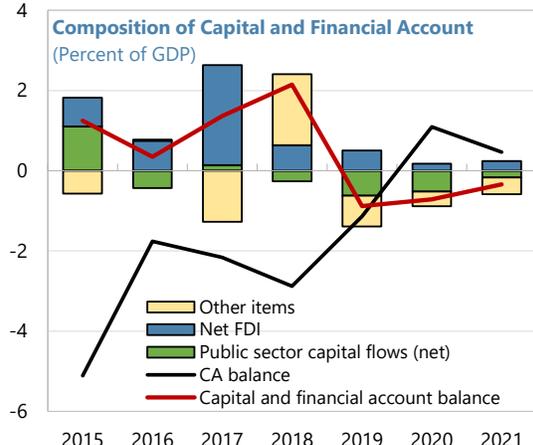
The trade deficit declined somewhat as a percent of GDP in 2020-2021 as imports weakened ...



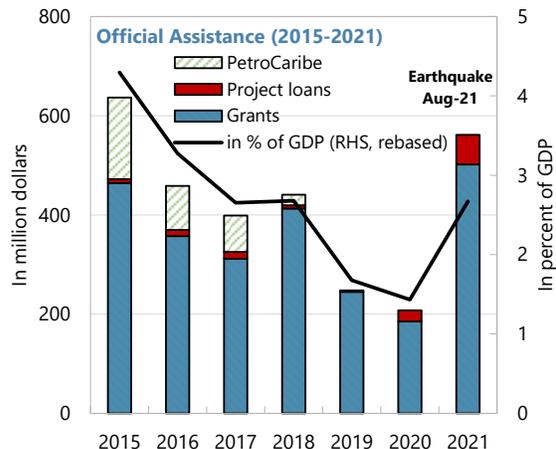
... while remittances (in percent of GDP) have returned to pre-pandemic levels, they remain strong.



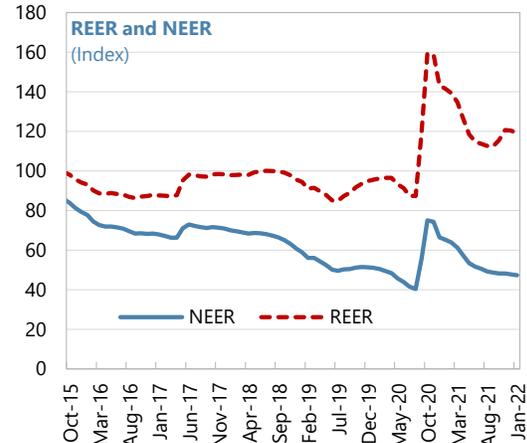
The current account weakened against the background of lower FDI...



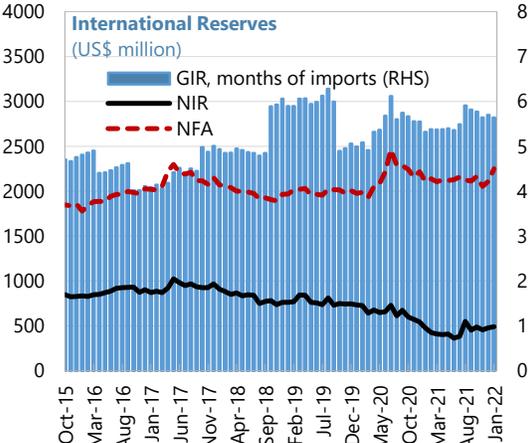
... and declining official assistance, although donor support jumped following the August earthquake.



The REER depreciated after its sharp appreciation in September 2020, though it has recently trended upward.



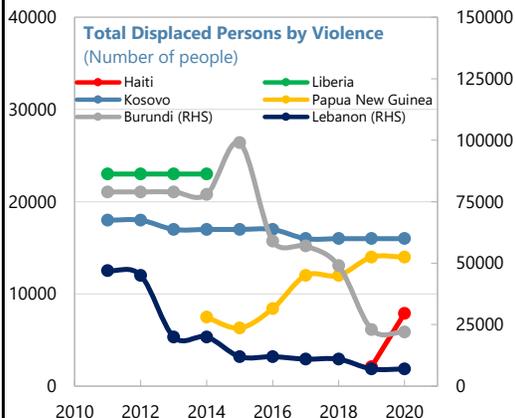
Foreign reserves coverage remains stable, but NIR has been declining with rising external liabilities to banks.



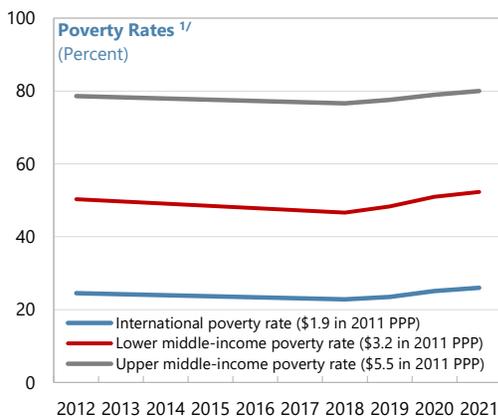
Source: National authorities and IMF staff calculations.  
1/ Data are in fiscal years, ending September 30.

**Figure 6. Haiti: Social Indicators**

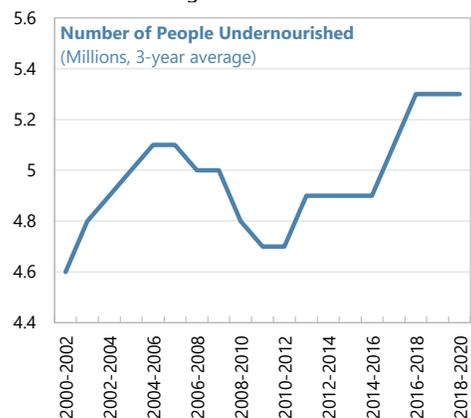
*Political instability and security problems have taken a heavy toll on Haitian society ....*



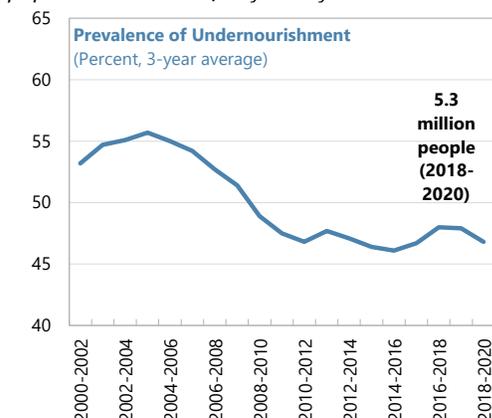
*...and has reversed since 2018 the small progress made at reducing poverty.*



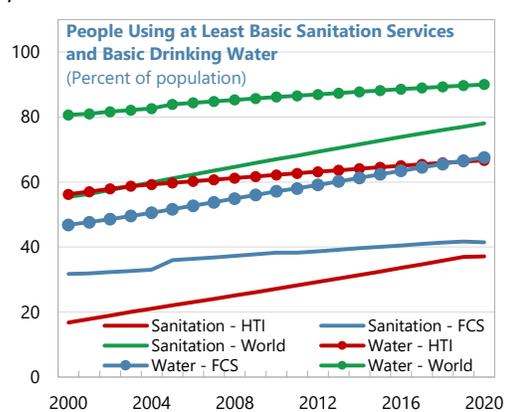
*The absolute number of people undernourished has reached historic highs ....*



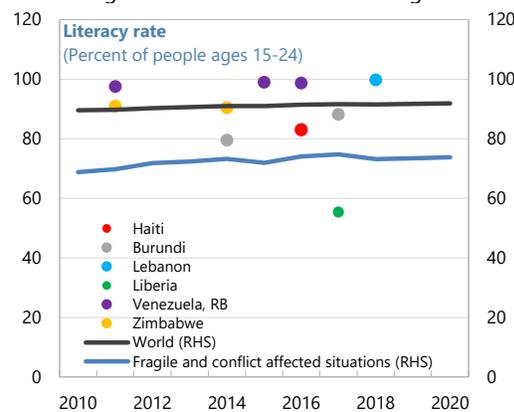
*... although the undernourished as a percent of the population has been fairly steady since 2010.*



*"Sanitation rates" (World Bank) are well below those for FCS states ...*



*... although youth literacy is significantly above the FCS average and close to the world average.*



Sources: FAO, World Bank, World Development Indicators, and IMF staff calculations.

1/ Data was extracted from the World Bank, Macro Poverty Outlook - April 2022. Data is not available from 2013 to 2017.

**Table 4. Haiti: Selected Economic and Financial Indicators, FY2019–25 1/**  
(Fiscal year ending September 30)

			GDP per capita (2021): US\$1,765				
	Nominal GDP (2021): US\$21.0 billion		Percent of population below poverty line (2012): 58.5				
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
(Change over previous year; unless otherwise indicated)							
<b>National income and prices</b>							
GDP at constant prices	-1.7	-3.3	-1.8	0.3	1.4	1.5	1.5
GDP deflator	17.6	20.6	19.3	26.1	17.5	13.4	12.9
Consumer prices (period average)	17.3	22.9	15.9	26.1	17.5	13.4	12.9
Consumer prices (end-of-period)	19.7	25.2	13.1	27.5	14.0	13.4	12.4
<b>External Sector</b>							
Exports (goods, valued in U.S. dollars, f.o.b.)	11.4	-26.3	27.7	7.0	5.0	5.6	5.8
Imports (goods, valued in U.S. dollars, f.o.b.)	-6.0	-16.7	22.3	12.8	6.2	4.3	3.8
Remittances (valued in U.S. dollars)	3.2	6.0	21.1	5.0	3.8	5.4	5.5
Real effective exchange rate (eop; + appreciation; Jan. 22 for FY2022)	-10.9	34.1	-4.6	13.6	...	...	...
<b>Money and credit (valued in gourdes)</b>							
Credit to private sector (in U.S. dollars and gourdes)	24.0	-11.2	15.2	5.8	9.6	11.4	12.6
Base money (currency in circulation and gourde deposits)	22.9	22.4	21.5	21.5	19.1	15.1	13.6
Broad money (excl. foreign currency deposits)	20.4	-0.3	38.2	20.8	16.9	15.1	13.6
(In percent of GDP; unless otherwise indicated)							
<b>Central government</b>							
Overall balance (including grants)	-2.1	-2.4	-2.5	-1.5	-2.3	-2.7	-2.8
Domestic revenue	6.4	6.2	5.9	5.8	6.4	6.7	7.1
Grants	1.7	1.3	2.4	2.7	2.4	2.3	1.7
Expenditures	10.1	9.9	10.8	10.1	11.1	11.7	11.6
Current expenditures	8.0	8.1	7.4	6.6	7.7	8.0	8.2
Capital expenditures	2.1	1.8	3.4	3.5	3.3	3.8	3.3
Overall balance of the nonfinancial public sector 1/	-1.7	-3.2	-2.4	-1.5	-2.3	-2.7	-2.8
<b>Savings and investment</b>							
Gross investment	20.3	17.7	18.0	19.4	18.7	18.2	18.3
Of which: public investment	2.1	1.8	3.4	3.5	3.3	3.8	3.3
Gross national savings	19.2	18.8	18.5	20.2	18.1	17.7	17.8
External current account balance (incl. official grants)	-1.1	1.1	0.5	0.8	-0.5	-0.5	-0.6
Net fuel exports	-7.5	-5.0	-4.0	-6.1	-5.5	-5.0	-4.5
<b>Public debt</b>							
External public debt (medium and long-term, eop)	16.1	9.8	11.6	11.2	10.8	10.9	11.1
Total public sector debt (end-of-period)	26.9	22.7	27.1	27.3	26.1	26.4	26.8
External public debt service 2/	6.6	11.7	9.9	9.3	8.9	8.4	7.9
<b>Memorandum items:</b>							
(In millions of dollars, unless otherwise indicated)							
Overall balance of payments	-207	139	-10	-36	30	25	25
Net international reserves (program definition)	732	677	452	492	498	504	515
Gross international reserves	2,100	2,501	2,534	2,574	2,604	2,629	2,654
In months of imports of the following year	6.0	5.7	5.8	5.0	4.8	4.7	4.6
Nominal GDP (millions of gourdes)	1,244,014	1,449,888	1,699,208	2,149,404	2,558,976	2,944,778	3,374,825
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	21,160	22,001	22,835

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; World Bank; Fund staff estimates and projections.

1/ Includes transfers to the state-owned electricity company (EDH), and unsettled payment obligations.

2/ In percent of exports of goods and nonfactor services. Includes debt relief.

**Table 5a. Haiti: Non-Financial Public Sector Operations, FY2019–25**  
(Fiscal year ending September 30; In millions of Gourdes)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	<b>99,665</b>	<b>108,524</b>	<b>141,178</b>	<b>184,082</b>	<b>224,842</b>	<b>264,717</b>	<b>294,513</b>
Domestic revenue	79,071	90,046	100,635	125,552	164,374	198,196	238,817
Domestic taxes	53,299	52,378	74,012	87,286	112,266	135,110	162,941
Customs duties	20,098	21,127	22,613	31,166	43,503	53,006	64,122
Of which: fuel taxes	52	0	0	0	0	0	0
Other current revenue	5,674	16,541	4,009	7,099	8,606	10,080	11,754
Grants	20,594	18,478	40,543	58,530	60,468	66,521	55,696
Budget support 1/	0	3,868	2,647	1,930	9,070	11,377	11,823
Project grants	20,594	14,610	37,897	56,600	51,398	55,144	43,873
<b>Total expenditure 2/</b>	<b>125,952</b>	<b>143,265</b>	<b>184,164</b>	<b>217,344</b>	<b>282,768</b>	<b>344,728</b>	<b>389,989</b>
Current expenditure	99,835	117,479	126,058	142,405	197,729	234,115	277,816
Wages and salaries	40,280	45,333	55,130	68,134	84,446	100,122	118,119
Goods and services	23,022	32,119	35,472	32,899	53,738	64,785	75,934
Interest payments	3,398	3,604	6,014	4,401	4,958	6,136	7,679
Transfers and subsidies	33,134	27,984	28,842	36,970	54,586	63,071	76,085
Of which: Transfers to EDH	13,395	11,838	9,111	9,111	10,757	12,379	14,187
Of which: Fuel direct subsidies to oil companies	12,974	8,844	10,682	22,736	27,195	28,606	34,899
Exceptional expenditures 3/	0	8,439	600	0	0	0	0
Capital expenditure	26,117	25,786	58,107	74,939	85,039	110,613	112,173
Domestically financed	5,264	12,334	15,359	14,889	25,175	42,084	50,565
Foreign-financed	20,853	13,452	42,748	60,050	59,863	68,529	61,608
<b>Central government balance including grants</b>	<b>-26,286</b>	<b>-34,741</b>	<b>-42,987</b>	<b>-33,262</b>	<b>-57,925</b>	<b>-80,011</b>	<b>-95,476</b>
Excluding grants and externally financed projects	-26,028	-39,767	-40,782	-31,742	-58,530	-78,003	-89,564
<b>Primary balance of NFPS, incl. grants and other transfers to EDH</b>	<b>-22,888</b>	<b>-31,138</b>	<b>-36,972</b>	<b>-28,860</b>	<b>-52,967</b>	<b>-73,874</b>	<b>-87,797</b>
Adjustment (unsettled payment obligations)	-5,746	11,058	-2,031	0	0	0	0
<b>Overall balance of NFPS, including grants</b>	<b>-20,540</b>	<b>-45,800</b>	<b>-40,956</b>	<b>-33,262</b>	<b>-57,925</b>	<b>-80,011</b>	<b>-95,476</b>
<b>Financing, NFPS</b>	<b>20,540</b>	<b>45,800</b>	<b>40,956</b>	<b>33,262</b>	<b>57,925</b>	<b>80,011</b>	<b>95,476</b>
External net financing	-2,780	-6,728	-5,865	-7,490	-2,931	663	3,741
Loans (net)	-6,790	-6,728	-2,640	-7,490	-2,931	663	3,741
Disbursements	259	2,281	4,851	3,450	8,466	13,385	17,735
Amortization	-7,049	-9,009	-7,491	-10,940	-11,397	-12,721	-13,995
Arrears (net)	4,010	0	-3,225	0	0	0	0
Internal net financing	23,320	52,527	46,821	40,752	60,857	79,347	91,735
Banking system	9,434	50,584	53,590	58,808	60,857	79,347	91,735
BRH 4/	9,823	41,255	49,839	46,533	51,180	58,896	67,497
Commercial banks	-388	9,329	3,751	12,275	9,677	20,452	24,239
Nonbank financing 5/	13,886	1,943	-6,769	-18,056	0	0	0
<b>Memorandum items</b>							
Forgone fuel taxes and fuel direct subsidies	32,754	29,332	31,984	53,840	60,684	63,523	71,576
o/w Forgone fuel taxes	19,780	20,488	21,302	31,104	33,489	34,917	36,677
o/w Fuel direct subsidies to oil companies	12,974	8,844	10,682	22,736	27,195	28,606	34,899
Health, education and agriculture spending	18,801	29,050	28,173	36,540	44,782	53,006	62,434
Nominal GDP	1,244,014	1,449,888	1,699,208	2,149,404	2,558,976	2,944,778	3,374,825

Sources: Ministry of Finance and Economy; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed, as well as CCRT debt relief.

2/ Commitment basis, except for domestically financed spending, which is reported on the basis of project account replenishments.

3/ Includes all COVID-related expenditures for FY2020 and FY2021.

4/ Amounts include RCF financing for FY2020 and the full two-year debt-relief under the CCRT and for FY2021 half of the SDR allocation.

5/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

**Table 5b. Haiti: Non-Financial Public Sector Operations, FY2019–25**  
(Fiscal year ending September 30; percent of GDP)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	<b>8.0</b>	<b>7.5</b>	<b>8.3</b>	<b>8.6</b>	<b>8.8</b>	<b>9.0</b>	<b>8.7</b>
Domestic revenue	6.4	6.2	5.9	5.8	6.4	6.7	7.1
Domestic taxes	4.3	3.6	4.4	4.1	4.4	4.6	4.8
Customs duties	1.6	1.5	1.3	1.5	1.7	1.8	1.9
Of which: fuel taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current revenue	0.5	1.1	0.2	0.3	0.3	0.3	0.3
Grants	1.7	1.3	2.4	2.7	2.4	2.3	1.7
Budget support 1/	0.0	0.3	0.2	0.1	0.4	0.4	0.4
Project grants	1.7	1.0	2.2	2.6	2.0	1.9	1.3
<b>Total expenditure 2/</b>	<b>10.1</b>	<b>9.9</b>	<b>10.8</b>	<b>10.1</b>	<b>11.1</b>	<b>11.7</b>	<b>11.6</b>
Current expenditure	8.0	8.1	7.4	6.6	7.7	8.0	8.2
Wages and salaries	3.2	3.1	3.2	3.2	3.3	3.4	3.5
Goods and services	1.9	2.2	2.1	1.5	2.1	2.2	2.3
Interest payments	0.3	0.2	0.4	0.2	0.2	0.2	0.2
Transfers and subsidies	2.7	1.9	1.7	1.7	2.1	2.1	2.3
Of which: Transfers to EDH	1.1	0.8	0.5	0.4	0.4	0.4	0.4
Of which: Fuel direct subsidies to oil companies	1.0	0.6	0.6	1.1	1.1	1.0	1.0
Exceptional expenditures 3/	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Capital expenditure	2.1	1.8	3.4	3.5	3.3	3.8	3.3
Domestically financed	0.4	0.9	0.9	0.7	1.0	1.4	1.5
Foreign-financed	1.7	0.9	2.5	2.8	2.3	2.3	1.8
<b>Central government balance including grants</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.5</b>	<b>-1.5</b>	<b>-2.3</b>	<b>-2.7</b>	<b>-2.8</b>
Excluding grants and externally financed projects	-2.1	-2.7	-2.4	-1.5	-2.3	-2.6	-2.7
<b>Primary balance of NFPS, incl. grants and other transfers to EDH</b>	<b>-1.8</b>	<b>-2.1</b>	<b>-2.2</b>	<b>-1.3</b>	<b>-2.1</b>	<b>-2.5</b>	<b>-2.6</b>
Adjustment (unsettled payment obligations)	-0.5	0.8	-0.1	0.0	0.0	0.0	0.0
<b>Overall balance of NFPS, including grants</b>	<b>-1.7</b>	<b>-3.2</b>	<b>-2.4</b>	<b>-1.5</b>	<b>-2.3</b>	<b>-2.7</b>	<b>-2.8</b>
<b>Financing, NFPS</b>	<b>1.7</b>	<b>3.2</b>	<b>2.4</b>	<b>1.5</b>	<b>2.3</b>	<b>2.7</b>	<b>2.8</b>
External net financing	-0.2	-0.5	-0.3	-0.3	-0.1	0.0	0.1
Loans (net)	-0.5	-0.5	-0.2	-0.3	-0.1	0.0	0.1
Disbursements	0.0	0.2	0.3	0.2	0.3	0.5	0.5
Amortization	-0.6	-0.6	-0.4	-0.5	-0.4	-0.4	-0.4
Arrears (net)	0.3	0.0	-0.2	0.0	0.0	0.0	0.0
Internal net financing	1.9	3.6	2.8	1.9	2.4	2.7	2.7
Banking system	0.8	3.5	3.2	2.7	2.4	2.7	2.7
BRH 4/	0.8	2.8	2.9	2.2	2.0	2.0	2.0
Commercial banks	0.0	0.6	0.2	0.6	0.4	0.7	0.7
Nonbank financing 5/	1.1	0.1	-0.4	-0.8	0.0	0.0	0.0
<b>Memorandum items</b>							
Forgone fuel taxes and fuel direct subsidies	2.6	2.0	1.9	2.5	2.4	2.2	2.1
o/w Forgone fuel taxes	1.6	1.4	1.3	1.4	1.3	1.2	1.1
o/w Fuel direct subsidies to oil companies	1.0	0.6	0.6	1.1	1.1	1.0	1.0
Health, education and agriculture spending	1.5	2.0	1.7	1.7	1.8	1.8	1.9
Nominal GDP (millions of gourdes)	1,244,014	1,449,888	1,699,208	2,149,404	2,558,976	2,944,778	3,374,825

Sources: Ministry of Finance and Economy; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed, as well as CCRT debt relief.

2/ Commitment basis, except for domestically financed spending, which is reported on the basis of project account replenishments.

3/ Includes all COVID-related expenditures for FY2020 and FY2021.

4/ Amounts include RCF financing for FY2020 and the full two-year debt-relief under the CCRT and for FY2021 half of the SDR allocation.

