INTERNATIONAL MONETARY FUND

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HAITI

August 2023

STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

In the context of the First Review Under the Staff-Monitored Program (SMP), the following documents have been released and are included in the 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 on December 8, with the officials of Haiti on economic developments and policies underpinning the First Review Under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on June 30, 2023.

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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PRESS RELEASE

PR23/298

IMF Management Approves a New Staff Monitored-Program with Haiti

FOR IMMEDIATE RELEASE

Staff Monitored Programs (SMPs) are informal arrangements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board. SMP Staff reports are issued to the Board for information.

- *Management of the International Monetary Fund (IMF) approved on June 29, 2023, a Staff-Monitored Program (SMP) with Haiti* covering the period through March 2024.
- *Building on progress achieved under the previous SMP, which was satisfactorily concluded in May 2023, the new 9-month SMP should contribute to macroeconomic stability by helping Haiti sustain recent policy reforms designed to enhance economic resilience and governance.*
- *Fund management also welcomes the authorities' request for an IMF Governance Diagnostic.*

Washington, DC – August 30, 2023: Management of the International Monetary Fund (IMF) approved on June 29, 2023 a Staff-Monitored Program (SMP) with Haiti which runs through March 31, 2024. The new 9-*month* 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. The SMP may be extended by three additional months at the request of the authorities through June 2024.

SMPs are arrangements between country authorities and the IMF to monitor the implementation of the authorities' economic program and to establish a track record of policy implementation. SMPs are not accompanied by IMF financial assistance.

Haiti faces a challenging macroeconomic outlook amid a dire humanitarian crisis. The country has been hit hard by economic spillovers from Russia's invasion of Ukraine, including food price inflation that has triggered a hunger crisis. This global shock has been compounded by a highly volatile security situation in Haiti, which has heightened the economy's fragility.

Despite the very challenging environment, signs of resilience have emerged. Net international reserves have been rebuilt, although from a low base; custom duties helped boost fiscal revenue by 50 percent in the first six months of the fiscal year of 2023 starting in October 2022, monetary financing of the budget has declined; and the exchange rate has recently stabilized. Efforts to further to stabilize the macroeconomic outlook should continue under the SMP, as well as reforms aimed at reducing governance vulnerabilities.

Building on the satisfactory outcome of the previous SMP, which concluded in May, the new SMP should help strengthen Haiti's domestic revenues mobilization and raise taxes by supporting the implementation of the tax code. This should contribute to the continued lowering the monetary financing of the budget. The fiscal measures should also help enhance transparency and accountability in the use of public spending, continue to enhance the AML/CFT framework, and build administrative and institutional capacity in Haiti.

Sustaining progress on reforms to strengthen governance is paramount to ensure inclusive growth and build the trust of the private sector and of development partners. Recent progress in reducing governance vulnerabilities is welcome and should continue to be effectively addressed. Governance and anti-corruption measures were key components of reforms under the 2022 SMP and will continue to be key in the new SMP. The authorities have acted to strengthen accountability in the use of public resources and have boosted the transparency of public procurement for emergency resources. The recent finalization of revisions to the Central Bank and to the AML/CFT legal frameworks are also critical for improving governance and transparency.

The authorities have also recently made a formal request for an IMF *Governance Diagnostic*, which is a very welcome development and will help Haiti solidify the early improvements achieved during the recently concluded SMP. The diagnostics are designed to help inform governance and anti-corruption strategies, including sequencing of reforms.

In line with the Fund Strategy for Fragile and Conflict-Affected States, IMF staff will also continue to coordinate closely with Haiti's main development partners, particularly given the critical role of development partners on capacity development and financing.

HAITI

STAFF-MONITORED PROGRAM

June 30, 2023

EXECUTIVE SUMMARY

Context. Haiti faces a challenging macroeconomic outlook amid a dire humanitarian crisis. The country has been hit hard by the economic spillovers from Russia's invasion of Ukraine, with food price inflation triggering a hunger crisis. This global shock has been compounded by a highly volatile security situation, which has heightened the economy's fragility, hampered activity, and generated supply-side bottlenecks which have further fueled inflation. The flash floods which hit the country in early June caused loss of life and damage to key infrastructure. Risks to the outlook remain substantial.

2022 Staff-Monitored Program (SMP). Despite domestic and global difficulties, the authorities have maintained macroeconomic stability and adopted important policy reforms, anchored by the 2022 SMP which ended in May 2023, and displayed a firm commitment throughout, with program implementation being broadly satisfactory. The reforms cover governance and anti-corruption, tax and revenue administration, public finance management, including budget preparation and execution, and central bank independence. Data has also improved. All these have enhanced much-needed transparency in public spending and in the financial sector and helped maintain macroeconomic stability. Despite the delicate political landscape, and thanks to a highly inclusive consultative process, the authorities have taken the necessary ownership and earned public support for the SMP through the high-level Program Monitoring Committee.

Request for a new SMP. The authorities requested a new nine-month SMP to deepen and sustain the implementation of recent reforms to further enhance economic resilience and governance. SMP policies provide for short extensions if needed to allow the authorities continue establish a track record of reform implementation. Reforms under the new SMP are focused on the implementation of the new tax code to mobilize additional revenues and on continuing to enhance public financial management system (PFM). The proposed new SMP will continue to be supported by Fund capacity development assistance. In line with the Fund Strategy for Fragile and Conflict-Affected States, staff will also continue to coordinate closely with Haiti's main development partners.

Approved By
Patricia Alonso-Gamo and Peter Dohlman

Discussions took place in person in Washington during the week of the spring meetings (April 10-17), 2023 continued remotely thereafter, and were concluded on June 21, 2023. The team comprised Ms. Tumbarello (Head), Mr. Noah Ndela, Ms. Bhattacharya (all WHD), Ms. Osorio-Buitron (FAD) and Mr. Shenai (SPR) and Messrs. Duvalsaint and Wata (Port-au-Prince office). Messrs. Mathias (LEG), Nguenang (FAD), and Justin Matz (STA) participated respectively in the discussions related to governance diagnostic, PFM/social spending, and data. Ms. Ojo (WHD) provided valuable research assistance and Ms. Coquillat (WHD) coordinated the work related to mission scheduling and document preparations. Mr. Saraiva and Ms. Florestal (OED) joined the discussions. The team met with Mr. Michel Patrick Boisvert (Minister of Economy and Finance), Mr. Jean Baden Dubois (Governor of the Bank of the Republic of Haiti), Mr. Pierre Ricot Odney (Minister of Social Affairs and Labor), other senior officials, the private sector (civil society, association of industries, and banking association), and the international community through the process (WB, IADB, EU, UN, USAID, and WFP) to coordinate technical assistance and donor support.

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APPENDIX

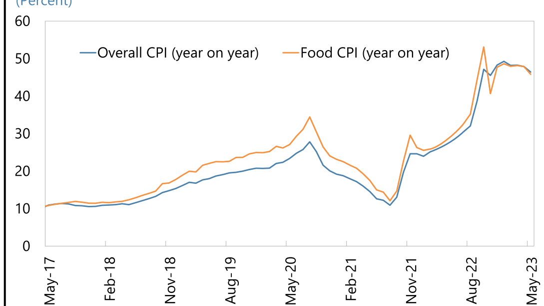
CONTEXT AND RECENT DEVELOPMENTS

1. **Haiti continues to face a dire humanitarian crisis**. Haiti has one of the highest levels of food insecurity in the world.[1] The country has been hit hard by the economic spillovers from Russia's invasion of Ukraine, with food price inflation triggering a hunger crisis affecting over 50 percent of the population. To help address Haiti's balance of payments needs, the Fund approved in January 2023 US$110.6 million under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF). That said, the financing needs of Haiti remain large, as previous reports indicated, and import compression is necessary, pending additional external financing from development partners.[2] The security situation remains very difficult, worsening widespread fuel shortages. The recent heavy rain and flooding have further aggravated the country's fragility.[3]

2. **Political uncertainty persists, albeit with one notable achievement**. Prime Minister Henry signed on December 21, 2022, a new agreement with representatives of all political parties, the private sector, and NGOs. The agreement, "National Consensus for an Inclusive Transition and Transparent Elections," includes a timetable for installing an elected government by February 2024; the establishment of a *High Council for the Transition* (set up in February), and soon of a *Body for the control of government action* to enhance the current government's accountability (including through the oversight of the budget process); and measures to fight corruption.