5/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

**Table 6. Haiti: Summary Accounts of the Banking System, FY2019–25**  
(Fiscal year ending September 30; In millions of gourdes, unless otherwise indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
<b>I. Central bank</b>							
<b>Net foreign assets</b>	146,120	117,208	146,005	175,822	199,988	226,566	254,606
(In millions of U.S. dollars)	1,566	1,778	1,499	1,553	1,594	1,629	1,664
Of which: Net international reserves (in millions of U.S. dollars) 1/	732	677	452	492	498	504	515
Of which : Commercial bank forex deposits (in millions of U.S. dollars)	914	1,160	1,324	1,338	1,382	1,411	1,435
<b>Net domestic assets</b>	-19,709	37,550	42,096	52,710	72,091	86,533	101,086
Net credit to the nonfinancial public sector	69,108	109,964	159,923	206,456	257,636	316,531	384,028
Of which: Net credit to the central government	70,939	112,194	162,197	208,730	259,909	318,805	386,302
Claims on central government	107,087	143,984	200,974	247,332	298,512	357,407	424,904
Central government deposits	36,148	31,791	38,777	38,602	38,602	38,602	38,602
Of which: IMF PCDR debt relief	-4,776	-4,686	-2,634	-3,279	-4,119	-4,958	-5,798
Liabilities to commercial banks (excl. gourde deposits)	95,156	81,390	138,460	170,923	193,886	217,785	242,082
BRH bonds/Open market operations	6,200	841	3,525	13,453	14,453	15,453	16,453
Commercial bank forex deposits	88,956	80,549	134,935	157,470	179,433	202,332	225,629
Other	6,339	8,976	20,632	17,176	8,342	-12,213	-40,860
<b>Base money</b>	126,411	154,758	188,101	228,532	272,079	313,099	355,692
Currency in circulation	66,530	96,234	108,670	120,944	134,314	148,923	165,012
Commercial bank gourde deposits	59,881	58,524	79,431	107,588	137,765	164,176	190,680
<b>II. Consolidated banking system</b>							
<b>Net foreign assets</b>	188,238	150,596	205,868	282,144	308,114	341,035	375,515
(In millions of U.S. dollars)	2,017	2,285	2,114	2,491	2,455	2,452	2,454
Of which: Commercial banks NFA (in millions of U.S. dollars)	451	506	615	939	862	823	790
<b>Net domestic assets</b>	182,592	219,132	305,095	334,893	412,896	488,677	567,069
Credit to the nonfinancial public sector	80,286	130,870	199,795	258,603	319,459	398,807	490,542
Of which: Net credit to the central government	80,286	130,870	195,957	254,765	315,622	394,969	486,705
Claims on central government	133,988	178,659	252,599	311,231	372,088	451,435	543,171
Central government deposits	53,702	47,789	56,641	56,466	56,466	56,466	56,466
Credit to the private sector	130,485	115,840	133,478	141,241	154,802	172,494	194,143
In gourdes	60,236	70,344	72,552	75,578	82,757	92,129	103,692
In foreign currency	70,250	45,495	60,926	65,663	72,045	80,365	90,451
Other	-28,179	-27,577	-28,178	-64,951	-61,365	-82,624	-117,616
<b>Base money</b>	370,830	369,728	510,963	617,036	721,009	829,712	942,584
Currency in circulation	60,743	85,390	98,150	110,424	123,794	138,403	154,492
Gourde deposits	90,630	114,581	134,373	166,210	196,775	231,729	266,037
Foreign currency deposits	215,530	165,194	270,986	322,188	370,693	422,132	476,181
(In millions of U.S. dollars)	2,310	2,506	2,782	2,845	2,954	3,035	3,112
<b>(12-month percentage change)</b>							
Currency in circulation	28.7	40.6	14.9	12.5	12.1	11.8	11.6
Base money	22.9	22.4	21.5	21.5	19.1	15.1	13.6
Broad money (M3)	20.4	-0.3	38.2	20.8	16.9	15.1	13.6
Gourde deposits	-5.3	26.4	17.3	23.7	18.4	17.8	14.8
Foreign currency deposits	32.6	-23.4	64.0	18.9	15.1	13.9	12.8
Credit to the private sector	24.0	-11.2	15.2	5.8	9.6	11.4	12.6
Credit in gourdes	7.5	16.8	3.1	4.2	9.5	11.3	12.6
Credit in foreign currency	42.9	-35.2	33.9	7.8	9.7	11.5	12.6
<b>Memorandum items:</b>							
Foreign currency deposits (% of total private deposits)	71.0	59.7	67.4	65.9	65.2	64.4	64.0
Foreign curr. credit to priv. sector (% of total)	53.7	39.2	45.5	46.5	46.5	46.6	46.6
Commercial banks' credit to private sector (% of GDP)	10.5	8.0	7.9	6.6	6.0	5.9	5.8

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Program definition. Excludes commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and US\$ denominated bank reserves. A portion of SDR allocation is in NIR.

**Table 7a. Haiti: Balance of Payments, FY2019–25**  
(In millions of US\$ on a fiscal year basis; unless otherwise indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
<b>Current account (including grants)</b>	<b>-169</b>	<b>158</b>	<b>98</b>	<b>154</b>	<b>-108</b>	<b>-114</b>	<b>-132</b>
<b>Current account (excluding grants)</b>	<b>-350</b>	<b>32</b>	<b>-68</b>	<b>-389</b>	<b>-608</b>	<b>-611</b>	<b>-509</b>
Trade balance	-3,318	-2,879	-3,474	-3,984	-4,247	-4,415	-4,555
Exports of goods	1,202	885	1,130	1,209	1,269	1,340	1,418
Of which: Assembly industry	1,133	824	1,071	1,159	1,218	1,282	1,357
Imports of goods	-4,520	-3,764	-4,604	-5,193	-5,516	-5,755	-5,973
Of which: Fossil fuels	-1,112	-720	-846	-1,236	-1,156	-1,097	-1,038
Services (net)	-110	-313	-496	-500	-548	-606	-603
Receipts	531	129	124	118	150	155	175
Payments	-641	-441	-620	-618	-698	-761	-778
Income (net)	50	29	23	23	53	67	84
Current transfers (net)	3,210	3,321	4,044	4,616	4,635	4,840	4,941
Official transfers (net)	181	126	166	544	500	497	377
Private transfers (net)	2,741	2,906	3,518	3,694	3,835	4,043	4,264
Other transfers (net)	288	290	360	378	300	300	300
<b>Capital and financial accounts</b>	<b>-131</b>	<b>-104</b>	<b>-72</b>	<b>-190</b>	<b>138</b>	<b>139</b>	<b>157</b>
Capital transfers	15	58	54	57	13	19	19
Public sector capital flows (net)	-92	-75	-35	20	-37	-7	14
Loan disbursements	3	23	60	30	70	100	120
Amortization	-95	-98	-95	-10	-107	-107	-106
Foreign direct investment (net)	75	25	51	57	85	88	91
Banks (net) 1/	-79	-76	-161	-324	77	39	33
Other items (net) 2/	-50	-35	18	0	0	0	0
<b>Errors and omissions</b>	<b>93</b>	<b>85</b>	<b>-36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall balance</b>	<b>-207</b>	<b>139</b>	<b>-10</b>	<b>-36</b>	<b>30</b>	<b>25</b>	<b>25</b>
<b>Financing</b>	<b>207</b>	<b>-139</b>	<b>10</b>	<b>36</b>	<b>-30</b>	<b>-25</b>	<b>-25</b>
Change in net foreign assets (+ is decrease)	123	-350	-91	-40	-30	-25	-25
o/w Change in gross reserves (+ is decrease)	123	-350	-91	-40	-30	-25	-25
Change in IMF credit and loans (+ is increase)	-12	106	-3	-10	0	0	0
Exceptional financing	96	104	105	86	0	0	0
o/w Changes in arrears 3/	93	96	94	81	0	0	0
o/w Debt rescheduling and debt relief 4/	3	3	-1	0	0	0	0
<b>Memorandum items:</b>							
Change in US\$ denom. reserve deposits at BRH (+ is decrease)	15	-246	-164	-14	-44	-30	-24
Change in NIR (program definition) (+ is decrease)	42	55	225	-40	-6	-6	-11
Exports of goods, f.o.b (percent change)	11.4	-26.3	27.7	7.0	5.0	5.6	5.8
Imports of goods, f.o.b (percent change)	-6.0	-16.7	22.3	12.8	6.2	4.3	3.8
Projected average oil price (U.S. dollars per barrel, APSP)	61.4	41.3	69.1	106.8	92.6	84.2	78.5
Debt service (in percent of exports of goods and services)	6.6	11.7	9.9	9.3	8.9	8.4	7.9
Gross international reserves (in millions of U.S. dollars)	2,100	2,501	2,534	2,574	2,604	2,629	2,654
(in months of next year's imports of goods and services)	6.0	5.7	5.8	5.0	4.8	4.7	4.6
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	21,160	22,001	22,835

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Change in net foreign assets of commercial banks.

2/ Includes arrears on oil imports.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes the CCRT debt relief.

**Table 7b. Haiti: Balance of Payments, FY2019–25**  
(In percent of GDP on a fiscal year basis; unless otherwise indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Est.	Proj.	Proj.	Proj.	Proj.
<b>Current account (including grants)</b>	<b>-1.1</b>	<b>1.1</b>	<b>0.5</b>	<b>0.8</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.6</b>
<b>Current account (excluding grants)</b>	<b>-2.4</b>	<b>0.2</b>	<b>-0.3</b>	<b>-1.9</b>	<b>-2.9</b>	<b>-2.8</b>	<b>-2.2</b>
Trade balance	-22.4	-19.8	-16.5	-19.8	-20.1	-20.1	-19.9
Exports of goods	8.1	6.1	5.4	6.0	6.0	6.1	6.2
Of which: Assembly industry	7.7	5.7	5.1	5.8	5.8	5.8	5.9
Imports of goods	-30.6	-25.9	-21.9	-25.8	-26.1	-26.2	-26.2
Of which: Fossil fuels	-7.5	-5.0	-4.0	-6.1	-5.5	-5.0	-4.5
Services (net)	-0.7	-2.2	-2.4	-2.5	-2.6	-2.8	-2.6
Receipts	3.6	0.9	0.6	0.6	0.7	0.7	0.8
Payments	-4.3	-3.0	-3.0	-3.1	-3.3	-3.5	-3.4
Income (net)	0.3	0.2	0.1	0.1	0.3	0.3	0.4
Current transfers (net)	21.7	22.9	19.2	22.9	21.9	22.0	21.6
Official transfers (net)	1.2	0.9	0.8	2.7	2.4	2.3	1.7
Private transfers (net)	18.5	20.0	16.7	18.3	18.1	18.4	18.7
Other transfers (net)	1.9	2.0	1.7	1.9	1.4	1.4	1.3
<b>Capital and financial accounts</b>	<b>-0.9</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-0.9</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>
Capital transfers	0.1	0.4	0.3	0.3	0.1	0.1	0.1
Public sector capital flows (net)	-0.6	-0.5	-0.2	0.1	-0.2	0.0	0.1
Loan disbursements	0.0	0.2	0.3	0.1	0.3	0.5	0.5
Amortization	-0.6	-0.7	-0.5	0.0	-0.5	-0.5	-0.5
Foreign direct investment (net)	0.5	0.2	0.2	0.3	0.4	0.4	0.4
Banks (net) 1/	-0.5	-0.5	-0.8	-1.6	0.4	0.2	0.1
Other items (net) 2/	-0.3	-0.2	0.1	0.0	0.0	0.0	0.0
<b>Errors and omissions</b>	<b>0.6</b>	<b>0.6</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Overall balance</b>	<b>-1.4</b>	<b>1.0</b>	<b>0.0</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Financing</b>	<b>1.4</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
Change in net foreign assets (+ is decrease)	0.8	-2.4	-0.4	-0.2	-0.1	-0.1	-0.1
Change in IMF credit and loans (+ is increase)	-0.1	0.7	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.7	0.7	0.5	0.4	0.0	0.0	0.0
o/w Changes in arrears 3/	0.6	0.7	0.4	0.4	0.0	0.0	0.0
o/w Debt rescheduling and debt relief 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>							
Exports of goods, f.o.b (percent change)	11.4	-26.3	27.7	7.0	5.0	5.6	5.8
Imports of goods, f.o.b (percent change)	-6.0	-16.7	22.3	12.8	6.2	4.3	3.8
Projected average oil price (U.S. dollars per barrel, APSP)	61.4	41.3	69.1	106.8	92.6	84.2	78.5
Debt service (in percent of exports of goods and services)	6.6	11.7	9.9	9.3	8.9	8.4	7.9
Nominal exchange rate (FY2022 on May 4)	84.1	99.9	80.9	107.8	...	...	...
Gross international reserves (in millions of U.S. dollars)	2,100	2,501	2,534	2,574	2,604	2,629	2,654
(in months of next year's imports of goods and services)	6.0	5.7	5.8	5.0	4.8	4.7	4.6
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	21,160	22,001	22,835

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Change in net foreign assets of commercial banks.

2/ Includes arrears on oil imports.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes the CCRT debt relief.

**Table 8. Haiti: External Financing Requirements and Sources, FY 2019–25 1/**  
(In millions of US\$ on a fiscal year basis; unless otherwise indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
			Proj.	Proj.	Proj.	Proj.	Proj.
<b>Requirements</b>	<b>445</b>	<b>66</b>	<b>163</b>	<b>400</b>	<b>715</b>	<b>718</b>	<b>615</b>
Current account deficit, excluding grants	350	-32	68	389	608	611	509
Debt amortization, excluding repayments to the IMF	95	98	95	10	107	107	106
<b>Sources</b>	<b>361</b>	<b>-145</b>	<b>62</b>	<b>324</b>	<b>715</b>	<b>718</b>	<b>615</b>
Capital transfers, excluding official transfers	15	58	54	57	13	19	19
Foreign direct investment	75	25	51	57	85	88	91
Official disbursements, excluding budget support	184	116	205	560	495	512	417
Of which: Project loans	3	23	60	30	70	100	120
Other flows, including commercial banks (net)	-36	-27	-179	-324	77	39	33
Official budget support 2/	0	33	21	14	75	85	80
Change in central bank's NFA (+ is decrease) 3/	123	-350	-91	-40	-30	-25	-25
<b>Additional Financing</b>	<b>84</b>	<b>211</b>	<b>102</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>
IMF disbursement under RCF	0	111	0	0	0	0	0
IMF debt relief under CCRT	0	6	11	4	0	0	0
Change in existing obligations to the IMF (+ is increase)	-12	-5	-3	-10	0	0	0
Debt rescheduling and debt relief, excluding the Fund	3	3	-1	0	0	0	0
Change in arrears 4/	93	96	94	81	0	0	0
<b>Memorandum items:</b>							
Gross international reserves 5/	2,100	2,501	2,534	2,574	2,604	2,629	2,654
(in months of next year's imports of goods and services)	6.0	5.7	5.8	5.0	4.8	4.7	4.6
SDR allocation	0	0	224	0	0	0	0

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Components may not exactly match up to totals due to rounding.

2/ Includes previously-programmed multilateral budget support that could be delayed.

3/ Excluding exceptional financing.

4/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

5/ Includes gold.

**Table 9. Haiti: Financial Soundness Indicators, June 2020–December 2021**  
(In percent; unless otherwise indicated)

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
<b>Size and growth</b>							
Asset volume (in US\$ millions )	4332.7	4319.1	5754.2	5745.0	5340.4	5341.3	5320.3
Deposit volume (in US\$ millions )	3554.5	3382.5	4577.6	4613.0	4318.4	4351.5	4327.3
Asset growth (in gourde terms), y/y	23.5	-6.7	1.0	3.9	0.9	38.8	32.2
Credit growth (net, in gourde terms), y/y	5.7	-13.7	-8.3	-5.0	-2.1	21.2	20.6
<b>Capital adequacy</b>							
Regulatory capital to risk-weighted assets	21.3	26.2	27.3	22.6	18.4	22.3	20.8
Regulatory capital to assets	7.4	9.2	9.3	8.1	7.0	7.9	7.6
<b>Asset quality and composition</b>							
Loans (net) to assets	26.8	28.7	27.1	25.8	26.0	25.1	24.8
NPLs to gross loans	8.0	5.0	5.4	7.1	5.9	5.6	6.3
Provisions to gross loans	5.0	5.3	5.8	5.8	6.0	5.8	6.1
Provisions to gross NPLs	63.0	105.4	107.5	81.8	101.6	103.1	96.5
NPLs less provisions to equity	11.6	-0.9	-1.3	4.2	-0.3	-0.6	0.7
<b>Earnings and profitability</b>							
<i>Q/Q annualized</i>							
Return on assets (ROA)	2.1	-0.9	1.9	1.9	2.0	1.9	1.3
Return on equity (ROE)	27.9	-10.7	20.2	21.4	24.6	23.8	16.7
Net interest income to gross interest income	78.0	78.2	80.7	83.2	83.3	82.2	82.7
Operating expenses to net profits	55.1	106.8	58.4	57.0	57.9	60.8	61.9
<i>Cumulative since beginning of the fiscal year</i>							
Return on assets (ROA)	1.6	1.1	1.9	1.9	1.9	1.9	1.3
Return on equity (ROE)	21.0	13.0	20.2	21.1	22.3	22.6	16.7
Net interest income to gross interest income	76.7	77.0	80.7	82.0	82.4	82.4	82.7
Operating expenses to net profits	60.7	70.1	58.4	57.7	57.7	58.6	61.9
<b>Efficiency</b>							
Interest rate spread 1/	8.6	9.7	8.6	9.9	9.3	9.4	9.1
<b>Liquidity</b>							
Liquid assets to total assets 2/	49.2	45.3	47.3	48.6	48.1	50.3	48.5
Liquid assets to deposits 2/	60.0	57.8	59.4	60.6	59.4	61.8	59.6
<b>Dollarization</b>							
Foreign currency loans to total loans (net)	57.0	40.0	42.8	45.5	43.5	44.9	47.2
Foreign currency deposits to total deposits	70.6	58.5	59.6	60.1	63.8	66.1	66.5
Foreign currency loans to foreign currency deposits	26.4	25.1	24.5	24.3	21.9	20.9	21.6

Source: BRH Banking System Financial Summary and IMF staff calculations. These indicators reflect the aggregated results of the eight licensed banks in operation in Haiti; thus figures in this table may not exactly match the information in Table 3, which reflect the consolidated banking system.

1/ Defined as the difference between average lending rate and average fixed deposit rate in the banking system.

2/ Liquid assets comprise cash and central bank bonds.

## Annex I. Recent Political History

Date	Event
October 15, 2015	First round of elections in which Jovenel Moïse, allegedly a protégé of outgoing president Martelly, received 33 percent of the vote and qualified for a runoff. These results were contested, and the ballot was ultimately annulled in June 2016 following street protests. New elections were held on November 20, 2016.
November 20, 2016	Moïse won Haiti's Presidential elections with almost 56 percent of the vote and a voter turnout of only 21 percent.
February 7, 2017	Moïse inaugurated as President.
October 2017	The United Nations ends its 13-year-long United Nations Stabilization Mission in Haiti (MINUSTAH). A smaller mission, the United Nations Mission for Justice Support in Haiti (MINUJUSTH), succeeded it, focusing on strengthening judicial institutions and protecting human rights.
November 2017	The Haitian Senate's Special Commission of Investigation issued a 656-page report detailing alleged embezzlement and fraud by current and former Haitian officials managing US\$2 billion in loans from Venezuela's PetroCaribe discounted oil program from 2008 to 2016. Public pressure reportedly led Moïse to fire two high-ranking officials in his government for their involvement in the scandal.
July 2018	The government eliminated fuel subsidies without implementing planned mitigating measures in advance. This was followed by riots and subsequent immediate reversal of the decision.
September 17, 2018	PM Jean Guy Lafontant resigned, following protests and riots over fuel price increases and general political discontent, and was replaced by PM Jean-Henry Céant.
March 21, 2019	PM Jean-Henry Céant resigned and replaced by PM Jean-Michel Lapin, immediately following agreement in principle with IMF staff on a three year ECF.
May 2019	A follow up report by Haiti's <i>Superior Court of Auditors and Administrative Disputes (CSCCA)</i> on PetroCaribe alleges President Moïse (and former president Martelly) and other officials embezzled millions of dollars. The report alleges that the Martelly administration contracted a company then led by Moïse to carry out infrastructure projects that it never built or completed.
January 13, 2020	President Moïse announced that the mandates for the lower house deputies and two thirds of the senate had expired. This left Haiti with no legislative branch; Moïse then governed by decree until his death. During 2020 Moïse removed several judges from the Superior Audit Court and reduced its independence via presidential decrees.
March 4, 2020	PM Jean-Michel Lapin replaced by PM Joseph Jouthe.
April 14, 2021	PM Joseph Jouthe replaced by PM Claude Joseph, the fifth in three years.
2017-2021	President Moïse faced challenges to his mandate from opposition leaders who believed that his five-year mandate should end on February 7, 2021, five years to

Date	Event
	the day since his predecessor, President Martelly, left office. President Moïse argued that his term would end five years from the date when he was inaugurated as President, that is on February 7, 2022. This position receives some support by some of the international community.
July 7, 2021	President Moïse assassinated at his private residence early in the morning, throwing the country into political chaos and uncertainty amid a major political vacuum. The acting Prime Minister Joseph announces control but Ariel Henry, appointed PM by President Moïse two days prior to his assassination, contends.
July 20, 2021	Ariel Henry took office as PM. Of the 18 cabinet positions, 10 were part of the previous Moïse cabinet or administration.
September 17, 2021	<p>Prime Minister Henry signed a political accord (<i>Accord politique pour une gouvernance apaisée</i>) with some opposition groups and civil society that gives them a formal role through their membership in various mechanisms, including: (i) the <i>Autorité de Contrôle et de Suivi</i>, a new body that will validate all decrees issued by the government; (ii) the <i>Assemblée Nationale Constituante</i> made up of 33 members of civil society tasked with producing a draft constitution within three months; and (iii) the new <i>Conseil Electorale Provisoire</i>, responsible for organizing the elections some time before end-2022.</p> <p>The accord does not specify if or when a constitutional referendum will take place but states that the Prime Minister, Ministers, and other senior officials are barred from participating in the election. While the accord appears formally to be an important first step in forging consensus and starting to re-build institutions, Prime Minister Henry is facing mounting challenges to his legitimacy and that of his government, particularly from opposition groups that did not sign the political accord.</p>
November 24, 2021	<p>Prime Minister Ariel Henry inaugurated a new government. The formation of the government followed multiple negotiations with political parties and civil society and implements the Political Accord for Peaceful Governance signed on September 17, 2021. The main objectives of the agreement are the establishment of a transitional government, the holding of elections, and the drafting of a new constitution.</p> <p>No date set for next Presidential Election or for a constitutional referendum.</p> <p>At least one other political accord led by civil society is still in play (<i>Accord de Montana</i>).</p>
January, 2022	Prime Minister Ariel Henry flees the celebration of Haiti's 218 years of independence in Gonaïves under gunfire from gangs who were protesting his presence in the city, located 150 km North of Port-au-Prince and where Haiti's independence was declared on January 1, 1804. Prime Minister Henry extends the term of the remaining one third of the Senate.

## Annex II. Public Debt Sustainability Analysis

Haiti: Joint Bank-Fund Debt Sustainability Analysis <sup>1</sup>	
<b>Risk of external debt distress</b>	High <sup>2</sup>
<b>Overall risk of debt distress</b>	High
<b>Granularity in the risk rating</b>	Debt is sustainable
<b>Application of judgment</b>	Yes: High probability of protracted threshold breaches on external debt under a 20-year horizon from FY2033 and important risks and vulnerabilities to debt outlook.

*Haiti's risk of debt distress is assessed to be "high" but overall public debt remains sustainable. Although the GDP rebasing lowered by almost half the debt-to-GDP ratio, slightly higher primary deficits over the medium term funded by a modest increase in external concessional financing are predicted against the background of subdued export growth. This brings the present value of public and publicly guaranteed (PPG) external debt as a percentage of exports and the ratios of debt service-to-exports and debt service-to-revenue into the "high" range of debt distress, justifying maintaining an overall rating of "high". Haiti is an FCV country (a country affected by fragility, conflict, and violence as defined by the World Bank) and tailored stress tests suggest that its debt risk rating remains vulnerable to large natural disaster shocks, which are statistically frequent. Nevertheless, the moderate level of public debt and broadly, a modest recovery of economic activity in fiscal year 2022, continued low interest rates, and the implementation of some structural reforms that boost growth potential under the SMP baseline scenario point to a sustainable public debt. Although debt ratios have improved, this assessment remains subject to downside risks as Haiti continues to face important economic, policy and institutional fragilities and exceptional vulnerability to natural disasters, and debt data limitations are also present.*

### A. Public Debt Coverage

**1. Coverage.** Gross public debt used for this DSA covers the central government, local governments, extrabudgetary autonomous organisms, the state-owned electricity company *Electricité d'Haiti* (EDH), and advances by the *Banque de la République d'Haiti* (BRH) to the government. External debt data come from the BRH and include debt to multilateral and bilateral creditors, including foreign oil companies, as well as an estimate of contingent liabilities. External debt is defined on a residency basis. No data is available on guaranteed debt, including to other state-owned enterprises (SOE), and non-guaranteed SOE debt. However, the government is committed to expanding the debt coverage to SOEs. Ongoing efforts aiming at improving debt data

<sup>1</sup> Approved by Patricia Alonso-Gamo (WHD); Wes McGrew and Andrea Schaechter (both SPR); Marcello Esteveo and Robert Taliercio (IDA World Bank).

<sup>2</sup> The current Composite Index (CI) is estimated at 2.813 and is based on the Bank's 2020 CPIA and the October 2021 WEO. Haiti's debt-carrying capacity remains medium.

collection, the preparation and public disclosure of the debt portfolio review are supported by the World Bank (Text Table 1).

**2. Gross domestic public debt is calculated as the sum of claims of the overall banking sector (including the BRH) to the non-financial public sector (NFPS) plus suppliers' credits and domestic arrears as reported by the authorities.** The banking claims data come from the Fund's Standardized Report Forms 1SR and 2SR tables reported by the BRH to the IMF. The accounts of the education fund *Programme de Scolarisation Universelle, Gratuite, et Obligatoire* (PSUGO) and social security funds (*Pension civile* and *Office Nationale d'Assurance-Vieillesse—ONA*) are consolidated with the rest of the NFPS. In the absence of data, the calculation of domestic public debt does not include T-bills and bonds held outside of the banking sector, which are understood to be negligible. Overdue payments related to current spending on wages and salaries, or goods and services, are effectively recorded in the subsequent year's budget and typically processed (paid) the fiscal year so they are not recorded as domestic arrears (instead of being added to debt as per accounting norms, i.e., after certain criteria such as 90-day delays are assessed)<sup>3</sup>. In the recent past this has happened mostly with payments due to oil distribution companies. Government debt to BRH, about 11.8 percent of the GDP, is not serviced.

Subsectors of the public sector	Check box		
1 Central government	X		
2 State and local government	X		
3 Other elements in the general government	X		
4 o/w: Social security fund	X		
5 o/w: Extra budgetary funds (EBFs)	X		
6 Guarantees (to other entities in the public and private sector, including to SOEs)			
7 Central bank (borrowed on behalf of the government)			
8 Non-guaranteed SOE debt			

1 The country's coverage of public debt	The general government		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1. 1/	0 percent of GDP	0.3	
3 SOE's debt (guaranteed and not guaranteed by the government) 2/	2 percent of GDP	2	
4 Public Private Partnership (PPP)	35 percent of PPP stock	0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
<b>Total (2+3+4+5) (in percent of GDP)</b>		<b>7.3</b>	

1/ Includes an estimate of external contingent liabilities.  
2/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SOE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

## B. Background on Debt

**3. The revision to the national accounts in 2020 markedly lowered Haiti's public debt-to-GDP ratio.** After several years of technical assistance (TA), the Haitian statistics institute (IHSI) in October 2020 released re-based and re-benchmarked national accounts that produced a large upward revision in nominal GDP by 65 percent (FY2019), due in part to the inclusion of the informal

<sup>3</sup> Payment arrears on expenditures are defined as all payment orders created by a public entity responsible for authorizing expenditure payments but not yet paid 90 days after authorization to pay given by the Treasury. Since the maturity of overdue payments does not go beyond the 90-day deadline, they are not accounted as payment arrears.

sector.<sup>4</sup> These revisions lowered debt ratios significantly. As a percent of GDP, public debt declined to 22.7 percent in FY2020 from 51.9 percent of GDP as previously projected in the 2020 DSA under the Rapid Credit Facility (RCF), and 27.1 percent in FY2021.<sup>5</sup> At the same time, the domestic revenue ratios dropped sharply as a result of the rebasing but also due to a real decline in revenue administration and collection. As a percentage of GDP, domestic revenues fell to 5.9 percent in FY2021 compared to 6.4 percent in FY2019 compared to 10.7 percent under the old GDP series. Foreign exchange receipts from exports of goods and services also fell to an estimated 6 percent of GDP in FY2021 from 11.7 percent of GDP in FY2019, or 18.2 percent under the old series. As evidenced by the ongoing deterioration in revenue trends (and the very low ratios), Haiti's debt service capacity has not improved (see below and Figure 1).

**4. At end-FY2021, Haiti's stock of public sector debt totaled US\$4.7 billion (27.1 percent of GDP).** External public debt accounted for 42.7 percent of total public debt (11.6 percent of GDP)

of which 72.2 percent was debt arising from oil imports financed by Venezuela's *Petrocaribe*

program (Text Table 2). The remainder

was largely concessional debt from multilateral creditors, including the International Fund for Agricultural Development (IFAD) and the IMF.

There is no public information on private external debt. Domestic public debt amounted to US\$2.7 billion compared to US\$2.8 billion in FY2020.

Nearly 80 percent was in the form of central bank advances to the government. This drop in domestic debt in U.S. dollars resulted largely

from valuation effects as the gourde depreciated by 48 percent against the U.S. dollar in FY2021. Haiti continues to have "technical arrears" to Venezuela of about US\$425.57 million, about 2 percent of GDP (September 30, 2021).<sup>6</sup>

<b>Text Table 2. Haiti: Structure of Public Debt at End-2021</b>			
(Fiscal-year basis)			
	US\$ millions	in percent of	
		total debt	GDP
<b>Total External Debt</b>	<b>2019.1</b>	<b>42.7</b>	<b>11.6</b>
<b>Multilateral creditors</b>	<b>256.2</b>	<b>5.4</b>	<b>1.5</b>
o/w IMF	162.8	3.4	0.9
o/w OPEC	41.4	0.9	0.2
o/w IFAD	52.0	1.1	0.3
o/w IDA	0.0	0.0	0.0
<b>Bilateral creditors</b>	<b>1810.2</b>	<b>38.3</b>	<b>10.4</b>
Venezuela	1497.0	31.7	8.6
o/w PetroCaribe	1471.0	31.1	8.4
o/w BANDES	26.0	0.6	0.1
Taiwan, Province of China	313.2	6.6	1.8
<b>Other borrowing</b>	<b>7.8</b>	<b>0.2</b>	<b>0.0</b>
<b>Total Domestic Debt</b>	<b>2708.1</b>	<b>57.3</b>	<b>15.5</b>
<b>BRH</b>	<b>2063.6</b>	<b>43.7</b>	11.8
<b>Other creditors</b>	<b>644.6</b>	<b>13.6</b>	3.7
<b>Total Debt</b>	<b>4727.2</b>	<b>100.0</b>	<b>27.1</b>

Sources: Haitian authorities, and Fund staff estimates.

<sup>4</sup> Annual data refer to the fiscal year ending September 30.

<sup>5</sup> See Appendix I below. Additional minor revisions by the IHSI in May 2021 raised nominal GDP slightly without affecting growth rates.

<sup>6</sup> Haiti has encountered difficulties processing payments to Venezuela for debts incurred under the *Petrocaribe* agreement due to issues related to international sanctions. For now, debt service payments to Venezuela are being placed in an escrow account in U.S. dollars held at the BRH.

**5. Public debt has increased since the debt relief received after the 2010 earthquake.** Haiti benefited from debt relief of about US\$1.0 billion from international creditors after the 2010 earthquake, including US\$268 million from the IMF under the Post-Catastrophe Debt Relief Trust Fund (CCRT) and US\$36 million from the World Bank.<sup>7</sup> As a result, external public debt fell from 19 percent of GDP at end-FY2009 to less than 9.0 percent of GDP in FY2011 (both using old GDP series). After that, debt increased steadily until FY2020, mostly driven by disbursements related to the *PetroCaribe* agreement with Venezuela on the external side, and by unremunerated advances from the BRH on the domestic side. The government obtained some financing from domestic non-financial companies (US\$123 million) in FY2018 and signed a loan from Taiwan Province of China (US\$150 million) in January 2019, although the latter was disbursed in tranches.<sup>8</sup> In April 2020, the IMF Board approved a disbursement of US\$111.6 million (SDR81.9 million) under the RCF to help cover needs related to the COVID-19 pandemic. Haiti was also granted debt relief in April 2021 under the IMF's updated CCRT worth US\$22.6 million (SDR 15.21 million) covering debt service to the IMF falling due from April 14, 2020 to April 13, 2022.<sup>9</sup> Haiti also benefited from an SDR allocation of US\$224 million (SDR 157 million) in August 2021, with the central bank on-lending half to the government for emergency spending, including related to 2021 earthquake recovery.<sup>10</sup>

**6. The fiscal situation deteriorated further in FY2021.** As noted above, revenue collection remained particularly low, in part due to the difficult security conditions, while higher international oil prices contributed to a significant increase in the fiscal deficit, mainly through higher fuel subsidies. While the NFPS posted a primary deficit of 2.4 percent of GDP in FY2021 compared to the 3.1 percent of GDP projected in the 2020 DSA, this better-than-anticipated outturn mostly reflected the higher re-based nominal GDP. Financing sources were limited mainly to the central bank as external budget support remained relatively low. Donor support of about US\$80 million was provided in late-FY2021 in the aftermath of the August earthquake. In this context, the present value of public debt stood at 21 percent of GDP in September 2021.<sup>11</sup>

<sup>7</sup> The World Bank also provided US\$508 million in grant financing from the IDA Crisis Response Window (CRW) to support reconstruction and long-term restoration of capacity in the country.

<sup>8</sup> The loan package, which includes grants from the government of Taiwan Province of China to compensate for the difference between a low fixed rate and the current higher variable rate applicable to the loan, is assessed to be concessional. Of this loan, US\$82.5 million has been disbursed so far, US\$30 million is expected in FY2022, with the remainder US\$37.5 million to be disbursed later.

<sup>9</sup> See Catastrophe Containment and Relief Trust, 2021.

<sup>10</sup> While not contributing to gross public debt directly, when used, that is when holdings fall below allocations through on-lending for instance, SDR use enters the DSA as a long-term debt liability in the gross external debt statistics and the net interest payments in the debt service.

<sup>11</sup> This number cannot be compared directly to the present value of public debt reported in the 2015 and 2020 DSAs since: (i) the coverage of debt has changed to include BRH advances to the government and (ii) GDP has been rebased.

## C. Background on Macroeconomic Forecasts

**7. The baseline assumes a normative policy implementation under a one-year Fund-supported program to restore macro-stability and growth.** In this context, the outlook presents a modest recovery, sufficient implementation of sound macro-policies to restore stability, and implementation of select reforms that would help attract some external financing and FDI and raise investment, growth and real incomes. While the proposed Staff-Monitored Program (SMP) aims to lay the ground for an eventual upper-credit-tranche arrangement, reform implementation after the one-year SMP is assumed to be modest given the uncertainties predicting policy commitment beyond 2023.

- Real GDP is projected to turn positive in FY2022 to 0.3 percent after contracting by 1.7 percent in FY2019, 3.3 percent in FY2020, and 1.8 percent in FY2021 amidst a protracted political crisis and the COVID pandemic (Text Table 3). Growth for FY2022 is driven by a mild rebound in the service sector as social unrest abates. Nonetheless, and as noted above, risks to the growth outlook are significant, particularly linked to political uncertainty with possible presidential and parliamentary elections, security challenges, and/or a rise in confirmed COVID cases. Moreover, without comprehensive structural reforms, medium-term growth prospects remain grim given the protracted political-security crisis and collapse in investment. Under the baseline scenario, which assumes some political stability and implementation of select reforms, including in vocational training to boost productivity, growth could reach 1.5 percent over the medium-term, taking into account the probability of natural disasters and their effect on growth.<sup>12</sup>

**Text Table 3. Haiti: Macroeconomic Assumptions Compared to the Previous DSA 1/**

	2022		2023-26 Avg		2027-37 Avg	
	Previous DSA	Current DSA	Previous DSA	Current DSA	Previous DSA	Current DSA
(annual percentage change, unless otherwise indicated)						
Real GDP	0.7	0.3	1.2	1.5	1.4	1.5
Consumer prices (period average)	13.1	26.1	14.4	13.8	10.9	9.7
(in percent of GDP, unless otherwise indicated)						
Total revenue and grants	15.1	8.6	17.8	8.9	19.7	9.7
Of which: Revenue	12.1	5.8	13.7	6.9	14.9	7.6
Total expenditure	16.8	10.1	20.3	11.6	22.8	13.0
Of which: Capital expenditure	5.1	3.5	7.0	3.5	9.6	4.5
Overall balance	-1.7	-1.5	-3.7	-2.6	-4.0	-3.3
Current account balance	1.5	0.8	-1.6	-0.5	-3.0	-2.0
Exports of goods and services	16.7	6.6	15.5	6.9	14.9	7.1
Imports of goods and services	60.4	28.9	51.6	29.4	50.8	29.5

Sources: Haitian authorities; and Fund staff estimates and projections.  
1/ The previous DSA forecasted data until FY2037, therefore, average presented are conditional to data availability.

<sup>12</sup> The 1.5 percent long-term growth projection is based on a growth accounting exercise, using a neoclassical production function with a labor share of 35 percent based on staff projections for investment and UN projections for labor force growth, and assuming that TFP grows over the projection period 2020-2025 at the same rate (1.2 percent) as the estimated average for 2013-2019. Growth of 1.5 percent is 0.1 percent above the average observed real rate over 2013-2019, a period during which about 77 natural disasters were recorded in Haiti.

- After peaking at 25.2 percent y/y in FY2020, inflation declined gradually to 13.1 percent (y/y) by September 2021, in part a lagged reaction to the large gourde appreciation. It is projected at 27.5 percent (y/y) at end-FY2022, with 12-month period-average rate of 26.1 percent, and is expected to decline slowly over time under the moderate growth baseline. A stable real exchange rate vis-à-vis the U.S. dollar is assumed over the medium-term following the gradual depreciation in FY2021, with the nominal bilateral rate being driven by the inflation differential vis-à-vis the U.S.
- The deficit of the NFPS is projected to decline to 1.5 percent of GDP in FY2022 from 2.4 percent of GDP in FY2021 as current spending other than energy subsidies is compressed to make room for large domestic debt reimbursement. The deficit is expected to increase to around 2.8 percent of GDP in FY2025 as expenditures revert to more realistic levels and the baseline scenario assumes no changes in fuel price policy given the very high uncertainty surrounding the likelihood and timing of this reform, which results to higher forgone fuel taxes, thus, lower tax revenues. Over the long term, the deficit is expected to increase gradually to reach about 3.3 percent of GDP on average, taking into account baseline assumptions mentioned above and the likely impact of natural disasters. The latter would increase both current spending for emergency assistance to victims and capital spending for reconstruction purposes. The resulting deficit increase is expected to be financed with external financing, including concessional multilateral and bilateral financing, some domestic market financing, and advances from the BRH limited to around 2.0 percent of GDP.
- An external current account surplus of 0.8 percent of GDP is projected in FY2022 following a surplus of 0.5 percent in FY2021 arising from a 21 percent surge in recorded remittances and despite a rebound in imports. The FY2022 surplus will reflect a pick-up in official transfers under the SMP while export and import growth are expected to remain subdued. With no fuel price reform in the baseline scenario, higher fuel subsidies somehow are crowding out public capital spending, including in critical infrastructure to support and promote exports, e.g., roads and ports, resulting to lower export growth. Over the medium and long term, the current account deficit is expected to stabilize at around 0.6 percent of GDP as remittance inflows are projected to follow historical trends.

**8. Future gross financing needs are assumed to be mostly funded by a moderate increase in external concessional financing and domestic debt instruments while central bank lending to the government is expected to be contained.** The SMP is expected to catalyze some external financing to fund more capital expenditures, nonetheless, in percent of gross financing needs, the share of external financing could decrease over the long term as government increases borrowing through T-bills. Central bank advances, which at this time are not remunerated, are expected to remain around 2 percent of GDP over the medium term, slightly above a level consistent with low inflation (1.5 percent of GDP). The remaining domestic financing would come from short-term debt

instruments purchased by commercial banks.<sup>13</sup> The latter's share is assumed to increase gradually in the long-term as the SMP contains BRH fiscal financing, the authorities deepen the market for government securities, and opportunities for commercial banks to diversify their portfolios would likely be modest in a context of fiscal dominance.<sup>14</sup> External debt financing, contracted or guaranteed, is assumed to be mostly non-concessional and increasing moderately in relative terms against the background of modest structural reform implementation.

**9. The baseline assumptions are credible.** The realism tool shows some differences between past and projected debt dynamics coming in part from the impact on external debt of the unusual FY2020 current account surplus, activity contraction the last three years, exchange rate appreciation, and for total public debt, from improved dynamics related to the real interest rate due to unremunerated advances from the BRH and a higher primary deficit, including related to high uncertainty surrounding the likelihood and timing of fuel price reform (Figure 3). More broadly, the change in public debt-to-GDP over the past three years has been mostly driven by the levels of the primary deficit, dampened by the real interest rate/growth differential, though exchange rate appreciation was a major contributor in FY2020. Under the baseline scenario, the projected factors affecting debt ratios remain broadly the same as in the past, with the exception of the real GDP growth which is projected to be positive and a gradual resumption of financing sources in an environment of modest reforms underpinned by a Fund-supported program. The past forecast error is either similar for the external debt ratio or lower for the public debt ratio than the median of other LICs and LMICs (Figure 3).

**10. The projected fiscal adjustment is realistic.** The planned adjustment falls outside the top quartile of the distribution of past adjustments of the primary fiscal deficit, suggesting a modest yet reasonable and credible pace of adjustment given the uncertainty of fuel price reform (Figure 4). The growth forecast for FY2022 is driven by some stabilization of the political and security situation, as witnessed in recent months, unrelated to any projected fiscal adjustment. The baseline growth projection assumes a modest resumption of activity in FY2022 following three years of contraction. Growth would rise modestly over the medium term. This growth path is largely independent of the projected fiscal position which reflects somewhat more stable tax revenues, some gradual increase in external financing, and limited additional credit from the BRH (Figure 4).

## D. Country Classification and Stress Tests

**11. The value of the composite indicator to assess debt carrying capacity is 2.78, resulting in a “medium” classification.**<sup>15</sup> Haiti's debt carrying capacity would be classified as “weak” if remittances as a share of GDP were not so high. Remittances-to-GDP above the 15.5 percent cut-off (on average over 2013–2021) push the index above the 2.69 cut-off value (see Table Debt Carrying

<sup>13</sup> Real interest rates on domestic debt shown in Table 3 reflect unremunerated CB financing

<sup>14</sup> Projected internal financing is assumed to be exclusively in domestic currency.

<sup>15</sup> The current Composite Index (CI) is estimated at 2.78 and is based on the Bank's 2020 CPIA and the October 2021 WEO. Haiti's debt-carrying capacity remains “medium”.

Capacity). Relative to the last DSA, the Composite Indicator (CI) has declined from 2.86 to 2.78 due to a stronger contribution from import coverage of reserves and weaker contribution from growth.

**12. This classification sets higher external and public debt thresholds to assess the risk of debt distress.** The present value of external debt can go as high as 40 percent of GDP or 180 percent of exports of goods and services, and the present value of public debt can reach 55 percent of GDP before the model-based risk of distress increases. The benchmarks for external debt service are 15 percent of exports of goods and services and 18 percent of fiscal revenues (Table 1).

**13. In addition to the standard stress tests, the analysis considers the effects on debt of a one-off major natural disaster shock.** This type of shock is particularly relevant for Haiti given its history of frequent major natural disasters. The shock assumes damages of 25 percent of GDP, similar to those caused by Hurricane Matthew that hit Haiti in 2016. While the damages and losses following the 2010 earthquake were estimated at 120 percent of FY2009 GDP, this type of disaster is not as statistically frequent as hurricanes, thus considered a tail risk event.<sup>16</sup> The stress test on combined contingent liabilities on external and domestic debt was updated to reflect available data.

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<sup>16</sup> See “Small States’ Resilience to Natural Disasters and Climate Change – Role for the IMF,” IMF, December 2016.

Table 1. Haiti: Debt Carrying Capacity and Thresholds

## Debt Carrying Capacity and Thresholds

Country	Haiti
Country Code	263

Debt Carrying Capacity	Medium
------------------------	--------

	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Final	Medium	Medium	Medium
	2.78	2.80	2.82



## Applicable thresholds

APPLICABLE	
<b>EXTERNAL debt burden thresholds</b>	
PV of debt in % of Exports	180
GDP	40
<b>Debt service in % of Exports</b>	
Revenue	18

APPLICABLE	
<b>TOTAL public debt benchmark</b>	
PV of total public debt in percent of GDP	55

## Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.749	1.06	38%
Real growth rate (in percent)	2.719	0.556	0.02	1%
Import coverage of reserves (in percent)	4.052	42.604	1.73	62%
Import coverage of reserves*2 (in percent)	-3.990	18.151	-0.72	-26%
Remittances (in percent)	2.022	14.033	0.28	10%
World economic growth (in percent)	13.520	3.137	0.42	15%
<b>CI Score</b>			<b>2.784</b>	<b>100%</b>
<b>CI rating</b>			<b>Medium</b>	

New framework	
Cut-off values	
Weak	CI < 2.69
Medium	2.69 ≤ CI ≤ 3.05
Strong	CI > 3.05

## Reference: Thresholds by Classification

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of Exports	140	180	240
GDP	30	40	55
<b>Debt service in % of Exports</b>			
Revenue	10	15	21
	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

## E. Debt Sustainability

### External Debt Sustainability Analysis

**14. Under the baseline scenario, most indicators of Haiti’s external debt path are projected to breach indicative thresholds except the present value of debt-to-GDP** (Figure 1 and Table 3). Slightly higher primary deficits over the medium term, funded by a gradual increase in external concessional financing, against the background of subdued export growth, brings the present value of PPG external debt as a share of exports into the “high” range of debt distress thresholds. The present value of debt-to-exports, which starts at around 112.4 percent in FY2022, reaches 186.6 percent in FY2033, breaching the 180 percent threshold and staying above that thereafter (323.3 percent in FY2043). The debt service-to-exports ratio remains below the threshold of 18 percent under the baseline scenario until FY2038, which it exceeds by FY2039 to reach 24.1 percent by FY2043. Meanwhile, the ratio of debt service to revenue only breaches the threshold in FY2041. Breaches in thresholds of these two key indicators over a longer (20-year) horizon partly reflect weaker tax revenue mobilization and subdued export growth related to Haiti’s institutional fragility, decline in productive capacity and competitiveness during the protracted political crisis and prolonged subsidization of petroleum products, vulnerability to large natural disasters, and the impact of climate change on debt. The present value of external debt-to-GDP shows a steady increase but remains below the threshold of assessing debt distress. It is projected to gradually increase from 7.4 percent in FY2022 to 13.3 percent by FY2033, rising modestly to 20.8 percent in FY2043. This would reflect a gradual resumption of external borrowing to finance public investment projects related to improved political stability and policy implementation.<sup>17</sup>

**15. The historical scenario highlights the realism of the baseline scenario.** Debt arising from oil imports financed by Venezuela’s *Petrocaribe* program increased at a fast pace from 2012–2018. If the key macroeconomic variables in the baseline projection were replaced by their 10-year historical average, the resulting path of external debt would reflect a significantly higher and over-optimistic (unrealistic) debt accumulation, including earlier and more prolonged threshold breaches for many indicators of PPG external debt. Under the SMP baseline, which excludes another *Petrocaribe*-type program, external financing would resume gradually from a relatively low base, leading to breach of the debt-to-exports threshold only over a longer (20-year) horizon.

**16. Stress tests confirm the vulnerability of debt dynamics to a drop in remittances and natural disasters.** A shock to non-debt creating flows, i.e., a decline in both current transfers and FDI inflows by one standard deviation, would bring the present value of external debt above the 180 percent-of-exports threshold much earlier in 2025 and the debt service-to-exports ratio above the 15 percent threshold after seven years (2029). A drop in remittances would present a more severe shock. A natural disaster shock has a significant impact on the external debt trajectory, bringing also the external debt-to-exports ratio above its threshold (Table 4).

<sup>17</sup> DSF guidance note, paragraph 87.

## Public Sector Debt Sustainability Analysis

**17. Public debt is sustainable under the baseline scenario.** Total public debt is projected at around 27 percent of GDP until 2027, rising to 50.2 percent by FY2043. In present value terms, public debt would reach a maximum of 43.6 percent of GDP in FY2043, around 11 percentage points below the corresponding benchmark (Figure 2, Table 3). A few characteristics of the debt profile in some ways help to limit potential vulnerabilities, in particular: i) its relatively long maturity to multilateral creditors, ii) a relatively high share denominated in gourdes (about 57 percent), and iii) the investment base comprised mostly of public agencies. Thanks to these features, Haiti's government has funded its gross financing needs. Debt service appears moderate over a 10-year horizon, as advances from the BRH, a significant portion of public debt, are not serviced in short term, including principal and interest payments. However, repayment of these advances could raise debt service over the long run significantly, depending on conditions attached to reimbursement of those advances.

**18. While the public debt ratio remains largely below its benchmark for all stress test scenarios, it is highly vulnerable to natural disasters.** Under the most extreme natural disaster scenario, the present value of the public debt-to-GDP ratio barely exceeds 55 percent over a longer horizon (20-year) after the year of the shock (Table 5). Nonetheless, it increases by 60 percent in the aftershock to reach 44 percent in 2025 (against 23 percent in the baseline) before declining progressively, and exhibits a tail effect over a longer horizon, slightly exceeding the threshold around FY2041, reflecting a higher probability of natural disasters over the longer-term horizon (Table 5). This proximity to the threshold over longer horizon warrants consideration.