3. **Macroeconomic conditions remain challenging**. In fiscal year 2022 (FY2022)[4], real GDP contracted for the fourth consecutive year, by 1.7 percent (Table 1). Year-on-year inflation reached 46.4 percent in May 2023 with food prices inflation at 45.8 percent (year-on-year), driven by global commodity and supply-side disruptions (security and drought). Month-on-month inflation, however, has declined sharply, from near 11 percent in October to 0.9 percent in May, indicating that inflation is decelerating. The deficit of the non-financial public sector (NFPS) narrowed by 0.4 of a percentage point to 2.1 percent of GDP in FY2022 (Table 2a and Table 2b). Still, this was 0.6 percentage point above the level expected when the SMP was approved in June 2022 and was attributable mainly to higher-than-expected fuel subsidies (until mid-September 2022). The current account balance shifted to a deficit of 2.3 percent of GDP (Table 3a and Table 3b), from a surplus of ½ percent in FY2021, owing

Inflation
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI), and Bank of the Republic of Haiti.

[1] WFP, 2023.

[2] IMF Country Report No. 23/80 (footnote 3).

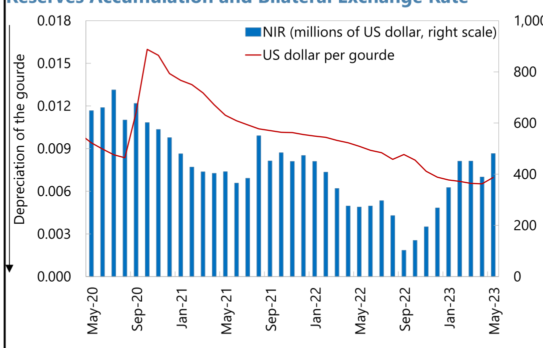
[3] An updated Country Engagement Strategy for Haiti will be prepared in the context of the Article IV consultation later in 2023.

[4] The fiscal year runs from October 1 to September 30.

mostly to a negative terms-of-trade shock (higher fuel and food import costs). The exchange rate (gourde vis-à-vis US dollar) has stabilized since January 2023. Fuel shortages, security issues, and, more recently, floods continue to undermine economic activity, with credit growth decelerating to 2.5 percent (year-on-year) in the first quarter of 2023. Overall, the external position of Haiti in FY2022 is assessed to be moderately weaker than medium-term fundamentals and desired macroeconomic policies (Annex I).

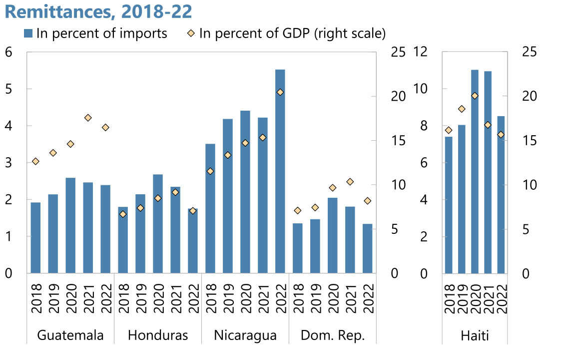
4. **Signs of resilience have emerged, and buffers have been rebuilt, although from a low base, suggesting that policies, aligned with 2022 Staff-Monitored Program (SMP), have helped the economy**. Net international reserves (NIR) have picked up in recent months, reaching almost US$481 million in May 2023, up from just US$114 million at end-October 2022. This increase reflects recent FX purchases to rebuild external buffers, as well as valuation effects in the central bank's FX portfolio. Remittances remained resilient in 2022 after surging in 2020-21 and were still higher than in the pre-Covid period (as a share of imports). Custom duties helped boost fiscal revenue by 48 percent in the first six months of FY2023, which also reflected improved revenue administration and the government's ability to collect taxes on fuel imports at the new regulated price. Monetary financing of the budget decreased considerably during October 2022-April 2023 (year-on-year)—in line with the SMP objectives—to ½ percent of GDP, from 2 percent over the same period of the previous year.

Reserves Accumulation and Bilateral Exchange Rate



Sources: Bank of the Republic of Haiti and IMF staff estimates.

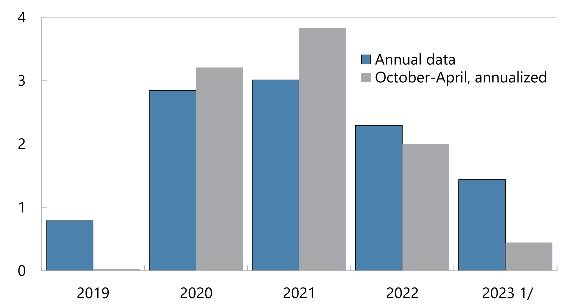
Remittances, 2018-22



Sources: Bank of the Republic of Haiti, national authorities, and IMF staff calculations.