## F. Risk Rating and Vulnerabilities

**19. The debt outlook for Haiti remains subject to several risks and vulnerabilities.** Public debt is expected to stabilize as a share of GDP in the near term with the modest economic recovery expected under the SMP while accounting for the average annual impact of natural disasters (Table 3). Potential growth and external financing would be stronger with extended implementation of reforms and Haiti's annual gross financing needs would decline marginally due to improved tax revenue collection. Rollover risk is low under the assumption of continued BRH financing over the next four-five years. However, over the long term, central bank financing is assumed to stabilize at 2.0 percent of GDP, gradually replaced by issuance of short term bills by the government. In this environment, although the present value of external public debt-to-GDP is projected below its indicative benchmarks under the baseline, other indicators of external debt, e.g., the present value of debt-to-exports ratio would breach its indicative benchmark by 2033 due to subdued export growth, and for the debt service-to-revenue in 2041 because of weaker revenue mobilization. In addition, a drop in remittances or a natural disaster shock similar in magnitude to Hurricane Matthew would imply an increase in debt ratios and breaches in some thresholds of external debt indicators. The external debt service capacity is also vulnerable to a drop in official and private transfers and FDI, as illustrated by the debt service to revenues breaches of the threshold (Table 4). Haiti's debt-carrying capacity has remained "medium", unchanged from the last DSA, which calls for

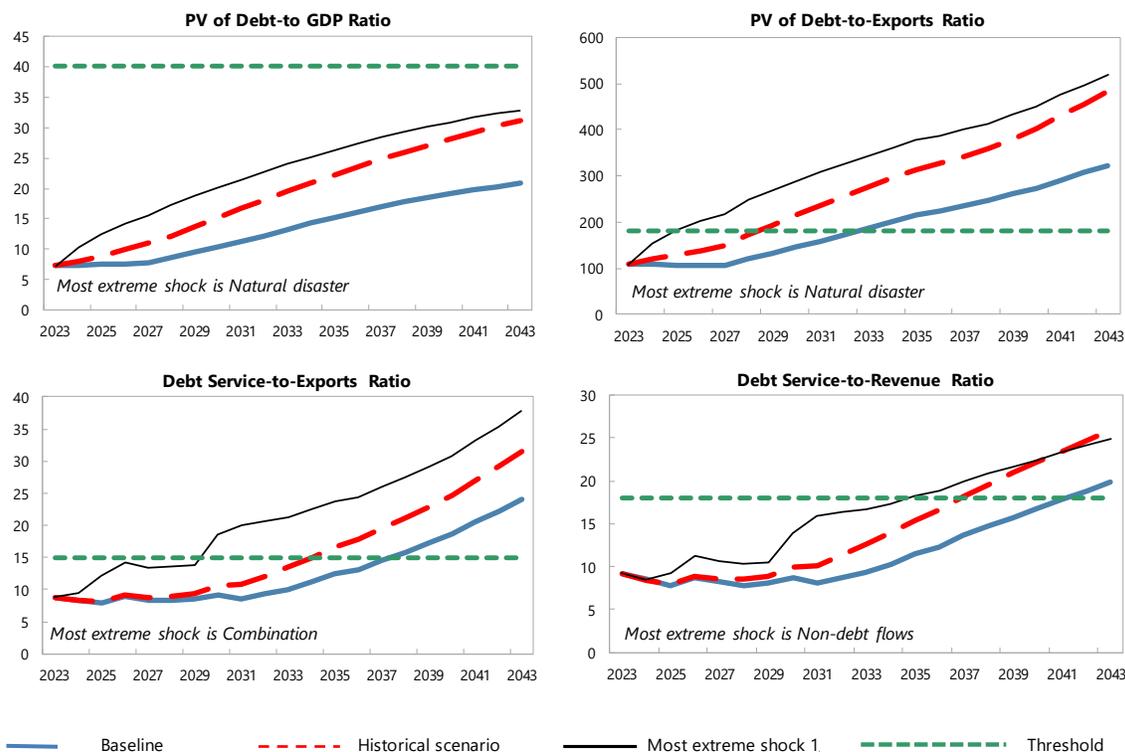
stepping up efforts to strengthen revenue mobilization and reforms to raise investment and growth, as recommended by the SMP.

**20. Haiti's risk rating remains "high" risk of debt distress.** Although the GDP rebasing lowered by almost half the debt-to-GDP ratio, the outlook assumes an increase in external concessional financing in place of some monetary financing by the BRH to fund slightly higher primary deficits over the medium term in a context of subdued export growth and weaker revenue mobilization. This combination results in threshold breaches, as observed under the baseline scenario in the previous DSA. Moreover, Haiti is a country affected by fragility and violence and exposed to natural hazards and climate change. Looking beyond the baseline, the most likely stress scenarios accounting for the high probability of natural disasters show that external debt and external debt service would breach some thresholds. Another major natural disaster or decline in remittances would substantially worsen public debt dynamics, even under a 10-year horizon. On this basis, consideration of these vulnerabilities in the debt sustainability analysis is warranted in maintaining the risk of debt distress as "high". The DSA highlights the importance of implementing the authorities' economic reform program supported by the SMP and preparing for and managing the adverse effects of natural disasters.

#### ***Authorities' Views***

**21. The authorities agreed with the thrust of the debt sustainability analysis and its conclusions.** They viewed staff's baseline scenario as realistic but emphasized possible upside risks to tax revenue mobilization and exports forecasts, given that several important sectors of Haiti's economy might rebound faster if the political situation stabilizes further. They took note of Haiti's lower ratios of debt-to-GDP as a result of GDP rebasing and concurred that the country's risk of debt distress remains classified as "high" while its debt-carrying capacity should remain unchanged at "medium". They noted that a higher level of investment is critical to raise potential growth, which could widen the current account deficit over the medium term. The BRH highlighted some implications of reforms related to its governance and ongoing transition to IFRS-9, which could bring changes to the accounting of the central bank's advances to the government, as well as interest payments. Moreover, the BRH noted that efforts to deepen financial markets, and to develop the market for government debt securities in particular, could help reduce monetary financing to the government gradually.

**Figure 1. Haiti: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2023–43**



Customization of Default Settings		
	Size	Interactions
<b>Tailored Tests</b>		
Combined CLs	Yes	
Natural Disasters	Yes	No
Commodity Prices <sup>2/</sup>	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
<b>Shares of marginal debt</b>		
External PPG MLT debt	100%	
<b>Terms of marginal debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	5	5

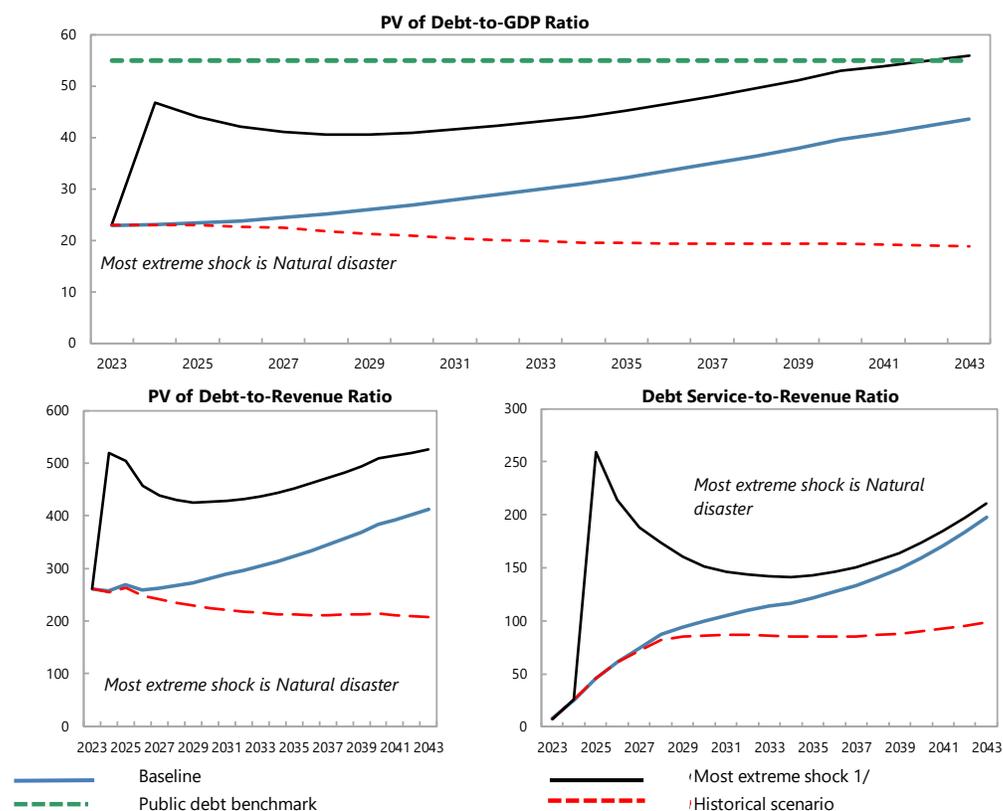
\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

**Figure 2. Haiti: Indicators of Public Debt Under Alternatives Scenarios, 2023–43**



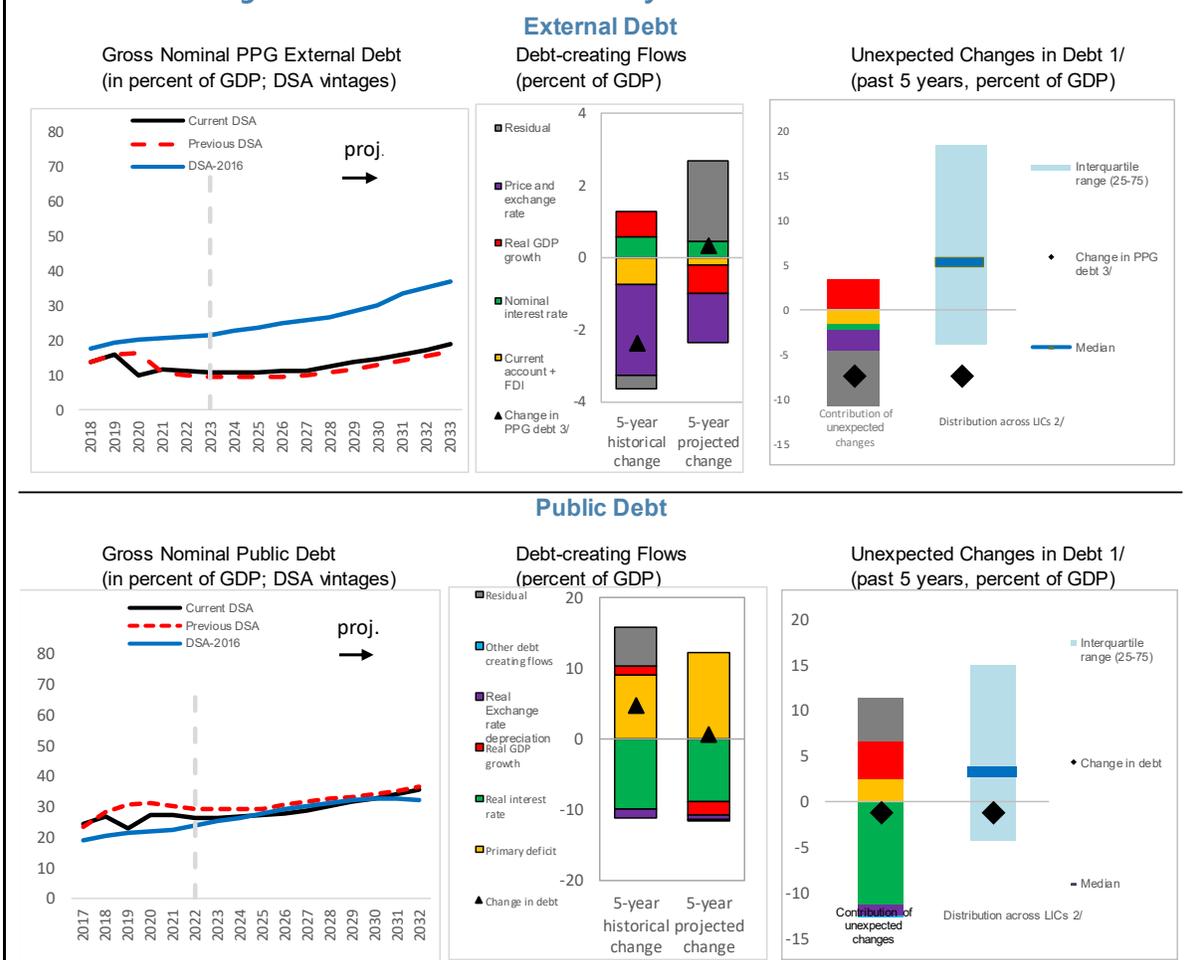
Borrowing Assumptions for Stress Tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	18%	18%
Domestic medium and long-term	0%	0%
Domestic short-term	82%	82%
<b>Terms of marginal debt</b>		
<b>External MLT debt</b>		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	5	5
<b>Domestic MLT debt</b>		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
<b>Domestic short-term debt</b>		
Avg. real interest rate	-9.1%	-9.1%

\* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 3. Haiti: Drivers of Debt Dynamics-Baseline Scenario**



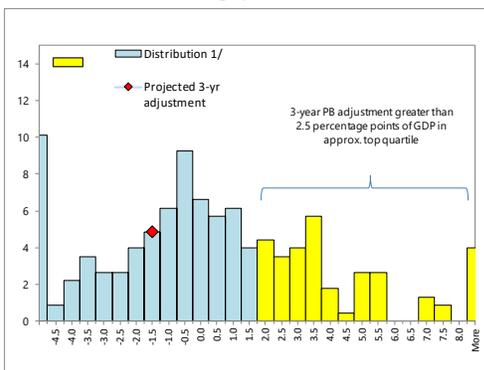
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

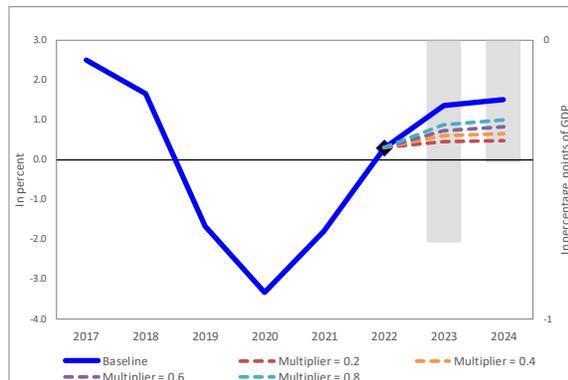
**Figure 4. Haiti: Realism Tools**

**3-Year Adjustment in Primary Balance  
(Percentage points of GDP)**



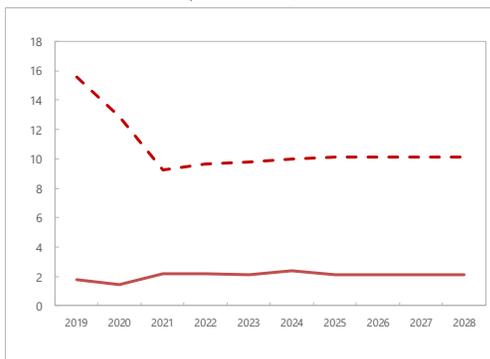
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

**Fiscal Adjustment and Possible Growth Paths 1/**



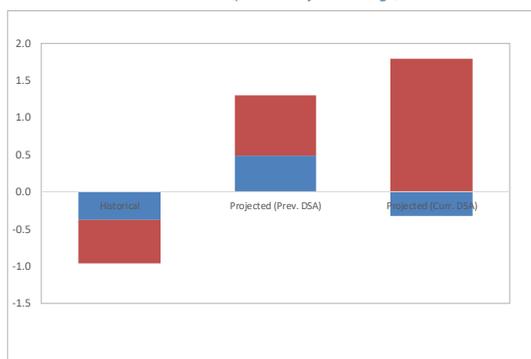
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates  
(percent of GDP)**



— Gov. Invest. - Curr. DSA  
- - - Priv. Invest. - Curr. DSA

**Contribution to Real GDP growth  
(percent, 5-year average)**



■ Contribution of other factors  
■ Contribution of government capital

**Table 2. Haiti: Structure of Public Debt and Debt Service**  
(Fiscal-year basis)

	<b>Debt (at end-2021)</b>			<b>Debt Service</b>					
	In percent of			2021	2022	2023	2021	2022	2023
	US\$ millions	total debt	GDP	US\$ millions			In percent of GDP		
<b>Total</b>	<b>4727.2</b>	<b>100.0</b>	<b>27.1</b>	<b>123.9</b>	<b>124.0</b>	<b>124.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
<b>External</b>	<b>2019.1</b>	<b>42.7</b>	<b>11.6</b>	<b>123.9</b>	<b>124.0</b>	<b>124.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
Multilateral creditors	<b>256.2</b>	<b>5.4</b>	<b>1.5</b>	<b>20.2</b>	<b>20.5</b>	<b>21.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
IMF	162.8	3.4	0.9	11.9	12.3	13.3	0.1	0.1	0.1
OPEC	41.4	0.9	0.2	5.2	5.1	5.0	0.0	0.0	0.0
IFAD	52.0	1.1	0.3	3.1	3.1	3.1	0.0	0.0	0.0
IDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors	<b>1810.2</b>	<b>38.3</b>	<b>10.4</b>	<b>103.7</b>	<b>103.5</b>	<b>103.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>
Paris Club	-	-	-	-	-	-	-	-	-
Non-Paris Club	1810.2	38.3	10.4	103.7	103.5	103.3	0.6	0.5	0.5
Venezuela	1497.0	31.7	8.6	96.6	96.5	96.5	0.6	0.5	0.5
PetroCaribe	1471.0	31.1	8.4	94.5	94.5	94.5	0.5	0.5	0.5
BANDES	26.0	0.6	0.1	2.1	2.0	2.0	0.0	0.0	0.0
Taiwan, Province of China	313.2	6.6	1.8	7.1	7.0	6.8	0.0	0.0	0.0
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Other international creditors	7.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Domestic</b>	<b>2708.1</b>	<b>57.3</b>	<b>15.5</b>	-	-	-	-	-	-
Held by non-residents, total	-	-	-	-	-	-	-	-	-
Held by residents, total	2708.1	57.3	15.5	-	-	-	-	-	-
Loans, total	2708.1	57.3	15.5	-	-	-	-	-	-
BRH	2063.6	43.7	11.8	-	-	-	-	-	-
Other creditors (incl.T-Bills)	644.6	13.6	3.7	-	-	-	-	-	-
<b>Memo items</b>									
Collateralized debt	-	-	-	-	-	-	-	-	-
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (US\$ millions)	21016.8								

Sources: Haitian authorities, and Fund staff estimates.

**Table 3. Haiti: External Debt Sustainability Framework, Baseline Scenario, 2020–2043**

(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	9.8	11.6	11.2	10.8	10.9	11.1	11.3	11.5	12.5	18.9	25.7	12.8	13.6
of which: public and publicly guaranteed (PPG)	9.8	11.6	11.2	10.8	10.9	11.1	11.3	11.5	12.5	18.9	25.7	12.8	13.6
Change in external debt	-6.3	1.7	-0.4	-0.4	0.1	0.1	0.2	0.3	1.0	1.4	-0.3		
Identified net debt-creating flows	-1.0	-3.8	-0.5	0.0	0.0	0.0	-0.1	-0.3	0.2	0.1	-0.8	1.2	0.0
Non-interest current account deficit	-1.2	-0.6	-0.9	0.4	0.4	0.5	0.5	0.7	2.0	1.9	0.9	2.1	1.3
Deficit in balance of goods and services	22.0	18.9	22.3	22.7	22.8	22.6	21.9	21.5	22.5	22.5	23.1	21.5	22.4
Exports	7.0	6.0	6.6	6.7	6.8	7.0	7.2	7.4	7.1	7.1	6.4		
Imports	29.0	24.9	28.9	29.4	29.6	29.6	29.1	28.8	29.6	29.6	29.6		
Net current transfers (negative = inflow)	-22.9	-19.2	-22.9	-21.9	-22.0	-21.6	-21.0	-20.3	-19.9	-19.9	-20.2	-19.1	-20.6
of which: official	-0.9	-0.8	-2.7	-2.4	-2.3	-1.7	-0.3	-0.3	-0.4	-0.6	-1.2		
Other current account flows (negative = net inflow)	-0.3	-0.2	-0.2	-0.3	-0.4	-0.5	-0.5	-0.5	-0.5	-0.6	-2.0	-0.4	-0.5
Net FDI (negative = inflow)	-0.2	-0.2	-0.3	-0.4	-0.4	-0.4	-0.6	-1.0	-1.8	-1.8	-1.8	-0.8	-1.2
Endogenous debt dynamics 2/	0.4	-3.0	0.6	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.1		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.5		
Contribution from real GDP growth	0.5	0.1	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.4		
Contribution from price and exchange rate changes	-0.2	-3.2	0.5	...	...	...	...	...	...	...	...		
Residual 3/	-5.3	5.5	0.1	-0.4	0.2	0.1	0.4	0.6	0.8	1.3	0.5	-0.8	0.7
of which: exceptional financing	-0.7	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>													
PV of PPG external debt-to-GDP ratio	...	...	7.4	7.3	7.3	7.5	7.6	7.8	8.6	13.3	20.8		
PV of PPG external debt-to-exports ratio	...	...	112.4	108.7	108.1	107.1	106.6	106.6	120.6	186.6	323.3		
PPG debt service-to-exports ratio	11.7	9.9	9.3	8.8	8.4	7.9	8.8	8.3	8.3	10.0	24.1		
PPG debt service-to-revenue ratio	13.1	10.0	10.5	9.2	8.5	7.8	8.7	8.2	7.8	9.3	19.8		
Gross external financing need (Million of U.S. dollars)	-85.4	-45.1	-106.2	130.5	132.7	146.8	130.4	81.5	204.1	254.2	297.1		
<b>Key macroeconomic assumptions</b>													
Real GDP growth (in percent)	-3.3	-1.8	0.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.8	1.5
GDP deflator in US dollar terms (change in percent)	1.5	47.5	-4.5	3.7	2.4	2.3	2.3	2.0	1.6	2.2	2.2	4.1	2.3
Effective interest rate (percent) 4/	0.8	1.4	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.4	1.8	0.8	1.1
Growth of exports of G&S (US dollar terms, in percent)	-41.5	23.8	5.8	6.9	5.4	6.6	6.7	6.2	-0.3	3.7	0.8	1.7	4.5
Growth of imports of G&S (US dollar terms, in percent)	-18.5	24.2	11.2	6.9	4.8	3.6	2.3	2.6	5.7	3.7	3.7	4.2	4.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	43.0	41.9	40.0	40.0	36.3	34.3	32.9	...	37.6
Government revenues (excluding grants, in percent of GDP)	6.2	5.9	5.8	6.4	6.7	7.1	7.3	7.5	7.5	7.6	7.8	7.1	7.3
Aid flows (in Million of US dollars) 5/	-6542.7	-2138.9	-6941.8	615.0	612.0	491.9	558.5	572.7	600.7	775.9	1307.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.8	2.7	2.1	2.4	2.3	2.6	3.0	3.6	...	2.6
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	85.1	82.8	77.7	76.5	77.0	68.7	65.2	66.7	...	72.7
Nominal GDP (Million of US dollars)	14,508	21,017	20,135	21,160	22,001	22,835	23,713	24,545	25,317	30,267	43,590		
Nominal dollar GDP growth	-1.9	44.9	-4.2	5.1	4.0	3.8	3.8	3.5	3.1	3.7	3.7	4.8	3.8
<b>Memorandum items:</b>													
PV of external debt 7/	...	...	7.4	7.3	7.3	7.5	7.6	7.8	8.6	13.3	20.8		
In percent of exports	...	...	112.4	108.7	108.1	107.1	106.6	106.6	120.6	186.6	323.3		
Total external debt service-to-exports ratio	11.7	9.9	9.3	8.8	8.4	7.9	8.8	8.3	8.3	10.0	24.1		
PV of PPG external debt (in Million of US dollars)	...	...	1491.3	1542.5	1616.2	1706.5	1812.2	1923.9	2170.0	4013.6	9080.8		
(PVT-PVt-1)/GDPt-1 (in percent)	...	...	...	0.3	0.3	0.4	0.5	0.5	1.0	1.5	1.3		
Non-interest current account deficit that stabilizes debt ratio	5.1	-2.3	-0.5	0.8	0.3	0.3	0.3	0.4	1.0	0.5	1.2		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - p(1+g) + \epsilon\alpha(1+r)] / (1+g+p+gp)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $p$  = growth rate of GDP deflator in U.S. dollar terms;  $\epsilon$  = nominal appreciation of the local currency, and  $\alpha$  = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

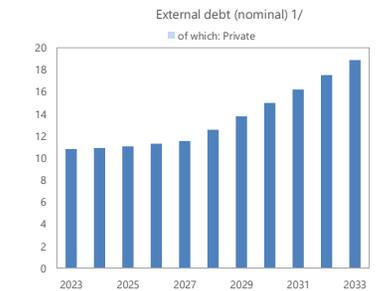
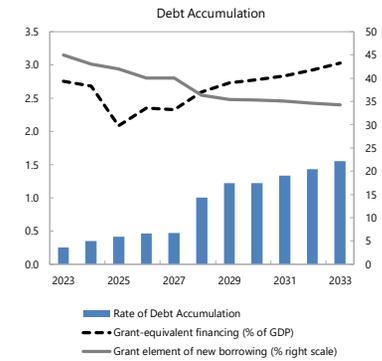


Table 4. Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

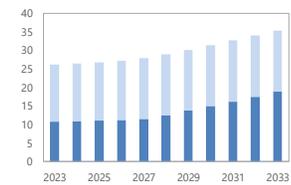
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	22.7	27.1	27.3	26.1	26.4	26.8	27.1	27.9	28.9	35.3	50.2	24.5	29.7
of which: external debt	9.8	11.6	11.2	10.8	10.9	11.1	11.3	11.5	12.5	18.9	25.7	12.8	13.6
Change in public sector debt	-4.2	4.4	0.2	-1.1	0.3	0.4	0.3	0.7	1.0	1.3	1.3		
Identified debt-creating flows	-5.5	3.2	-2.7	-1.1	0.3	0.4	0.5	0.8	1.1	1.3	1.4	0.4	0.8
Primary deficit	2.1	2.2	1.3	2.1	2.5	2.6	2.5	2.6	2.7	2.9	4.1	2.0	2.6
Revenue and grants	7.5	8.3	8.6	8.8	9.0	8.7	9.2	9.3	9.4	9.8	10.6	9.7	9.3
of which: grants	1.3	2.4	2.7	2.4	2.3	1.7	1.9	1.9	1.9	2.2	2.7		
Primary (noninterest) expenditure	9.6	10.5	9.9	10.9	11.5	11.3	11.7	11.9	12.1	12.7	14.7	11.8	12.0
Automatic debt dynamics	-7.7	1.1	-4.0	-3.2	-2.2	-2.2	-2.1	-1.8	-1.6	-1.5	-2.8		
Contribution from interest rate/growth differential	-0.9	-1.8	-3.8	-2.9	-2.2	-2.1	-2.0	-1.7	-1.6	-1.5	-1.9		
of which: contribution from average real interest rate	-1.8	-2.2	-3.7	-2.5	-1.8	-1.7	-1.6	-1.3	-1.2	-1.0	-1.1		
of which: contribution from real GDP growth	0.9	0.4	-0.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.7		
Contribution from real exchange rate depreciation	-6.8	2.8	-0.2	—	—	—	—	—	—	—	—		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.3	1.2	2.8	-0.4	0.0	-0.1	-0.2	-0.1	-0.1	0.0	-1.0	-0.1	-0.1
<b>Sustainability indicators</b>													
PV of public debt-to-GDP ratio 2/	...	...	23.9	22.9	23.1	23.5	23.7	24.4	25.1	29.9	43.6		
PV of public debt-to-revenue and grants ratio	...	...	279.6	260.7	257.4	269.1	258.5	261.4	266.5	304.5	411.8		
Debt service-to-revenue and grants ratio 3/	12.7	10.3	8.1	7.9	25.5	45.6	61.4	73.8	87.1	113.7	197.6		
Gross financing need 4/	3.1	3.0	2.0	2.8	4.8	6.6	8.2	9.5	10.9	14.0	25.1		
<b>Key macroeconomic and fiscal assumptions</b>													
Real GDP growth (in percent)	-3.3	-1.8	0.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.8	1.5
Average nominal interest rate on external debt (in percent)	0.9	0.9	0.9	0.8	0.9	0.9	0.9	1.0	1.1	1.5	1.8	0.8	1.1
Average real interest rate on domestic debt (in percent)	-15.9	-14.2	-20.2	-14.2	-11.0	-10.5	-9.4	-7.9	-6.6	-5.6	-4.7	-10.6	-8.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-40.7	28.9	-1.8	...	...	...	...	...	...	...	...	1.5	...
Inflation rate (GDP deflator, in percent)	20.6	19.3	26.1	17.5	13.4	12.9	11.5	9.7	8.1	7.0	7.0	13.5	9.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-5.5	6.9	-5.2	11.1	7.5	0.0	4.9	3.2	3.3	2.6	3.4	-3.7	3.8
Primary deficit that stabilizes the debt-to-GDP ratio 5/	6.4	-2.3	1.2	3.2	2.2	2.2	2.2	1.9	1.7	1.5	2.9	1.8	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

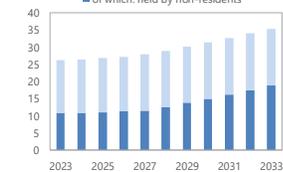
Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

Public sector debt 1/

■ of which: local-currency denominated  
 ■ of which: foreign-currency denominated



■ of which: held by residents  
 ■ of which: held by non-residents



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The general government. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

**Table 5. Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–2043**  
(In Percent)

	Projections 1/																					
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	
<b>PV of debt-to-GDP ratio</b>																						
<b>Baseline</b>	7	7	7	8	8	8	9	9	10	11	12	13	14	15	16	17	18	18	19	20	20	21
<b>A. Alternative Scenarios</b>																						
A1. Key variables at their historical averages in 2023-2033 2/	7	8	9	10	11	12	14	15	17	18	20	21	22	24	25	26	27	28	29	30	31	31
<b>B. Bound Tests</b>																						
B1. Real GDP growth	7	8	8	8	9	9	10	11	12	13	15	16	17	18	19	20	20	21	22	22	23	23
B2. Primary balance	7	7	8	8	9	9	10	11	12	13	14	15	16	17	18	19	19	20	21	21	22	22
B3. Exports	7	8	10	10	10	11	12	13	14	15	16	17	17	18	19	20	21	21	22	22	23	23
B4. Other flows 3/	7	11	15	16	16	17	18	18	19	19	20	21	21	22	22	23	23	24	24	24	24	24
B5. Depreciation	7	9	5	5	5	6	7	8	10	11	13	14	16	17	18	19	20	22	22	23	23	24
B6. Combination of B1-B5	7	12	15	15	15	16	17	18	19	19	20	21	22	22	23	23	24	24	25	25	25	25
<b>C. Tailored Tests</b>																						
C1. Combined contingent liabilities	7	8	9	10	10	11	12	13	14	15	16	17	18	19	20	21	22	22	23	23	24	24
C2. Natural disaster	7	10	13	14	16	17	19	20	21	23	24	25	26	27	28	29	30	31	32	32	33	33
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
<b>PV of debt-to-exports ratio</b>																						
<b>Baseline</b>	109	108	107	107	107	121	133	145	158	172	187	201	214	224	236	246	260	274	291	307	323	323
<b>A. Alternative Scenarios</b>																						
A1. Key variables at their historical averages in 2023-2033 2/	109	119	128	138	149	172	193	214	235	255	276	295	313	326	343	359	380	402	430	455	484	484
<b>B. Bound Tests</b>																						
B1. Real GDP growth	109	108	107	107	107	121	133	145	158	172	187	201	214	224	236	246	260	274	291	307	323	323
B2. Primary balance	109	110	113	115	116	132	146	158	172	185	200	214	227	236	248	258	272	285	303	318	335	335
B3. Exports	109	151	226	224	223	248	268	286	304	323	344	364	383	395	411	426	446	466	492	515	540	540
B4. Other flows 3/	109	168	221	217	215	234	247	257	264	273	282	291	300	303	310	316	326	336	351	363	376	376
B5. Depreciation	109	108	56	57	58	70	82	94	109	125	143	159	175	187	201	214	230	245	263	280	298	298
B6. Combination of B1-B5	109	188	199	255	252	276	292	305	316	328	342	355	367	374	384	393	407	421	441	457	476	476
<b>C. Tailored Tests</b>																						
C1. Combined contingent liabilities	109	120	128	133	137	155	170	184	198	213	229	243	257	267	278	290	304	318	338	354	373	373
C2. Natural disaster	109	155	183	203	216	247	269	289	308	326	344	362	378	387	401	414	432	450	475	496	520	520
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180
<b>Debt service-to-exports ratio</b>																						
<b>Baseline</b>	9	8	8	9	8	8	9	9	9	9	10	11	12	13	15	16	17	19	21	22	24	24
<b>A. Alternative Scenarios</b>																						
A1. Key variables at their historical averages in 2023-2033 2/	9	8	8	9	9	9	9	11	11	12	14	15	17	18	20	21	23	25	27	29	32	32
<b>B. Bound Tests</b>																						
B1. Real GDP growth	9	8	8	9	8	8	9	9	9	9	10	11	12	13	15	16	17	19	21	22	24	24
B2. Primary balance	9	8	8	9	8	8	9	9	9	10	11	12	13	14	16	17	18	20	22	23	25	25
B3. Exports	9	11	13	15	14	14	15	17	18	19	20	21	23	24	27	28	31	33	36	38	41	41
B4. Other flows 3/	9	8	9	12	11	11	11	15	17	17	18	19	20	20	21	22	24	25	27	28	30	30
B5. Depreciation	9	8	8	8	7	7	7	8	5	6	6	8	9	10	11	13	14	16	18	19	21	21
B6. Combination of B1-B5	9	10	12	14	13	13	14	18	20	21	21	22	24	24	26	27	29	31	33	35	38	38
<b>C. Tailored Tests</b>																						
C1. Combined contingent liabilities	9	8	8	9	9	9	9	9	9	10	11	12	13	14	15	17	18	19	21	23	25	25
C2. Natural disaster	9	9	9	11	11	11	12	12	12	13	14	15	16	17	18	19	21	22	24	26	28	28
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
<b>Debt service-to-revenue ratio</b>																						
<b>Baseline</b>	9	8	8	9	8	8	8	9	8	9	9	10	11	12	14	15	16	17	18	19	20	20
<b>A. Alternative Scenarios</b>																						
A1. Key variables at their historical averages in 2023-2033 2/	9	8	8	9	9	8	9	10	10	11	13	14	15	17	18	20	21	22	23	25	26	26
<b>B. Bound Tests</b>																						
B1. Real GDP growth	9	9	9	10	9	9	9	10	9	10	10	11	13	14	15	16	17	18	20	21	22	22
B2. Primary balance	9	8	8	9	8	8	8	9	9	9	10	11	12	13	14	16	17	18	19	20	21	21
B3. Exports	9	9	8	10	9	9	9	10	11	11	12	13	14	15	16	17	18	19	20	21	22	22
B4. Other flows 3/	9	8	9	11	11	10	11	14	16	16	17	17	18	19	20	21	22	23	24	25	25	25
B5. Depreciation	9	11	10	9	9	8	9	10	6	7	8	9	11	12	13	15	16	18	19	21	22	22
B6. Combination of B1-B5	9	9	10	12	11	11	11	14	15	16	16	17	18	19	20	21	22	23	24	25	26	26
<b>C. Tailored Tests</b>																						
C1. Combined contingent liabilities	9	8	8	9	9	9	9	9	9	10	10	11	12	13	14	15	16	17	19	20	20	20
C2. Natural disaster	9	8	9	10	10	10	11	11	11	12	12	13	14	15	16	17	18	19	20	21	22	22
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 6. Haiti: Sensitivity Analysis for Key Indicators of Public Debt, 2023–2043

	Projections 1/																				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<b>PV of Debt-to-GDP Ratio</b>																					
<b>Baseline</b>	23	23	23	24	24	25	26	27	28	29	30	31	32	34	35	36	38	40	41	42	44
<b>A. Alternative Scenarios</b>																					
A1. Key variables at their historical averages in 2023-2033 2/	23	23	23	23	22	22	21	21	20	20	20	20	19	19	19	19	19	19	19	19	19
<b>B. Bound Tests</b>																					
B1. Real GDP growth	23	25	27	28	29	30	31	33	34	36	37	39	41	42	44	46	48	50	52	53	55
B2. Primary balance	23	24	26	26	26	27	27	28	29	30	31	32	33	35	36	37	39	41	42	43	44
B3. Exports	23	24	26	26	27	28	28	29	30	31	32	33	34	35	37	38	39	41	42	43	45
B4. Other flows 3/	23	27	32	32	33	33	34	35	36	36	37	38	38	39	40	41	43	44	45	46	47
B5. Depreciation	23	23	23	23	23	23	23	24	24	25	26	26	27	28	29	30	31	33	34	35	36
B6. Combination of B1-B5	23	23	24	24	24	25	26	27	28	29	30	31	32	33	35	36	38	40	41	42	44
<b>C. Tailored Tests</b>																					
C1. Combined contingent liabilities	23	30	29	29	29	29	30	31	32	32	33	34	36	37	38	40	41	43	44	45	47
C2. Natural disaster	23	47	44	42	41	41	41	41	42	42	43	44	45	47	48	49	51	53	54	55	56
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Public debt benchmark</b>	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
<b>PV of Debt-to-Revenue Ratio</b>																					
<b>Baseline</b>	261	257	269	259	261	266	273	281	289	297	305	313	323	333	344	356	368	383	392	401	412
<b>A. Alternative Scenarios</b>																					
A1. Key variables at their historical averages in 2023-2033 2/	261	255	263	247	242	235	230	225	221	218	215	213	212	212	212	212	212	214	211	210	208
<b>B. Bound Tests</b>																					
B1. Real GDP growth	261	270	301	294	303	313	323	336	348	360	372	384	397	411	426	441	457	475	485	496	508
B2. Primary balance	261	271	295	280	280	283	288	295	302	310	317	325	335	344	355	367	379	393	401	410	420
B3. Exports	261	267	298	286	289	294	300	307	314	320	327	334	342	351	361	372	383	397	404	412	421
B4. Other flows 3/	261	304	363	348	349	354	360	365	368	371	375	379	385	391	398	406	415	426	430	435	441
B5. Depreciation	261	262	265	252	248	250	251	254	257	261	265	270	276	283	291	299	309	321	327	335	343
B6. Combination of B1-B5	261	261	276	258	261	266	272	280	288	296	304	313	322	333	344	355	368	382	391	401	411
<b>C. Tailored Tests</b>																					
C1. Combined contingent liabilities	261	333	336	315	311	312	315	321	327	333	340	348	357	367	378	389	401	416	423	432	441
C2. Natural disaster	261	519	503	456	439	429	425	426	428	432	437	444	452	461	472	482	495	509	514	520	526
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Debt Service-to-Revenue Ratio</b>																					
<b>Baseline</b>	8	25	46	61	74	87	94	99	105	110	114	117	122	127	134	141	149	159	171	184	198
<b>A. Alternative Scenarios</b>																					
A1. Key variables at their historical averages in 2023-2033 2/	8	26	46	61	72	82	85	86	87	87	86	85	85	85	86	87	88	90	93	95	98
<b>B. Bound Tests</b>																					
B1. Real GDP growth	8	26	52	74	91	108	117	125	132	138	143	147	153	160	167	176	185	196	209	224	239
B2. Primary balance	8	25	57	80	87	97	102	105	110	114	117	120	125	130	136	144	152	162	173	186	200
B3. Exports	8	25	46	62	74	88	95	101	107	112	115	119	123	129	135	142	150	161	172	185	199
B4. Other flows 3/	8	25	47	63	76	89	96	104	111	116	119	122	127	132	138	146	153	164	175	188	201
B5. Depreciation	8	25	44	56	71	80	90	95	100	104	108	111	115	120	127	134	141	151	162	173	186
B6. Combination of B1-B5	8	25	46	61	74	87	94	99	105	110	114	117	122	127	133	141	149	159	171	183	197
<b>C. Tailored Tests</b>																					
C1. Combined contingent liabilities	8	25	108	106	106	111	112	114	116	118	121	123	127	131	137	144	152	162	173	186	200
C2. Natural disaster	8	26	259	214	188	174	161	152	146	144	142	141	143	146	151	157	164	174	185	197	211
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

## Annex III. External Sector Assessment

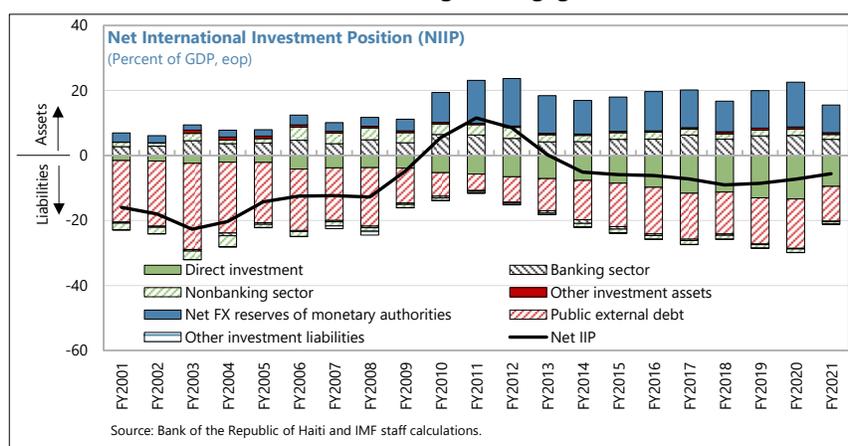
**Overall Assessment:** The external position of Haiti in FY2021 is assessed to be broadly in line with medium-term fundamentals and desired macroeconomic policies.

**Potential Policy Responses:** The authorities should continue to move toward a market-determined foreign exchange (FX) rate to eliminate the parallel market premium, enhance external sustainability, and improve competitiveness. Intervention should be limited to smoothing excess volatility and stabilizing market expectations. FX surrender requirements and intervention should be weighed carefully against the costs of these policies, including on exporters and remittance-dependent households.

### Foreign Assets and Liabilities: Position and Trajectory

**Background.** Haiti had net external liabilities of about 5.6 percent of GDP in FY2021. Gross external assets are provisionally estimated at 15.5 percent of GDP, with the central bank's international reserves at about \$1.8 billion or 55 percent of total gross external assets. Gross external liabilities were 21.1 percent of GDP, with foreign direct investment (FDI) accounting for about 45 percent of these liabilities and about 50 percent consisting of public external debt. Most public external debt is on concessional terms. After the 2010 earthquake large donor grant inflows contributed to a positive net asset position during FY2010–2013. Subsequently public external debt increased while foreign reserves declined, reducing NIIP.

**Assessment.** Given persistent current account deficits, Haiti's NIIP/GDP ratio is projected to worsen moderately over the medium term. While a significant CA adjustment is not necessary in the immediate term given development needs, reducing the depletion of FX reserves by moving toward a more market-determined exchange rate and enhancing competitiveness would strengthen Haiti's NIIP in the medium term. Such a movement could also increase the local currency value of Haiti's FX reserves, further strengthening gross external assets.

2021<sup>1</sup> (% GDP)

NIIP: -5.6

Gross Assets: 15.5

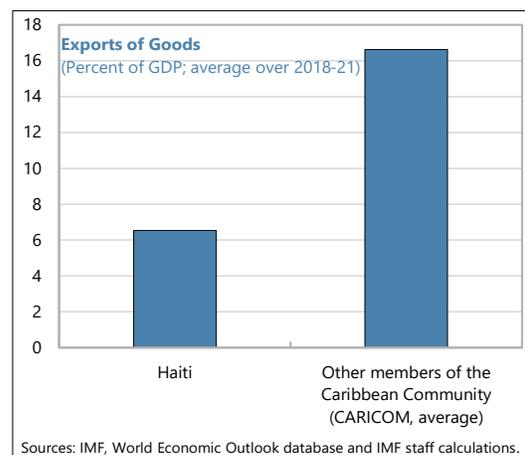
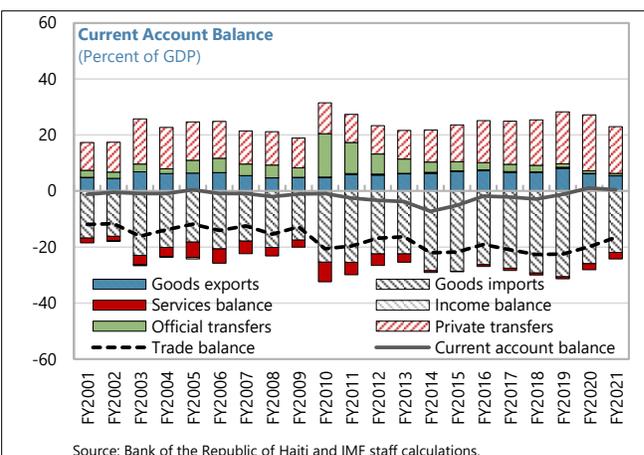
Debt Assets:  
8.5

Gross Liab.: -21.1

Debt Liab.: -10.7

## Current Account

**Background.** Haiti's current account surplus halved to about 0.5 percent of GDP in FY2021 from 1.1 percent in FY 2020 as imports picked up from a low base in FY2020. Continued strong growth in remittances inflows also contributed to rising current receipts. Haiti is one of the largest recipients of remittances in the region, receiving net private transfers of about 17 percent of GDP in FY2021. Remittances are offset by a large trade deficit in goods and services worth about 19 percent of FY2021 GDP. Imports of goods and services reached about 25 percent of GDP in FY2021, with oil imports accounting for about 4 percent of GDP worth of total imports in the same period. Haiti's goods exports are low in regional comparison and are impacted by factors not directly linked to the real exchange rate. These factors include poor port and road infrastructure; limited availability of credit, electricity, and water; and Haiti's legal and regulatory environment. Haiti's vulnerabilities to exogenous shocks are exacerbated by a concentration of exports, both in terms of product lines and destinations (apparels account for more than three-quarters of goods exports, of which the United States absorbs about 70 percent); dependence on imports of essential products; and natural disasters.



**Assessment.** The quantitative results of Haiti's EBA-lite CA model results would indicate that Haiti's FY2021 CA balance is broadly in line with medium-term fundamentals and desirable policies.

- The 2021 EBA-lite CA model, which includes adjustors for temporary factors related to the COVID-19 pandemic, found a model-identified CA gap of 1.3 percent of 2021 GDP based on a cyclically-adjusted current account of 0.7 percent of GDP and a norm of -0.7 percent of GDP. Policy gaps contributed about 4.4 percent of GDP to the model-estimated CA gap, with the rest attributable to unidentified country-specific factors and residuals (see table below).
- Staff adjusted upward the model-based CA-REER semi-elasticity to 0.3 from about 0.1, reflecting staff's assessment that the model-given elasticity for Haiti was too low given Haiti's status as an open, fragile economy with little integration into global value chains and a low and undiversified export base. Staff used a 5-year import and export elasticity measurement weighted by 2021 import and export shares of GDP.

Haiti: Model Estimates for 2021 (in percent of GDP)		
	CA model	REER model
<b>CA-Actual</b>	<b>0.5</b>	
Cyclical contributions (from model) (-)	0.0	
COVID-19 adjustor (+) 1/	0.5	
Additional temporary/statistical factors (+)	0.0	
Natural disasters and conflicts (-)	0.3	
<b>Adjusted CA</b>	<b>0.7</b>	
<b>CA Norm</b> (from model) 2/	<b>-0.7</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>-0.7</b>	
<b>CA Gap</b>	<b>1.3</b>	<b>-1.3</b>
o/w Relative policy gap	4.4	
Elasticity	-0.30	
<b>REER Gap (in percent)</b>	<b>-4.5</b>	<b>4.5</b>
1/ Additional cyclical adjustment to account for the temporary impact of the pandemic tourism (0.47 percent of GDP).		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

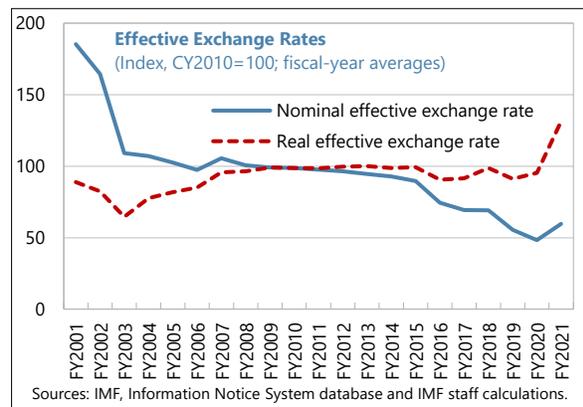
- The model-based results from the EBA-lite CA model, as well as the results of the EBA-lite REER model, both suggest that Haiti's FY2021 external position is broadly in line with the level suggested by fundamentals and desirable policies. Staff note that the results of the CA-model should be interpreted with caution as the political crisis, the security and law and order situation, supply-side disruptions and containment measures from the COVID-19 pandemic led to demand-related import compression that artificially strengthened the current account balance relative to fundamentals. Hence staff's assessment is that Haiti's external position in FY2021 is broadly in line with medium-term fundamentals and desired macroeconomic policies.
- While fiscal consolidation over the medium term would help support an improvement in the CA balance, measures are needed to increase productivity and lower private precautionary saving, including via policies that will support greater inclusion (e.g., reforms envisaged under the SMP, including higher spending on social assistance, education and health, and measures to increase financial access). Strengthening the business climate, phasing out FX surrender requirements, and moving toward a more market-determined exchange rate could help exporters, bolstering competitiveness over the medium term.

### Real Exchange Rate

**Background.** The real effective exchange rate (REER) at end of period (eop) depreciated by about 4.6 percent in FY2021 compared to FY2020, with the nominal effective exchange rate depreciating by 11.2 percent over the same period. However, since end-FY2019, the REER has appreciated about 45 percent - reflecting in part the authorities' intervention in the FX market to

defend the value of the gourde, sanctions on two commercial banks due to violations of FX market regulations, and new regulations on international money transfers.

**Assessment.** The EBA-lite REER model estimates the REER was overvalued by 4.5 percent (compared to an undervaluation of 4.5 percent implied by the EBA-lite CA model). This overvaluation likely reflects the appreciation episode of the nominal exchange rate in 2020-2021. Going forward, monetary and exchange rate policy should seek to phase out FX surrender requirements and limit FX intervention to smoothing excess volatility, which can allow the gourde to adjust to a more market-determined level. Staff findings would imply that a phasing out of these requirements could lead to a slight nominal depreciation of the currency. Monetary policy should stand by to contain second-round inflationary impacts a relaxation of these policies while phasing out monetary financing of the deficit and intervention over time.



### Capital and Financial Accounts: Flows and Policy Measures

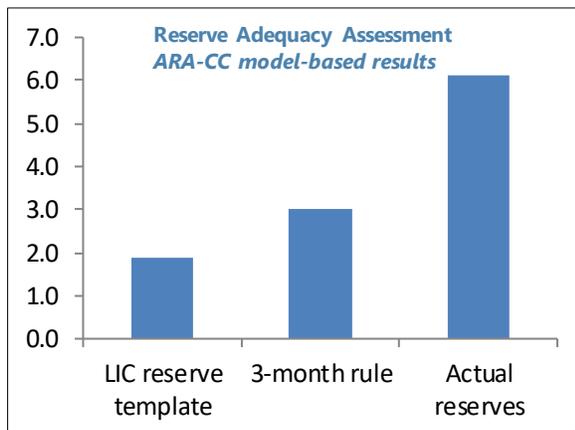
**Background.** FDI inflows have averaged about 1.0 percent per year since the 2010 earthquake, lower than the regional average. In FY2021, FDI flows were low relative to historic averages, reflecting lower disbursement of for private projects amid considerable global and domestic uncertainty. In September 2020, the authorities introduced regulations that would require money transfer companies to pay dollar remittances in gourdes using the BRH's reference exchange rate, and sell 30 percent of FX purchased from remittances to the BRH and 40 percent to banks, which themselves are not allowed to keep a net open FX position above 0.5 percent of equity. It is anticipated that FDI flows will be in line with historical averages in the medium term, though a relaxation of FX surrender requirements and improvements in the business climate are upside risks.

**Assessment.** Haiti's FX surrender regime could jeopardize the operations of the export sector and some domestic producers if the BRH's reference exchange rate required to be used for the surrender requirements does not reflect market conditions, therefore detracting from competitiveness. Gradually relaxing the surrender requirements would be appropriate given Haiti's fragile context and need for export diversification.

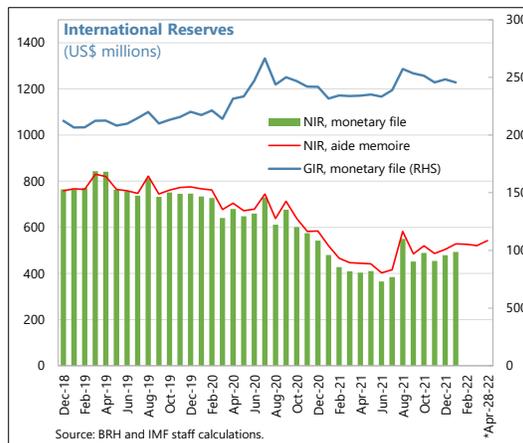
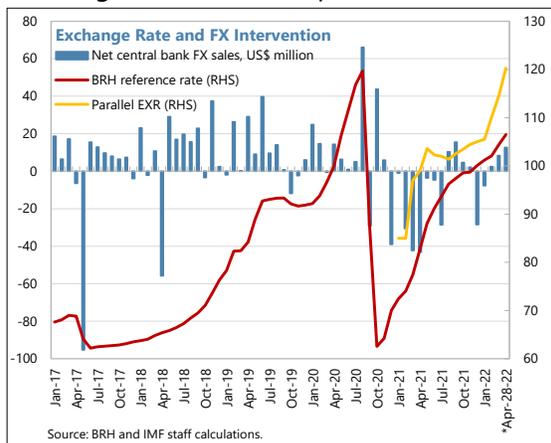
### FX Intervention and Reserves Level

**Background.** As of end-September 2021, Haiti's gross international reserves stood at about \$2.5 billion, around 12 percent of 2021 GDP and equivalent to roughly 5.8 months of 2021 imports. Net international reserves (NIR) fell to about \$452 million as of end-September 2021 due to the central bank's accrual of FX reserve related liabilities to the banking sector. In August 2021, Haiti

received its SDR allocation of approximately \$224 million, half of which the authorities converted to freely usable currency for urgent financing needs related to an August 2021 earthquake, the security crisis, and the pandemic. Haiti's *de jure* exchange rate regime is floating, but its *de facto* regime is a "other managed" arrangement. The central bank tracks the developments in the exchange rate market given its high estimated pass-through to domestic prices, implications for liquidity in the banking system, and impact on growth. NIR were on a declining path during 2021 due to FX sales to defend the nominal exchange rate, though these have leveled off in 2022. In this context, the BRH on net purchased about US\$117 million in FY2021 and US\$16 million in the first six months of FY2022. Nonetheless, and despite regulations that channeled dollars to the formal FX market, a parallel-official exchange rate gap emerged in late-2020, peaking at about 25 percent in March 2021. While the premium declined to an estimated 4 percent at end-December 2021, the spread has widened again in recent months to about 12 percent in March 2022 (chart).



**Assessment.** Gross international reserves coverage is adequate to finance more than five months of imports, implying gross reserve adequacy when benchmarked against the three-month import coverage rule of thumb and the model-based results of the IMF's Assessing Reserves Adequacy for Credit Constrained economies (ARA-CC) metric. However, net external buffers are considerably lower, implying that Haiti could be subject to external sustainability risks should they be unable to roll over their reserve-related liabilities. Efforts to defend the nominal value of the gourde, including through the continued accumulation of reserve-related liabilities, would heighten vulnerabilities given the limited buffers, absence of a strong export sector, high-reliance on remittances which have been volatile, and the lack of a robust macro-framework to support a more fixed exchange rate. Gradually removing FX surrender requirements and limiting FX intervention to smoothing excessive volatility would help strengthen external resilience while providing needed FX to exporters.



## Appendix I. Capacity Development Strategy

**1. The capacity of Haiti's institutions is low.** Over the past two years, Haiti has received extensive TA from FAD, MCM, STA and CARTAC, on tax administration, tax policy, public financial management, banking supervision, and monetary, external, price and national accounts statistics. However, the implementation of TA recommendations has been relatively slow, in part due to acute capacity constraints and political instability. The establishment of a Treasury Single Account (TSA) has been ongoing since the first TA mission in June 2014 and is still not complete. Similarly, the reorganization of the tax administration, first proposed in 2014, has not progressed despite follow-up missions in 2015, 2017, and early 2019.

### Box 1. Rebasing of the National Accounts

Haiti's statistical institute (IHSI) released a rebased GDP series in October 2020, the last step of a multi-year effort by the IHSI, supported by the Fund, World Bank, and France, to improve the quality of national accounts data. The new series was rebased to 2012 from the old base of 1987 and includes an estimate of the informal sector, provides a more detailed breakdown of the services sector, and updates Haiti to the 2008 System of National Accounts. The shares of both the primary and tertiary sectors increased; on the expenditure side, the share of consumption increased while that of investment was revised down.

Nominal GDP in gourdes under the new series for 2019 (2012 base year) was revised up by 65 (74) percent. Annual real GDP growth from 2000-2018 under the new series was 2.1 percent on average vs. 1.2 percent before rebasing. The combination of the higher based-series and a 29 percent appreciation of the gourdes/US dollar exchange rate in September 2020 (end of FY) contributed to a jump in U.S. dollar GDP for FY2020 of 90 percent compared to the previous measure. Naturally the higher GDP series led to a sizeable drop in all of the estimated fiscal and external ratios, evident by comparing present ratios to Board documents from early 2020 (CCRT or RCF board reports).

**2. The presence of resident long-term experts and the preparation of roadmaps would improve ownership and make TA more effective.** Past experience shows that resident long-term TA advisors can assist in the coordination of TA and the hands-on transfer of knowledge, and build capacity more intensively than mission-based support. Similarly, the preparation by the authorities of a roadmap (*note de cadrage and feuille de route*) ahead of any TA-supported reform has been found to improve traction with technical staff and facilitate the implementation of proposed changes.

**3. Priorities.** The TA program in the near term aims to reinforce capacity on the priorities needed to achieve the program objectives. The authorities indicated their priorities for TA are to: (i) reform tax policy with a new tax code; (ii) strengthen revenue collection; (iii) improve public financial management and fiscal accountability; (iv) develop and strengthen local markets for foreign exchange (FX) and government debt securities; and (v) improve data compilation and reporting (monetary, price, and national accounts statistics). To ensure maximum effectiveness in the pursuit of program objectives, staff propose that Fund TA focus on tax and customs administration to mobilize revenues, public financial management including governance of state enterprises, reform of the energy sector and reduction in fiscal losses, and expenditure policy (including social spending).

Capacity development in the transition of the central bank’s financial reporting to IFRS, amendments to the central bank law, foreign reserve management, FX market development and review of FX regulations and development, anti-corruption legislation, and improving the timeliness and quality of the Standard Reporting Forms (SRFs) for monetary statistics—with calculation of FX reserves consistent with IMF guidelines—would be necessary in the event of approval of a new financing arrangement. Details about TA priorities by department are provided in the table next page.

**4. Main partners.** Many donors are financing capacity development or providing TA in Haiti. The main financial partners include Canada, the E.U. and the U.S. The main technical partners include USAID (social protection, electricity market, and oil import market), the World Bank (social protection, health, transport, AML-CFT, and resilience to natural disasters), the IDB (transport, water and sanitation) and the World Food Program (social protection). To strengthen coordination and improve the effectiveness of TA, a partnership framework (*cadre de partenariat*) has been in place since May 2017 with the Haitian government and the financial and technical partners in the areas of fiscal reform and public financial management. A similar type of partnership is being considered in the area of social protection.

## A. Technical Assistance by Function

### FAD

Area	Objectives	Progress-to-date	Risks
<b>Tax and Customs Administration</b>	<ol style="list-style-type: none"> <li>1) Strengthen the tax (DGI) and customs (AGD) administrations’ core functions with a view to improving their performance and contributing to meeting the government’s revenue goals.</li> <li>2) Improve performance management and governance (leadership, data integrity, transparency, accountability)</li> <li>3) Prepare the groundwork to introduce a VAT.</li> </ol>	No progress since 2017. Request for financing of a long-term expert by the Revenue Mobilization Trust Fund.	Weak and inadequate governance, inability to identify clear priorities and lack of political will in the absence of Fund program to implement relevant strategies
<b>Public Financial Management</b>	<ol style="list-style-type: none"> <li>1) Fully implement the Treasury Single Account and improve cash management</li> <li>2) Improve public accounting</li> <li>3) Improve financial control over expenditure execution</li> <li>4) Strengthen internal and external controls by Inspection Générale des Finances and Cour des Comptes (CSCCA) respectively</li> <li>5) Introduce a medium-term budget framework (MTBF).</li> <li>6) Introduce pluriannual investment programming</li> </ol>	Mixed progress since departure of long-term expert in March 2018. Delays in reform implementation. Ground rules for the preparation and execution of the budget need to be improved and followed before introducing further reforms. TA missions are scheduled in June 2022 to (i) support development of a MTBF and the budget process and (ii) expand the TSA coverage, both in line with related SMP structural benchmark.	Weak capacity and political instability hinder the implementation of Fund’s recommendations

Area	Objectives	Progress-to-date	Risks
<b>Tax Policy</b>	Undertake consultations on the new tax code and Tax Procedure Code, and prepare final copies for adoption.	The draft Tax Code and Tax Procedure Code are completed and need to be submitted to parliament. Reform of the tax-related funding of the <i>Fonds National d'Education</i> and <i>Fonds d'Entretien Routier</i> to be tackled separately. TA is scheduled in June-July 2022 to support achievement of the structural benchmark on tax policy.	Given the current absence of parliament process, implementation risk is high. Internal and external review process may lead to inconsistencies or changes in policy directions.
<b>Energy Sector Reform</b>	Support the implementation of the proposed reform of fuel prices, and extend reforms to the import market and electricity sector.	A reform of fuel prices was announced in December 2021, but is not yet fully implemented (notably on adjustment mechanism). Some more steps are needed on gasoline (Mogas95), and support should be provided to affected populations. However, the import market has not been reformed, and there is still no plan for the energy/electricity sector.	High risk of mismanagement, corruption and political resistance. High reputational risk for the Fund in case of failure. Strong vested interests.
<b>Public Investment Management</b>	Finalize and implement a public investment management assessment	Team proposal; FAD PIMA mission underway January	Risks to be evaluated after the PIMA is finalized. Significant implementation risks expected.
<b>Expenditure Policy</b>	1) Assess effectiveness of social spending 2) Identify measures to rationalize spending	Team proposal	

## MCM

Area	Objectives	Progress-to-date	Risks
<b>Transition to IFRS</b>	Gap analysis and preparation of a roadmap for IFRS (Safeguards recommendation).	Mission occurred, some progress. time frame now 2 years out	Low capacity may delay the implementation. Does not seem priority for BRH.
<b>Debt Management and Market Development</b>	Evaluate the current state of debt issuance Identify and address existing gaps in the regulatory framework	Request by BRH	Political instability may hinder the necessary coordination with the ministry of finance
<b>Monetary Operations and Liquidity Management</b>	Diagnostic of the legal and operational frameworks	Request by BRH	Important complement for work on debt market and FX market development; BRH may not see as priority
<b>FX Market</b>	FX market development and review of supporting FX regulations.	Request by BRH	
<b>Banking Supervision</b>	Transition to risk-based supervision	Medium-term, donor-financed project.	BRH's limited capacity to absorb TA and high turnover of supervisory staff may hinder progress.
<b>Central Bank Digital Currency</b>	Provide guidance to the Bank of the Republic of Haiti (BRH) on the	TA is underway June-September 2022 to assess the BRH's readiness	This TA will not endorse any decision to issue or not

	exploration of a retail CBDC, a priority goal of the BRH, focused on macro-economic implications, the legal framework and financial integrity issues, and technological choices.	and identify gaps to be addressed before proceeding to the test phase. Staff recommend a cautious approach.	issue CBDC but provide guidance in thinking through major issues and highlight the risks of proceeding without sufficient preparation.
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## STA

Area	Objectives	Progress-to-date	Risks
<b>Real Sector Statistics</b>	GDP and price index rebasing	Rebased CPI was published in November 2018. May 2020 TA mission (CARTAC/World Bank) supported the IHSI to update the base year for the national accounts from 1987 to 2012 and backcast the GDP series for FY 2001–19.	
<b>Monetary Statistics</b>	Reconcile the current monetary statistics sent to the IMF for surveillance purpose with the information available in the standardized reporting forms Review the computation of gross and net foreign reserves	Successful mission occurred mid-2020. Still excessive lag in Standardized Report Form reporting. Improving the timeliness and quality of the Standardized Report Forms should be a prerequisite for approval of a new program.	
<b>Government Finance Statistics</b>	Improvements of fiscal statistics compilation and dissemination with respect to classifications, and coverage and scope of data.	Missions occurred in 2018 and 2020, but little progress so far with respect to a comprehensive coverage of all revenue, expenditure, and financing in disseminated fiscal statistics (TOFE)	Lack of traction with the authorities and availability of timely and detailed source data

## LEG and FIN

Area	Objectives	Progress-to-date	Risks
<b>Anti-corruption</b>	Provide advice on the draft of the new anti-corruption legislation and its compliance with the UN Anti-Corruption Convention.	Comments sent by LEG on the draft law	Lack of traction with the authorities
<b>AML-CFT</b>	1) Clarify the roles and objectives of each actor of the AML regime 2) Prepare law on countering the financing of terrorism	CATF Mutual Evaluation report, prepared by the World Bank, was published in June 2018. Haiti placed on FATF Grey List in 2021. Offer made for TA in drafting laws to meet FATF standards and comply with FATF Action Plan. No formal response / acceptance received.	Lack of traction with the authorities, lack of technical capacity and effectiveness of legislative processes due to non-functioning Parliament.
<b>Safeguards</b>	Follow through on recommendations of the 2019 Safeguards Assessment		Necessary for future Fund financing

**CARTAC**

<b>Area</b>	<b>Objectives</b>	<b>Progress-to-date</b>	<b>Risks</b>
<b>External Sector Statistics</b>	Strengthen compilation and dissemination of data on Haiti's balance of payments, improve the quality and accuracy of the data.	CARTAC report published in July 2021.	Lack of traction with the authorities and availability of timely and detailed source data.

## Appendix II. Letter of Intent

Port-au-Prince, Haiti  
June 9, 2022

Kristalina **GEORGIEVA**  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

### **Madam Managing Director:**

Since 2018, our country has been hit by multiple shocks including a protracted socio-political crisis, followed in 2021 by an earthquake and repeated tremors, a hurricane, an upsurge in violence, and the assassination in July 2021 of the President of the Republic, His Excellency Mr. Jovenel Moïse. These shocks have exacerbated poverty and had a very adverse impact on economic activity, which contracted for the third consecutive year in FY2021. In this difficult context, the IMF has remained engaged alongside Haiti and has been our main source of external financing since 2019, providing financial assistance equivalent to around US\$360 million related with a disbursement of SDR 81.9 million (US\$111.6 million) under the Rapid Credit Facility, debt relief of SDR 15.2 million (US\$22.6 million) under the Catastrophe Containment and Relief Trust (CCRT), and the 2021 SDR allocation (US\$224 million). Since your meeting with the late President Jovenel Moïse in December 2020, we have made notable progress on the preliminary measures discussed, in particular related to governance. Consequently, the purpose of this letter is to formally request a Staff-Monitored Program (SMP).

We hope that this program will act as a catalyst by signaling to donors our commitment and willingness to implement the policies and reforms needed to restore macroeconomic stability and growth. Overall, Haiti must engage in implementing sound macroeconomic policies and improving governance in order to reassure development partners and restore population confidence. Satisfactory implementation of the SMP could create the necessary conditions for negotiating a subsequent program with the Fund, with financing from the upper credit tranche.

The attached Memorandum of Economic and Financial Policies (MEFP) describes recent developments and presents the objectives and policies of our economic program. Given the limited sources of fiscal financing at this time, we are determined to implement the difficult measures needed to reduce the recourse to monetary financing, which has been a source of macro instability. At first, at the end of 2021, we have adjusted retail prices for petroleum products. We intend to continue with these adjustments when socio-economic conditions permit and when the measures launched recently under the *Programme d'urgence*—to support the groups most

adversely affected by fuel prices fluctuations—will be implemented. We are also committed to strengthening tax and customs revenue collection and improving public financial management. We expect this approach to help reduce the monetization of the budget deficit and its negative impact on inflation and the exchange rate, while increasing resources for financing priority public investments aimed at poverty reduction, scaling up the implementation of social safety net programs, and improving the security climate.

Fiscal policy measures will be established first by finalizing the budget for FY2022 in line with the program’s objectives and measures and, second, by adopting and publishing a budget for fiscal year 2022-2023 consistent with the objectives agreed under the SMP. Together with our commitments to not contract or guarantee any non-concessional external borrowing and not accumulate new external payment arrears, these fiscal policy measures will contribute to ensuring the medium-term sustainability of Haiti’s public debt.

Monetary policy will aim to establish a solid anchor and maintain an orderly functioning of the foreign exchange market, also with a view to allowing more flexibility while limiting money laundering risks. We commit to reducing monetary financing of the budget deficit and to maintaining a floor for an adequate level of net international reserves. Foreign exchange market interventions will be aimed only at limiting excessive volatility. The BRH will continue to take measures to address safeguard risks related to the use of IMF resources, including revising the central bank law, completing the external audit for FY2021, and possibly finalizing the transition to IFRS accounting standards. The BRH will also continue to monitor the soundness of financial institutions and finalize regulatory texts related, *inter alia*, to risk-based banking supervision and cybercrime. We are determined to put in place an appropriate legal framework for the fight against money laundering and terrorist financing and will continue to proceed with caution towards the implementation of a digital currency.

The twelve-month period of this SMP will allow to strengthen governance and promote a foundation for stronger, sustainable, and inclusive economic growth. As part of this program, we will strengthen the implementation of the “National Policy of Social Protection and Promotion” (PNPPS). We intend to expand the coverage of the system of money transfers based on the SIMAST registry, thus strengthening our efforts to mitigate shocks in the most vulnerable segments of the population. While limiting the primary deficit of the nonfinancial public sector for FY2022, we have increased the budget allocation of the Ministry of Social Affairs in order to improve its capacity in the design and implementation of measures and programs of social protection.

The policies set out in the attached MEFP are consistent with the objectives of our economic and social agenda. We are ready to take further measures as needed and will consult IMF staff before any revisions to the policies set out in the MEFP, in line with IMF practice. We are committed to not imposing or intensifying restrictions on the making of payments and transfers for current international transactions, and introducing or modifying multiple currency practices. We will inform IMF staff of any events or developments that may have an impact on the economic

program in order to jointly examine the consequences and optimal measures to address them, without compromising the program's objectives. We will provide in good time the necessary data and information to enable IMF staff to monitor economic developments and the implementation of the policies set out in the program, in accordance with the attached Technical Memorandum of Understanding or upon request.

Please accept, **Madam Managing Director**, the expression of our highest consideration.

\_\_\_/s/\_\_\_

Michel Patrick Boisvert

Minister for Economy and Finance

\_\_\_/s/\_\_\_

Jean Baden Dubois

Governor of the Bank of the Republic of Haiti

Attachments: Memorandum of Economic and Financial Policies  
Technical Memorandum of Understanding

## Attachment I. Memorandum on Economic and Financial Policies

### A. Introduction

1. Since 2018, our country has been hit by protracted social and political crises followed by an earthquake and subsequent tremors, a hurricane, and the assassination of the President of the Republic, His Excellency Mr. Jovenel Moïse in July 2021, not to mention the negative effects of the COVID-19 pandemic and the adverse effects of the geopolitical crisis in Eastern Europe. These multiple shocks have aggravated poverty and had a major impact on activity, which contracted for the third consecutive year in FY2021 (ending September 30). Tax revenue and customs revenue as a percentage of GDP both decreased further though the budget deficit was contained at 2.4 percent of GDP in FY2021. Against the backdrop of declining external support, more financing came from the central bank, which pushed up inflation. The social and human costs of the crisis have been significant, with more than one third of the population now registered as 'food insecure' in 2021.

2. The government has taken measures to facilitate a political transition in a peaceful environment. The Prime Minister, Ariel Henry, formed a new government that includes members of the former opposition and put in place a political Accord, the main objectives of which are to organize elections for a new government. The government also initiated a dialog with other groups organized by civil society with the aims of building a broad consensus and the establishment of an Electoral Council tasked with, among other things, preparing an election timetable.

3. In this context, we have asked for IMF support under a Staff-Monitored Program (SMP) to implement the measures needed to improve the socio-economic situation and put the Haitian economy back on a growth path, which we aim to make more inclusive and sustainable. This 12-month program ending in May 2023 will help us take stock of the macro situation, strengthen our macroeconomic management capacities, support efforts to contain inflation and boost growth, strengthen fiscal and monetary policy frameworks, address governance weaknesses, and take concrete measures to advance social protection. It will also help us raise more resources to allocate toward restoring law and order. We therefore intend, by the end of the SMP, to have laid a solid foundation to underpin discussions for an upper credit tranche Fund-supported arrangement.

4. This Memorandum on Economic and Financial Policies (MEFP) presents the baseline macroeconomic scenario upon which our program is based and lays out the overall objectives and the macroeconomic and structural policy priorities that we will pursue. It reflects the shared views of the Haitian authorities and IMF staff on how best to restore economic stability, strengthen governance, improve social protection, and lay the foundations for inclusive and sustainable economic growth that will reduce poverty and improve the living conditions for all Haitians.

## B. Macroeconomic Framework

5. Macroeconomic developments during FY2021 and FY2022 have been dominated by the political crisis on the supply and demand for goods and services, uncertainty linked to the COVID pandemic and the country's difficult security situation, and the spillover effects of the crisis in Eastern Europe. Our baseline scenario assumes the implementation of sound macroeconomic policies and some structural reforms during the SMP period. The scope of these reforms is realistic given the challenges related to the uncertain socio-political situation and the impact of the conflict in Eastern Europe on the global economy. While they could be considered modest, they are essential steps to underpin a recovery of investment and higher productivity growth and catalyze stronger external financial support.
6. Economic activity has contracted for three consecutive years, including FY2021 (ending September 30) during which real GDP declined by 1.8 percent. Of the many reasons for this economic contraction, we would cite: political instability, related supply disruptions, the assassination of the President of the Republic, His Excellency Mr. Jovenel Moïse, a resurgence of gang-related violence, a further decline in investment, and suppressed private consumption, despite strong remittance inflows and credit growth. Formal unemployment was estimated at 15.5 percent in 2020 (ILO). However, the informal market has expanded significantly. Poverty rates have increased and about 4.3 million people were considered 'food insecure' in 2021 (UN). Inflation reached 25.9 percent (y/y) in March 2022, driven by supply disruptions in local markets, high monetary financing of the budget deficit given the absence of alternative sources of financing, and higher food import prices. Economic activity is expected to rebound modestly in FY2022 with real GDP growth expected at 0.3 percent, supported by a recovery in investment. Inflation is projected at 27 percent (y/y) at end-September or 26 percent on average.
7. Public finances have been under pressure for several years. Tax revenues fell to 5.8 percent of GDP in FY2021 and the costs of petroleum product subsidies strained the budget, accounting for one third of tax revenues. The government reacted in FY2021 by reducing expenditures in order to contain the deficit to 2.4 percent of GDP compared to 3.2 percent of GDP in FY2020. For diesel and kerosene, two of the three petroleum products used in Haiti (diesel and kerosene), the government announced in December that we would revert to the 1995 Law which allowed retail prices to adjust regularly to world price changes. With increases exceeding 100 percent in December, the price per gallon of these two products rose to the level prescribed by the retail price formula at that time. The price of gasoline was increased by only 24.4 percent at that time. Despite high domestic debt amortization this year and some new social spending to mitigate the impact of the earlier fuel price increase on vulnerable segments of the population, we project to keep the budget deficit of the nonfinancial public sector (NFPS) at 1.5 percent of GDP.
8. The *Banque de la République d'Haïti* (BRH) has been the main source of budget financing in recent years, contributing about 85 percent of the gross financing needs of the NFPS in FY2021. Although external grants and project financing remained low compared to historical levels, they

increased in FY2021, in part related to the August 2021 earthquake. The government also used half of the allocation of Special Drawing Rights (SDRs) for emergency expenditures, including for humanitarian assistance after the earthquake (¶18).

**9.** Monetary policy continued to struggle under the effects of fiscal dominance. Net credit to the government by the BRH increased by 44.6 percent in FY2021 compared to the previous year. Inflation was on a downward trend in early 2021 but started to accelerate in June. It reached a monthly rate of 4.1 percent (m/m) in November before dropping to 1.6 percent (m/m) in March 2022. The BRH has maintained the interest rate on its 91-day bills at 10 percent since March 2020, although the transmission to lending rates, the key benchmark for rates in the banking system, remains weak, partly due to the shallow government securities market.

**10.** The external current account surplus is estimated at 0.5 percent of GDP in FY2021, down from 1.1 percent of GDP in fiscal year 2020, as domestic demand recovered. The increase in imports during FY2021 partially offset higher net transfers. With the additional contribution of the SDR allocation, gross international reserves stabilized at 5.8 months of projected imports. The current account surplus is projected at around 0.8 percent of GDP in FY2022 thanks to continued robust remittance flows, a modest recovery in exports, and higher official transfers. It will contribute to financing part of the capital account deficit, driven by modest inflows of foreign direct investment and an increase in banks' net foreign assets.

**11.** After the efforts undertaken by the BRH in 2020 to strengthen foreign exchange regulations to fight money laundering and counter certain speculative forces, including with foreign exchange market interventions, the gourde/US dollar rate appreciated rapidly from 121 to 63 in September 2020, by about 48 percent. In early 2021, a large spread emerged between the formal rate and the parallel market rate—estimated on the basis of surveys—to about 25 percent. While the rate decreased to around 5 percent in late-2021, it has since widened to between 10-15 percent. Nevertheless, with domestic instability in FY2021 and gross financing needs of the NFPS of 3.4 percent of GDP, the BRH was able to smooth exchange rate fluctuations while minimizing volatility risks in the banking sector and maintaining a stable level of gross international reserves (see above).

**12.** The financial sector appears relatively stable. However, given the deterioration in the macro-economic environment, the BRH will continue to monitor the sector closely. The capital adequacy ratio at the end of December 2021 was 20.8 percent and bank profitability recovered in FY2021, with stronger growth in credit and profits from foreign exchange transactions, while non-performing loans (NPLs) increased slightly to 7.7 percent of total loans in February 2022. The measures taken by the BRH to support the sector at the beginning of the COVID-19 pandemic and a moderate accumulation of government securities contributed to supporting banks' portfolios. Bank liquidity remains high, with the growth of deposits being an important source of funding.

## C. Fiscal Policy and Short-Term Strategy

**13.** Fiscal policy in FY2022 will be in line with our objectives of reducing monetary financing of the deficit by the BRH to help lower inflation. The fiscal stance in FY2022 is dictated by the availability of financing in FY2022, notwithstanding the large output gap. Financing would come from the central bank, external financing and domestic borrowing. As a result, and despite very difficult economic conditions, fiscal policy will aim at keeping a floor for the primary balance of the NFPS (quantitative target -QT) at a deficit of 1.5 percent of GDP in FY2022.<sup>1</sup> Despite net subsidy spending on petroleum products of 1.1 percent of GDP (0.6 percent of GDP in FY2021), we intend to contain other current expenditures in order to preserve fiscal space for higher social spending for vulnerable segments of the population affected by the December hike in fuel prices and the significant increase in the rate of inflation.<sup>2</sup> The modest mobilization of revenues together with moderately higher budget support in the next fiscal year will allow a small increase in domestically-financed capital expenditures. In the medium term, we will stabilize the budget deficit at around 2.8 percent of GDP.

**14.** The decision taken by the government in December 2021 to return to regular adjustments in fuel prices was a promising step to reduce fuel subsidies and create space for productive expenditures. However, we were not able to adjust petroleum product prices after December due to the additional hardship experienced by the population arising from higher imported food prices and with the difficult security situation that could fuel social unrest. We also are waiting for the compensating measures recently launched (see ¶21) to have a positive impact on the vulnerable groups targeted for support, before moving ahead with additional increases.

**15.** Current expenditures excluding fuel subsidies are projected to decline by 0.9 percent of GDP in FY2022. On the revenue side, we increased tax rates on many products, such as alcohol, tobacco, and soft drinks, by aligning excise taxes with those provided for in the draft General Tax Code. We intend also to eliminate a number of customs exemptions, correct delays in collecting registration duties, and strengthen controls for an overall modest increase in revenues. We adopted and published a budget for FY2022 in line with the objectives agreed under the SMP (prior action).

**16.** We intend to significantly reduce monetary financing to help lower inflation. Gross financing needs for FY2022 are now estimated at 2.9 percent of GDP, compared to 3.4 percent of GDP in FY2021. Financing of the government by the BRH will be capped at 2.2 percent of GDP in FY2022 (QT) as compared to BRH financing of 2.9 percent of GDP in FY2021. As BRH financing equivalent to 1.5 percent of GDP is estimated to be non-inflationary, the BRH will sterilize the remaining financing of 0.7 percent of GDP by liquidity absorption operations and, if necessary, FX interventions. Residual financing needs of 0.7 percent of GDP will be covered by domestic borrowing and external

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<sup>1</sup> The program includes an asymmetric adjustor to the floor of the NFPS primary balance and to net international reserves (NIR) if external budget support is lower than projected. Please see the Technical Memorandum of Understanding, Annex II.

<sup>2</sup> Total budgetary subsidy less excise revenue.

concessional financing. If necessary, additional use of a portion of the 2021 SDR allocation would contribute to the financing of the government. In addition, we will update the financing “*pacte*” between the BRH and Ministry of Economy and Finance in line with these objectives. We will pursue the same principles in FY2023, although central bank financing of the government is projected to stabilize at around 2.0 percent of GDP after FY2022, reflecting a prudent forecast of demand by domestic banks for BRH securities.

**17.** Revenue mobilization remains a key government priority. As the draft General Tax Code (CGI) and the draft Tax Procedure Codes are ready, these documents will be finalized by the end of September 2022 (SB). The simplification of the tax system proposed in the General Tax Code and tax administration reforms are priorities in view of the need to broaden the tax base. We will make progress with revenue administration, in particular by publishing key data on the taxpayer identifier and making its use mandatory for all financial agencies (SB). We will also publish the Customs Code and the Customs Tariff (SB).

**18.** We will continue long-standing efforts to strengthen public finance management (PFM) and improve the quality of public spending. For this purpose, we will consolidate into the Treasury Single Account (TSA) at the central bank the bank accounts of all central budgetary, including the emergency fund (SB). Much effort has been devoted to this reform in recent years and we intend to make it fully operational in 2022-2023. As regards the budget, we will adopt and publish by September 30, 2022 a budget for FY2023 in line with the objectives agreed under the SMP. In addition, we will develop a medium-term budgetary framework for fiscal years 2023, 2024, and 2025, with the deficit of the NFPS as the main anchor to assist in the formulation of the annual budget and guide an increase in public investment while maintaining a sustainable annual budget trajectory (SB). Ongoing technical assistance (TA) on public investment management will help to improve coordination in project planning and implementation. The publication on June 9 of the audit of COVID-related spending, which was prepared by the Supreme Court of Auditors and Administrative Litigation (CSCCA), was a priority for launching the SMP (prior action).

**19.** We intend to report on the use of the SDR allocation in a transparent manner. Before converting about half of the allocation of SDRs into freely usable currencies, we discussed with IMF staff best practices as set out in the IMF Guidance Note. We established a Memorandum of Understanding between the BRH and the Ministry of Economy and Finance in accordance with Haitian legal and institutional frameworks, clarifying the obligations of each party and governing the use of the SDR allocation for budgetary purposes. In this respect, during FY2021, some resources were used to finance emergency spending related to the earthquake, social spending, and the National Police.

## **D. Reform of the Petroleum Product Market and Social Protection**

**20.** In December 2021, the government took the decision, in the context of high prices on the informal market, to start adjusting the prices of petroleum products by eliminating subsidies on diesel and kerosene, without triggering social unrest. Given the delays in implementing programs to

mitigate the social impact of these price increases and the jump in world prices related to the conflict in Eastern Europe, we are not able to adjust prices in the near future. That said, we intend to eventually eliminate fuel subsidies as soon as conditions permit. However, to be prudent and conservative, the FY2022 budget and medium-term outlook do not assume the elimination of fuel subsidies.

**21.** At the same time, we will implement swiftly several measures to mitigate the negative impact of the last hike in petroleum product prices on vulnerable groups. To this end, the government Council of Ministers adopted on April 20, 2022 compensating measures for the remainder of FY2022 in the form of vouchers for registered public transport operators, school kits, hot meals through school canteens, mobile canteens and community restaurants, plans to modernize public transport vehicles for schoolchildren, and labor-intensive public works. In addition to these measures, we intend to prepare and implement, before the first price adjustment, a communications plan explaining the need to eventually eliminate fuel subsidies. This communications effort will aim to explain the objectives and benefits for the population of redirecting expenditure on fuel subsidies—of which 93 percent of the benefit goes to the top income group representing one fifth of the population—towards expenditure that will support growth and social protection, particularly short term measures to mitigate the impact of higher fuel prices on the most vulnerable groups.

**22.** We will continue reforms of petroleum products market, taking inspiration from the recommendations provided in 2020 by the IMF and World Bank TA. The government agency Office for Monetization of Development Assistance Programs (BMPAD) had by mid-2020 been reinstated as the monopoly importer of petroleum products. However, due to the fuel supply disruptions observed last year and in an effort to strengthen governance, we decided in November 2021 to reduce the role of BMPAD in the actual supply of petroleum products. BMPAD now organizes the tender process every two months to determine, on the basis of a widely used international price index, the premium at which any petroleum company may import directly. We also intend to eliminate any involvement of BMPAD in the import of petroleum products by amending the legal provisions and establish a regulatory framework for the petroleum products sector and strengthening related regulatory institutions.

**23.** Our reform program includes the first steps towards building a coherent social safety net with national coverage. Our current social protection system is fragmented, with a large number of programs, international agencies, and providers operating without sufficient coordination. We intend to: (i) implement the governance structure envisaged in the National Policy for Social Protection and Promotion (PNPPS) —approved in 2020— by end-2022; and (ii) in collaboration with donors and with the beneficiary registry database SIMAST, prepare an action plan to implement the PNPPS by end-March 2023. The PNPPS serves as the strategic framework for the design and implementation of measures and programs for social protection and promotion under the aegis of the Ministry of Social Affairs and Labor (MAST). For this purpose, and with the aim of better coordinating the management of social programs in order to strengthen governance and improve efficiency, the central role of the MAST (established by Organic Law 24/11/1983), will be reinforced

with an increase in the budget allocation for MAST (excluding transfers to the population) in line with the floor set as a QT. This floor corresponds to the sum of the budget allocation (or expenditure implemented if lower) for all social programs in the MAST budget, including the resources allocated and implemented by the Economic and Social Assistance Fund (FAES), the Emergency Program (2022), the *Klere Chimen* project, and the activities of the Bureau of the State Secretary for the Inclusion of Persons with Disabilities (BSEIPH). These resources will help MAST build capacity and should enable it to finance the management costs of these programs. In addition, the resources to be allocated to MAST from April 2022 will strengthen MAST data collection for registering new households, updating information in the SIMAST database, and the financing of cash transfers and accompanying measures for the *Klere Chimen* program (quantitative objective).

**24.** In this context, we will increase the accountability of the activities of the FAES, which carries out various extrabudgetary programs financed mostly by development partners. In addition, we undertake to provide, from March 31, 2022, the consolidated quarterly financial statements of FAES and to restore the regular functioning of its board of directors before end-June 2022, with subsequent quarterly meetings (SB). We will transfer all domestically funded social programs executed by the FAES under the supervision of MAST from the 2023 budget year onwards. We are also planning to include all FAES resources and activities in the medium-term budgetary framework.

**25.** Moving to cash transfers as a shock response mechanism would accelerate the development of a more reliable social assistance system. In collaboration with the IMF, the World Bank, and other relevant partners, we are planning to integrate other activities into SIMAST which will allow us to provide digital cash transfers to beneficiaries. This will permit the MAST in time to execute automated payments in a secure and transparent fashion via mobile operators or other methods.

## E. Monetary and Exchange Policy

**26.** We will work to strengthen the monetary policy framework in a context of greater exchange rate flexibility and to anchor monetary policy. To this end, we will: (i) adopt a ceiling on net credit to the NFPS to serve as the main anchor for limiting monetary financing of the budget deficit (QT); and (ii) conduct short-term liquidity absorption operations with the aim of reducing inflationary pressures and strengthening monetary policy transmission.<sup>3</sup> As the ceiling on BRH financing to the government does not include an adjustor, the government will need to raise financing from other domestic sources or concessional external financing to finance a weaker primary balance, if necessary. The BRH has initiated reforms to develop the government securities market, strengthen the monetary policy framework with new facilities, and review foreign exchange regulations; we have requested TA to support these FX market reforms. The deepening of the government securities market will provide an alternative source of financing for the government and a more effective means for the conduct of monetary policy. We will continue implementing the recommendations of

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<sup>3</sup> Please see the Technical Memorandum of Understanding, Annex II.

TA on enhancing the quality of monetary statistics, particularly since more frequent and timely reporting of monetary data will be needed for program monitoring.

**27.** As our economy remains sensitive to external shocks and highly dependent on private transfers, the exchange rate should act as a shock absorber for the economy. In this context, the BRH will limit its interventions in the foreign exchange (FX) market to smoothing excessive exchange rate fluctuations. To this end, we will adopt a floor on net international reserves (QT) and a FX market intervention rule to ensure that the exchange rate can play the role of shock absorber and foreign reserves are preserved. In addition, in consultation with the IMF's Monetary and Capital Markets Department, the BRH will prepare a roadmap for FX market reform that will develop a more flexible exchange rate and further reduce vulnerabilities, including those related to FX intervention techniques, the management of FX liquidity and the regulation of this market. This reform strategy during the SMP will establish the basis for a competitive and transparent FX market, including the preparation of measures to: (i) put in place an appropriate mechanism for foreign exchange intervention; (ii) revise the limits on banks' net open foreign exchange positions taking into account the best international practices; and (iii) finalize the process of revising Circular 114-2 based on consultations with the IMF and other stakeholders by the end of the SMP (May 2023). Finally, we commit to not imposing or intensifying restrictions on the making of payments and transfers for current international transactions, and introducing or modifying multiple currency practices.

## F. Banking Regulation and Financial Policies

**28.** We will continue reforms to strengthen banking supervision and increase financial inclusion to support growth. To this end:

- The BRH will strengthen, with the assistance of the IMF expert, its banking supervision by adopting a risk-based approach. It will also finalize the remaining texts on banking regulations.
- The BRH will continue to make efforts to assess the feasibility of issuing a central bank digital currency (CBDC), exercising caution given the risks related to financial integrity and the need for robust internal supervision. We have requested TA from the IMF's Monetary and Capital Markets Department to help us adequately address the risks associated with the deployment of our CBDC. Support has been received from specialized foreign firms and collaboration has been initiated with countries that have already launched a CBDC, particularly in the Caribbean. We hope that this assistance helps us identify key issues to consider before proceeding to the test phase for digital currency. We will also work on modernizing the migration to new international messaging standards that would promote interoperability and financial integrity.
- We are determined to put in place a robust legal framework to fight money laundering and terrorist financing (AML/CFT). The Caribbean Financial Action Task Force (CFATF) has identified many shortcomings in Haiti's system for AML/CFT and the FATF has added Haiti to its "gray" list of jurisdictions under increased monitoring. In order to address these shortcomings arising *inter alia* from the legal framework, offset the risks associated with the status of a jurisdiction under increased monitoring by the FATF, and reduce potential stresses on correspondent banking

relationships, we have requested TA from the IMF's Legal Department and other technical partners to prepare a draft amendment to the Anti-Money Laundering and Terrorism Financing Act to bring it into line with FATF international standards. The amendment will be approved by the Council of Ministers by December 2022 (SB).

## G. Governance and Safeguards

**29.** Most of the reforms in our program aim to strengthen governance with a view to reassuring the public and our international partners. With TA support from the Fund, we drafted and published last November a decree mandating transparency requirements for public procurement, including the disclosure requirements and publication of the beneficial owners of successful bidders in all public contracts and concessions. We will ensure the implementation of the provisions of this decree (monthly SB) and start preparations for a comprehensive reform of the procurement law. We will ensure that the law governing the Supreme Court of Auditors and Administrative Litigation (CSCCA) guarantees the functioning of that court in accordance with the standards applicable to supreme audit institutions. We also call for a Governance Diagnostic to be led by IMF staff. We commit to publishing the Diagnostic report and would incorporate its recommendations into our reform program, including during the second half of the SMP. Finally, we will work to finalize amendments to the anti-corruption laws to ensure effective implementation and compliance with the United Nations Convention against Corruption.

**30.** We will continue to implement the recommendations of the 2019 IMF Safeguards Assessment. In particular, we will ensure: (i) approval by the Board of the BRH of the draft amendments to the Central Bank Law prepared in consultation with the TA from the IMF by the end of September 2022 (SB benchmark); (ii) completion of the external audit of the BRH for the year ending September 30, 2021 and publication of the audited financial statements by end-June 2022 (SB); and (iii) re-establish the Audit Committee of the BRH Board of Directors, including the revised charter of the committee, by end-2022. We will also ensure implementation of the measures put in place prior to the disbursement in 2020 under the Rapid Credit Facility (RCF) to strengthen the governance of the management of foreign reserves. The BRH will also accelerate the transition to International Financial Reporting Standards (IFRS) and resume efforts to modernize and strengthen the independence of the internal audit and control functions.

## H. Climate Change and the Fight Against Poverty

**31.** Our reform agenda focuses in the short term on maintaining social and macroeconomic stability and restoring growth, necessary to support policies and mobilize the resources needed to reduce poverty. In parallel with efforts to build a social safety net, we plan to improve the coordination of external assistance in order to increase its impact and optimize the restructuring of agencies under MAST. In addition, we intend to initiate an analysis of climate hazards or risks with the assistance of the World Bank and the IMF in order to better integrate climate policies into macroeconomic and policy frameworks, given Haiti's vulnerability to natural disasters and climate change.

## I. Monitoring of the Program

**32.** We intend to take all the necessary measures agreed under the SMP with the IMF, as set out in Tables 1, 2, and 3 of this Memorandum (below). A program-monitoring committee, comprised of representatives from the Ministry of Economy and Finance and the BRH, has been set up. This committee will request the participation of representatives from other sectors as appropriate and will meet at a minimum every quarter with the Minister of Economy and Finance and the Governor of the BRH to present a progress report on the implementation of the SMP. Our program will be monitored using QTs at the end of June and December 2022, with indicative targets at the end of September 2022 and March 2023 as defined in Table 1, and SBs as listed in Table 3. The specific items are defined in the attached Technical Memorandum of Understanding (Annex II), which also includes the list and frequency of data to be provided for monitoring of the program. We will focus on the timely provision of this data for the program monitoring.

**33.** We will undertake internal and external communications and engage the various state institutions and other national actors, including representatives of civil society, the private sector, non-governmental organizations, media, and other stakeholders, in order to strengthen the level of ownership and public support for the program's reform agenda. We undertake to publish this Memorandum and the accompanying IMF Staff Report online on the website of the Ministry of Economy and Finance as soon as the SMP has been approved by the IMF and before June 30, 2022.

Table 1. Haiti: Quantitative and Indicative Targets, June 2022–March 2023 1/

(In millions of Gourdes, unless otherwise indicated)

	Encours réel à fin sept. 2021 <sup>2/</sup>	Flux cumulés depuis septembre 2021			Flux cumulés depuis septembre 2022		
		Déc. 2021	Juin 2022		Sept. 2022	Déc. 2022	Mars 2023
		Est.	Objectif quantitatif	Effectif	Objectif indicatif	Objectif quantitatif	Objectif indicatif
<b>I. Objectifs quantitatifs périodiques</b>							
Réserves internationales nettes de la banque centrale (en US\$ millions) — plancher	413.92	27	30	40	8	18	
Solde primaire du secteur public non financier — plancher		-8,813	-20,317	-28,860	-13,242	-26,484	
Crédit net de la banque centrale au secteur public non financier — plafond	160,047	20,922	36,096	46,533	12,795	25,590	
Administration centrale <sup>3/</sup>	162,197	20,922	36,096	46,533	12,795	25,590	
Autres entités non financières du secteur public	-2,150	0	0	0	0	0	
Dotation budgétaire au MAST pour les dépenses sociales — plancher <sup>4/</sup>			3,000	3,300	3,300	6,600	
<b>II. Objectifs quantitatifs continus</b>							
Accumulation d'arriérés intérieurs par l'administration centrale	0	0	0	0	0	0	
Accumulation d'arriérés extérieurs par le secteur public (en millions de dollars)	0	0	0	0	0	0	
Nouvelle dette extérieure non concessionnelle contractée ou garantie par le secteur public (en millions de dollars US) — plafond	0	0	0	0	0	0	
<b>III. Objectifs indicatifs</b>							
Recettes fiscales du gouvernement central, hors dons - plancher <sup>5/</sup>		27,632	93,731	125,552	41,093	82,187	
<b>Postes pour mémoire</b>							
Appui budgétaire (en millions de dollars) <sup>6/</sup>			9.0	18.1	0.0	18.8	
Réserves internationales brutes (en millions de dollars) <sup>7/</sup>	2,534	2,547	2,562	2,574	2,603	2,613	
(en mois d'importations de biens et de services de l'année suivante)	5.8	5.6	5.5	5.0	4.8	4.8	

Sources : Ministère des Finances ; Banque de la République d'Haïti ; estimations des services du FMI.

1/ Le programme comprend un ajusteur asymétrique sur le plancher du solde primaire du SPNF et sur les réserves internationales nets (RIN) pour les appuis budgétaires extérieurs inférieure aux montants prévus. Le plafond du financement de la BRH au Trésor n'inclus pas d'ajusteur.

2/ Les données de septembre 2021 se rapportent à celles de la fin de l'exercice 2021.

3/ Exclut les allocations de DTS et les ressources libérées par l'allègement de la dette au titre du fonds fiduciaire ARC du FMI.

4/ L'enveloppe budgétaire affectée au Ministère des Affaires Sociales et du Travail (MAST), hors transferts à la population. Le plancher correspond à la somme de l'allocation budgétaire (ou des dépenses exécutées si elles sont inférieures) pour tous les programmes sociaux du budget MAST, y compris les ressources allouées et mises en œuvre par le FAES, le Programme d'Urgence (2022), et *Klere Chimèn* ; cela n'empêche pas d'autres entités gouvernementales d'appuyer la mise en œuvre des programmes du MAST.

5/ Comprend les impôts intérieurs sur les entreprises, le revenu des personnes physiques et les ventes ainsi que les droits de douane.

6/ Le calendrier des décaissements est incertain ; montant annuel divisé par trimestre.

7/ Aux fins du suivi du programme, le taux de change qui sera utilisé pour la période mai 2022 à mai 2023 est de 100,0123 gourdes pour un dollar, le taux de référence BRH au 16 décembre 2021.

**Table 2. Haiti: Proposed Prior Actions for SMP**

<b>Prior Actions</b>	
<ul style="list-style-type: none"> <li>Complete and publish the financial and operational audit on COVID-related spending agreed at the time of the RCF disbursement.</li> </ul>	Prior action
<ul style="list-style-type: none"> <li>Adopt and publish a budget for FY2022 consistent with agreed targets and fiscal measures under the SMP.</li> </ul>	Prior action

**Table 3. Haiti: Proposed Structural Benchmarks for SMP**

<b>Measure</b>	<b>Timing</b>
<b>Governance</b>	
<ul style="list-style-type: none"> <li>Publish all public procurement contracts awarded since the publication of the November 2021 procurement decree No. 52, including information on the beneficial owners of successful bidders.</li> </ul>	monthly
<ul style="list-style-type: none"> <li>Approval by the BRH Board of Directors of draft amendments of the BRH law, prepared in consultation with IMF staff, which: (i) clarifies the objectives of the BRH, (ii) strengthens its autonomy, (iii) enhances its governance, and (iv) improves accountability and transparency.</li> </ul>	end-Sept. 2022
<ul style="list-style-type: none"> <li>Approval by the Council of Ministers of revisions to the AML/CFT law prepared with Fund TA to address technical deficiencies identified in Haiti's FATF Action Plan and bring it into line with FATF international standards.</li> </ul>	end-March 2023
<b>Public Finance Management / Governance</b>	
<ul style="list-style-type: none"> <li>Expand the Treasury Single Account (TSA) at the central bank to include all the central budgetary units, including the emergency fund.</li> </ul>	end-Sept. 2022
<ul style="list-style-type: none"> <li>Prepare and adopt a medium-term budget framework, for FY2023, FY2024, and FY2025 with the NFPS deficit as the main anchor.</li> </ul>	end-Sept. 2022
<ul style="list-style-type: none"> <li>Publish quarterly and annual reports on the operations and finances of <i>Fonds d'assistance économiques et sociale</i> (FAES) and reactivate the Governing Board of FAES again with quarterly meetings thereafter.</li> </ul>	Quarterly
<b>Tax Policy and Tax/Customs Administration</b>	
<ul style="list-style-type: none"> <li>Conclude public consultations on the tax code and tax procedures code and finalize codes.</li> </ul>	end-Sept. 2022
<ul style="list-style-type: none"> <li>Publish all codes and tariffs relating to customs.</li> </ul>	end-Sept. 2022
<ul style="list-style-type: none"> <li>Issue decree making use of TIN compulsory for all finance departments, with sanctions for fraudulent or non-use, and publish TIN database and file of active taxpayers.</li> </ul>	end-Dec. 2022
<b>Safeguards</b>	
<ul style="list-style-type: none"> <li>Complete FY2021 financial audit of BRH and publish the audited financial statements.</li> </ul>	end-June 2022

## Attachment II. Technical Memorandum of Understanding

1. Haiti's performance under the 12-month Staff-Monitored Program (SMP) ending May 31 2023, will be assessed based on quantitative targets (QTs) and structural benchmarks (SBs). The authorities implemented two prior actions (see MEFP text table). This Technical Memorandum of Understanding (TMU) defines the QTs established by the Haitian authorities and the staff of the International Monetary Fund (IMF) for monitoring the program. It also defines the arrangements for the transmission of data that will permit staff to monitor program implementation.

### A. Definitions

2. **Central Government.** Unless otherwise indicated, central government refers to the central administration of Haiti and excludes local administrations (municipalities), the central bank (BRH), and other public financial institutions, autonomous state organizations of an administrative, cultural, or scientific nature, and state-owned enterprises. Central government expenditures are financed by domestic taxes and other domestic levies and by foreign donors, through, *inter alia*, foreign grants, ministerial accounts (*comptes courants*), and domestic and foreign public debt.

3. **Special funds and programs.** These include the Road Fund (*Fonds d'entretien routier, FER*) and the resources mobilized to finance the Universal, Free, and Compulsory Schooling Program (PSUGO) for education, in addition to Treasury transfers. Under the Staff-Monitored Program, the resources levied to finance FER and PSUGO (through the National Education Fund, FNE) will be recorded as central government revenues.

4. **Economic and Social Assistance Fund (FAES).** FAES is an autonomous state financial entity, currently under the supervision of the Ministry of Economy and Finance. The mission of the FAES is to fund short-term, labor-intensive projects aimed at improving the living conditions of poor people in urban and rural areas and increasing their productive potential. It is responsible for implementing social programs financed by the public Treasury and foreign donors.

5. **Office for Monetization of Development Assistance Programs (BMPAD).** The BMPAD is an autonomous state administrative organization under the supervision of the Ministry of Economy and Finance. The BMPAD ensures the implementation of grant and/or loan agreements concluded between the government and a donor or foreign lender, as part of the monetization of development aid programs in Haiti. In particular, it finances and monitors approved programs and projects from the funds generated by the monetization of aid in kind.

6. **Electricité d'Haïti (EDH).** EDH is a state-owned enterprise that produces, supplies, and distributes electricity. Flows between EDH and the Central Government (CG) include (i) CG transfers to EDH (including through sales taxes collected on electricity consumption and not devolved to the CG, and the payment of fuel purchase bills); (ii) the payment of letters of credit in favor of independent power producers to settle power generation bills unpaid by EDH; (iii) the

payment of bills from independent producers for the purchase of fuel, which are the counterpart of EDH arrears for unpaid generation bills. Under the Staff-Monitored Program, transfers from central government are recorded under operations “above the line,” while letters of credit and financial receivables are entered under the operations “below the line.”

**7. Non-financial public sector (NFPS).** The NFPS includes the central government, special funds and programs (defined in paragraph 3), other autonomous state organizations of an administrative, cultural, or scientific nature, including the FAES and the BMPAD (paragraphs 4 and 5), EDH (paragraph 6), the Civil Service Pension Plan and the National Old Age Insurance Office (ONA), and local governments.

**8. Public sector (PS).** The public sector comprises the nonfinancial public sector, state-owned banks, and nonbank financial SOEs (enterprises over 50 percent state-owned), and the BRH.

**9. Budgetary grants.** Budgetary grants are grants received from Haiti’s bilateral or multilateral partners (including the European Union, the Inter-American Development Bank, the World Bank, the Caribbean Development Bank, and bilateral donors) for general or sector budget support purposes.

## B. Quantitative Targets (QT)

**10.** The implementation of the program will be monitored using the following indicators. Unless otherwise indicated, all QTs will be assessed in terms of cumulated flows from a reference date set at the end of the previous fiscal year (e.g., for fiscal year 2021-2022 the reference date is end-September 2021), as specified in Table 1 of the Memorandum on Economic and Financial Policies.

**11.** Program exchange rates. For the purposes of the program, all assets, liabilities, and flows denominated in foreign currency will be valued “at the program exchange rates,” as defined below, with the exception of elements that affect the government’s budgetary accounts, which will be evaluated at current exchange rates. For the purposes of the program, it has been agreed to use the following exchange rates: HTG 100.0123/US\$ (BRH reference rate as at December 16, 2021), US\$1.133600/EUR and SDR 0.7154070/US\$ (rates as at December 16, 2021 published by the IMF on its website - [https://www.imf.org/external/np/fin/data/param\\_rms\\_mth.aspx](https://www.imf.org/external/np/fin/data/param_rms_mth.aspx)).

### Net Central Bank Credit to the Nonfinancial Public Sector

**12. Net central bank credit to the nonfinancial public sector** is defined as the difference between BRH assets and liabilities *vis-à-vis* the nonfinancial public sector (*net claims on the public sector*) according to Standardized Report Forms 1SR or 2SR reported by the BRH to the IMF. This includes the net BRH credit to central government and net BRH credit *vis-à-vis* the rest of the nonfinancial public sector. The calculation of the net BRH credit to the nonfinancial public sector is shown below as of September 30, 2021.

<b>Components of Net Central Bank Credit to the NFPS</b> (In millions of gourdes)	
	<b>September 2021</b>
<b>Net central bank credit to the nonfinancial public sector</b>	<b>160,047,059.23</b>
<b>Net credit on central government</b>	162,196,977.99
Claims on central government	200,791,090.44
Deposits by government	38,777,196.75
Deposits in current accounts	26,730,369.21
Sight deposits (HTG)	7,073,003.48
Sight deposits (US\$)	19,657,365.73
Securities seized UCREF	594.75
Sundry accounts payable	636,307.08
Certified checks	329,125.56
Certified bank checks	25,041.45
Foreign Debt Special Fund	55,669.97
Treasury special accounts	6,762,697.60
Civil pension – investments transaction	375,029.84
IMF debt relief after disaster	2,410,591.87
Minus: Deposits from autonomous agencies (ONA)	276,996.07
<b>Net credit to the rest of the nonfinancial public sector</b>	-2,149,918.76
Claims on the rest of the nonfinancial public sector	610,420.96
Deposits by the rest of the nonfinancial public sector	2,760,339.72
Deposits by autonomous agencies (ONA) (HTG and US\$)	276,996.07
Local government deposits (sight deposits and certified checks)	489,202.33
Deposits by state-owned enterprises (sight deposits in gourdes and US\$ and certified checks)	1,994,141.32

### Net International Reserves

**13. The gross international reserves of the central bank** are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the exchange rate, and for other related purposes such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing. Reserve assets must be foreign currency assets and assets that actually exist. All contingent assets are excluded. Underlying the concept of reserve assets are the notions of 'availability for use' and 'control' by the monetary authorities.<sup>1</sup> The gross international reserves reported by the BRH from Standardized Report Forms 1SR or 2SR must conform to this definition. They include monetary gold, liquid assets, including holdings of Special Drawing Rights (SDRs), and IMF reserve position. Swaps in foreign currency with domestic financial

<sup>1</sup> See *Balance of Payments Manual*, <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm> and *Guidelines for a Data Template* <http://www.imf.org/external/np/sta/ir/IRProcessWeb/pdf/guide2013.pdf>.

institutions and pledged or otherwise encumbered reserve assets are excluded from gross international reserves.

**14. The net international reserves of the BRH** are defined as the gross international reserve of the BRH, minus (i) gross external liabilities excluding allocations of special drawing rights and liabilities related to Haiti's participation in the capital of international financial institutions, (ii) foreign currency deposits of commercial banks at the BRH (*sight deposits in US dollars and euro from BCM to BRH, and the CAM transfer*), (iii) commitments related to foreign currency swap transactions, (iv) *special foreign currency accounts*, and (v) *project accounts*, all from Standardized Report Forms 1SR or 2SR with the exception of the balances of the IMF accounts (SDR holding, reserve position in the IMF, and liabilities to the IMF), which come from the IMF Finance Department. The calculation of BRH net international reserves is illustrated below.

<b>Calculation of BRH Net International Reserves</b>		
(In thousands)		
	<b>September 2021</b> (gourdes)	<b>September 2021</b> (US\$) <sup>1</sup>
<b>BRH gross international reserves</b>		
Gold holdings	9,880,753.71	98,795.39
Foreign currency	5,998,299.64	59,975.62
Foreign sight deposits	24,302,710.70	242,997.22
Investments abroad	189,797,159.80	1,897,738.18
SDRs holdings (according to IMF books)	13,972,219.51	139,705.01
IMF reserve position (based on IMF books)	2,818,820.50	28,184.74
<i>Minus: Foreign liabilities</i>	<i>70,137,904.62</i>	<i>701,292.79</i>
Of which: Foreign liabilities (excluding liabilities related to Haiti's participation in the capital of international financial institutions)	<i>8,518,510.82</i>	<i>85,174.63</i>
Debt service payment to PDVSA	<i>42,558,855.10</i>	<i>425,536.21</i>
Off-balance-sheet foreign currency liabilities	<i>1,460,675.36</i>	<i>14,604.96</i>
Liabilities to the IMF (based on IMF books)	<i>17,599,863.34</i>	<i>175,976.99</i>
<i>Minus: Deposits in foreign currency</i>	<i>129,098,781.43</i>	<i>1,290,829.04</i>
<i>Minus: Foreign currency swap transactions</i>	<i>6,002,703.60</i>	<i>60,019.65</i>
<i>Minus: Special accounts in foreign currency</i>	<i>133,391.45</i>	<i>1,333.75</i>
<i>Minus: Project accounts</i>	<i>67.74</i>	<i>0.68</i>
<b>Net international reserves of the BRH</b>	<b>41,397,115.02</b>	<b>413,920.24</b>

<sup>1</sup> Exchange rate: HTG 100,0123/US\$

**15. Interventions of the BRH in the foreign exchange market** are defined in the Memorandum of Economic and Financial Policies.

**16. If budgetary grants are lower than expected** the floor on net international reserves will be adjusted downwards by the amount of the difference in question. Conversely, the floor will

not be adjusted upwards by the amount of budgetary grants exceeding the expected levels mentioned in the table below.

<b>Projected Budgetary Grants</b> (In millions of US dollars)							
<b>Cumulative flows since end-September 2021</b>				<b>Cumulative flows since end-September 2022</b>			
Dec. 2021	March 2022	June 2022	Sept. 2022	Dec. 2022	March 2023	June 2023	Sept. 2023
-	-	9.1	18.1	0.0	18.8	-	-

### **Primary Balance of the Nonfinancial Public Sector**

**17. Domestic arrears of the central government** refer to expenditure accepted by the Treasury and unpaid after 90 days, despite the delivery of the corresponding goods and services. Domestic arrears of central government do not include unpaid off-budget government commitments.

**18. Unpaid off-budget central government commitments** refer to liabilities incurred outside the budgetary process (from ministries or other public bodies), which may give rise to contingent claims against central government resources.

**19. Net domestic financing of the nonfinancial public sector (NFPS)** corresponds to the sum of the following elements: (i) net central bank credit to the NFPS; (ii) net credit from domestic commercial banks to the NFPS (as reported in the Standardized Report Form 2SR), which includes changes in NFPS deposits and the net issuance of Treasury bills and other NFPS securities to commercial banks; and (iii) net nonbank credit to the NFPS, which includes the net issuance of Treasury bills and other NFPS securities to nonbank institutions, the change in the net position of the NFPS vis-à-vis the electricity sector (including independent power producers), and the net change in suppliers' credit and domestic arrears of central government.

**20. Net external financing of the nonfinancial public sector (NFPS)** corresponds to the sum of (i) new external loan disbursements (excluding IMF loans) and (ii) the net change in external arrears minus external loan amortizations.

**21.** For the purposes of the program, the **primary balance of the nonfinancial public sector (NFPS)** corresponds to the sum of the following: net domestic financing of the NFPS and net external financing of the NFPS, after deducting interest payments on public debt. If budgetary grants do not reach the expected levels, the floor on the primary balance of the NFPS includes an asymmetric adjuster. More specifically, if the amounts of budgetary support are in deficit, the floors on the primary balance will be reduced by the amount of those deficits. Conversely, if external budget support exceeds projections, the floor on the primary balance will not change.

## Budget Allocation to the Ministry of Social Affairs and Labor

**22.** The budget allocation to the Ministry of Social Affairs and Labor (MAST) for social expenditure is defined as the sum (excluding transfers to the population) of the budget allocation (or expenditure implemented if lower) for all social programs of the MAST budget, including the resources allocated and implemented by the FAES, the Emergency Program (2022), *Klere Chimen*, and the activities of the Office of the State Secretary for Disability Inclusion (BSEIPH). It should be noted that this does not prevent other government entities from supporting the implementation of MAST programs. **The floor on the QT** applies to the sum of the allocations mentioned.

## New Contracting or Guaranteeing by the Public Sector of Non-concessional External Debt

**23. Definition of debt.** The definition of debt is set in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020). For the purpose of these guidelines, the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
- ii. suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and
- iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the PV (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

**24.** Gross **public debt** is debt owned by Nonfinancial public sector and comprised the advances by the *Banque de la République d’Haïti* (BRH) to the government (see Debt Sustainably Analysis).

**25. Debt guarantees by the public sector.** For the purposes of the program, a debt guarantee by the public sector means an explicit legal obligation to service a debt in the event of non-payment by the borrower (in return for payment in cash or in kind).

**26. Concessional debt.** An external debt is considered concessional if it includes a grant element of at least 35 percent.<sup>2</sup>

**27. External public debt.** This is the debt of the public sector which is contacted or serviced vis-à-vis non-residents. It includes, where applicable, debt issued domestically by the government and held by non-residents. This TMU assumes that non-residents do not hold debt issued domestically by the public sector. The stock of external debt will be adjusted if new information becomes available.

**28.** The central government undertakes not to contract or guarantee any new non-concessional external debt. This quantitative target also applies to domestic debt. It also applies to any private debt guaranteed by the central government that constitutes a contingent liability. Excluded from the ceiling are short-term (with a maturity of less than one year) import-related credits, rescheduling arrangements, borrowing from the IMF, non-resident purchases of treasury bills, and gourde-denominated BRH bills that are indexed to the exchange rate. This quantitative target will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

### **Public Sector External Arrears Accumulation**

**29. Arrears on external debt of the public sector.** They include all debt-service obligations (principal and interest) on loans contracted or guaranteed by the public sector that are due to non-residents but not paid on the due date as set out in the loan contract; they exclude those arising from obligations being renegotiated with external creditors and (or) those that are litigious. For the purpose of assessing the quantitative target on the non-accumulation of new external debt arrears by the public sector, arrears resulting from non-payment of debt service due to international sanctions preventing payments to the creditor are excluded from the previous definition. This quantitative target will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

### **Domestic Arrears Accumulation of the Central Government**

**30. Arrears on domestic debt of the central government.** They include all debt-service obligations (principal and interest) on loans contracted or guaranteed by the central government

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<sup>2</sup> A tool to calculate the grant element of a wide range of financial packages is available at: <http://www.imf.org/external/np/pdr/conc/calculator/>

that are due to residents but not paid 90 days after the due date set out in the loan contract. The quantitative target on domestic arrears accumulation will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

### **C. Reporting of Data for the Monitoring of the Program**

**31.** In order to facilitate monitoring of the program, the government will provide IMF staff with the information set out in the following summary table. Any data revisions will be promptly communicated to IMF staff.

**32.** The authorities will inform IMF staff in writing at least 10 working days (excluding public holidays in Haiti) before any change in economic and financial policies that may affect the outcome of the program. Such policies include, for example, changes in tax or customs legislation, wage policy, and support for public or private enterprises. With respect to continuous QTs, the authorities will report any non-observance to the IMF promptly.

## Summary of Data to be Provided

Sector	Type of data	Frequency	Reporting deadline
<b>Real Sector</b>			
	National accounts	Annual	Year-end + 3 months
	Quarterly economic indicators (economic cycle)	Quarterly	Quarter-end + 2 months
	Consumer price index (including breakdowns)	Monthly	Month-end + 3 weeks
<b>Public Finances</b>			
	Fiscal revenues (internal, external, other)	Monthly	Month-end + 1 week (4 final weeks final data)
	Expenditures on Cash Basis (wages and salaries, goods and services, external debt, current accounts)	Monthly	Month-end + 1 week (4 final weeks final data)
	Table of government financial transactions (TOFE)	Monthly	Month-end + 2 weeks
	Balance on current accounts and operation of projects	Monthly	Month-end + one month
	Table Underlying TOFE, which enables the determination of checks in circulation and balance on investment project accounts	Monthly	Month-end + one month
	Table on budget implementation with breakdown by ministry and other bodies and by type of expenditure	Monthly	Month-end + one month
	Total monthly amount of expenditure executed by transfer letters	Monthly	Month-end + one month
	Report on Revenue Collection of DGI (progress report)	Monthly	Month-end + one month
	Tables of revenue collection of AGD (port activity indicators, analytical report of customs receipts on import)	Monthly	Month-end + one month
	Table of revenue collected and authorized expenditure (TEREDA)	Monthly	Month-end + one month
	Detailed revenue and expenditures of BMPAD	Quarterly	Quarter-end + one month
	Report on social protection expenditures	Quarterly	30-day lag (final data)
	Table on the implementation of the PSUGO program	Quarterly	30-day lag (final data)
	Dashboard of the state electricity utility EDH showing monthly information on the production of electricity, making explicit the composition of production by independent electricity producers, EDH, and by region.	Monthly	30-day lag (final data)
	EDH commercial data allowing the calculation of EDH's billing and collection rates	Monthly	Month-end + one week
	EDH cash data including all revenues and all expenditures (operating, investment, and other)	Monthly	Month-end + one month
	Information on any off-budget claims presented for payment	Monthly	Month-end + one month

Sector	Type of data	Frequency	Reporting deadline
	Stock of unpaid off-budget central government liabilities	Monthly	Month-end + one month
	Data on all fuel shipments per product giving the CIF import price, the full price structure (including stabilization margin) and import and consumption quantities. Data on actual collections for each month with a breakdown per product and tax type.	Monthly	Month-end + one week
	Table of import prices of petroleum products, by arrival	Monthly	Month-end + one month
	Table of imported quantities of petroleum products	Monthly	Month-end + one month
	"Stabilization margin" table of the Directorate of the Tax Inspectorate	Monthly	Month-end + one month
	"Petroleum product tax" table of the Directorate of the Tax Inspectorate	Monthly	Month-end + one month
	Details of the stock of all government borrowing and debt securities (interest rate, maturity, creditor if known)	Annual	End of financial year + 3 months
	Full amortization table of domestic and external government debt	Annual	End of financial year + 3 months
	Statement of stocks and flows of repayment of suppliers' credits and payment arrears	Monthly	Month-end + one week
<b>Monetary and Financial Data</b>			
	Exchange rate	Daily	Day-end + one day
	Monetary base and sources thereof and currency in circulation.	Weekly	Week-end + one week
	Aide Memoire Table containing, inter alia: (i) stock of BRH bonds; (ii) deposits at commercial banks; (iii) credit to private sector (in gourdes and U.S. dollars); (iv) details of inflows and outflows of foreign exchange reserves, including budget support received; (v) volume of foreign exchange transactions, including BRH sales and purchases; (vi) gross and net international reserves; (vii) net BRH credit to central government and the non-financial public sector; and stocks and interest rates of BRH bills.	Weekly	Week-end + one week
	Tables of monetary statistics showing, inter alia, the balance sheet of the BRH (Table Standardized Report Form -1SR) and the consolidated banking sector (Table Standardized Report Form -2SR)	Monthly	Month-end + one month
	IMF Weekly Tables showing, inter alia, the average and weighted interest rates on gourde and U.S. dollar-denominated deposits and credit, and the excess reserves in the banking system.	Monthly	Month-end + one month

Sector	Type of data	Frequency	Reporting deadline
	Monetary and financial statistics. Standardized reporting form, balance sheets of the Central Bank and other depository corporations.	Monthly	Month-end + one month
	Information on the composition of gross reserves.	Monthly	Month-end + one month
	Banking supervision statistics and commercial indicators on commercial banks.	Quarterly	Quarter-end + one month
	The calendar and planned placements of BRH gourde-denominated dollar-indexed bills, including in banks and nonbanks.	Quarterly	Quarter-end + one month
	Audited financial statements of the BRH	Annual	Year-end + 3 months
<b>Balance of Payments</b>			
	Balance of payments (first version)	Quarterly	Quarter-end + 6 weeks
	Revised balance of payments	Quarterly	3 months after the first reporting
	BRH FX cash flow table; quarterly projections through end of fiscal year.	Quarterly	Quarter-end + one month
<b>External Debt</b>			
	External debt report prepared by the BRH showing monthly disbursements; debt service, debt forgiveness and rescheduling, arrears, and debt stocks.	Monthly	Month-end + one month
	Details of any external public debt and debt guaranteed by the State	Monthly	Month-end + one month
	Data on stocks, accumulation, and repayment of external arrears	Monthly	Month-end + 6 weeks
	Table of complete amortization of external debt	Annual	End of financial year + 3 months
	International Investment Position (IIP)	Annual	Year-end + 3 months