Monetary Financing of the Budget

(In percent of GDP)



Sources: Ministry of Finance (Tableau des Operations Financières de l'Etat—TOFE) and IMF staff estimates.

1/ The annual data is a projection.

5. **Despite multiple challenges, the authorities demonstrated a firm commitment under the 2022 SMP which provided a credible anchor for enhancing policymaking and have stayed actively engaged with Fund staff, which has spurred additional support**. The authorities achieved all structural benchmarks set in the 2022 SMP, although some with delays, supported by capacity development in the areas of governance and public financial management; tax administration; central bank law; anti-money-laundering; tax policy and custom administration; and

safeguards (EBS/23/59). Since the disbursement of US$110.6 million under the FSW of the Rapid Credit Facility, the authorities' engagement has strengthened through the high-level Program Monitoring Committee (*Comité de Suivi)*—which meets with IMF staff biweekly. The Fund has also continued actively supporting Haiti's capacity development. The IMF Legal Department (LEG) conducted a capacity development (CD) mission on AML/CFT and on the law on the Central Financial Intelligence Unit and advised the authorities on the revision of the Central Bank law; the IMF Fiscal Affairs Department (FAD) and LEG delivered assistance on the consumer-pricing mechanism reform of the fuel subsidy regime, completed in April. If implemented, the latter will allow changes in international fuel prices to be regularly passed on to consumers.[5] This reform also features a smoothing mechanism to protect consumers by limiting the monthly variation of prices at the pump (through revisions of the current 1995 law).[6] FAD and the Caribbean Regional Technical Assistance Centre (CARTAC) provided technical assistance (TA) on cash management to improve PFM systems; FAD also delivered TA on revenue administration to broaden the tax base and improve tax compliance; the IMF Statistics Department provided initial support the compilation of quarterly GDP data and external sector statistics; and the Monetary and Capital Markets Department (MCM) delivered TA on the Central Bank Banking Chart of Accounts to align them with IFRS Standards and a TA to upgrade the regulatory framework and move to risk-based supervision. Finally, the 2022 SMP has helped facilitate the forthcoming budget support (€19.5 million) from the European Union, which was conditional, among other things, on the successful completion of the first and second reviews of the 2022 SMP.

OUTLOOK AND RISKS

6. The macroeconomic outlook for Haiti remains very challenging. Growth is expected to be muted at 0.1 percent in FY2023 owing mainly to the security situation. It is expected to reach 1½ percent over the medium term, depending on continued implementation of structural reforms and an improved security outlook. Inflation is expected to moderate gradually–to about 30 percent at the end of this fiscal year–as the impact of lower monetary financing of the fiscal deficit takes effect and world market prices for food and fuel stabilize. Inflation is then forecasted to ease further over the medium term, assuming adequate macroeconomic policies. The fiscal deficit of the NFPS is projected at 1.9 percent of GDP in FY2023—0.4 percentage point below that envisaged at the time of the SMP approval—because of lower fuel subsidies and higher customs revenues. The fiscal deficit would expand slightly to about 2.2-2½ percent of GDP over the medium term, led primarily by capital spending. The current account deficit is expected to narrow to 0.8 percent of GDP in FY2023, and further to 0.6 percent over the medium term, assuming imports compression and as import prices stabilize.

7. The outlook is subject to multiple risks, including climate and security, and it is tilted mainly to the downside. Domestic risks include intensified political instability, gang-related

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[5] The one-time increases in fuel prices were announced in September 2022 and passed on to consumers at the pump in November 2022 (First Review of the SMP, footnote 1, and ¶9).

[6] The next steps entail ensuring consistency between the amendment law and the excise chapter of the new tax code.

disruptions to economic activity, a further spread of cholera, a worsening of the hunger crisis, and natural disasters. Externally, Haiti is vulnerable to volatile remittance flows, lower-than-expected external financing, and renewed surges in global food and energy prices. Normalization of the security situation (not envisaged in our baseline) would greatly improve the medium-term outlook. The projected path of public debt was sustainable, although consistent with a high risk of debt distress and the debt-carrying capacity was assessed as medium, as ascertained in the most recent DSA (see EBS/23/4). Risks to program implementation could also increase in the run up to the election.

POLICY DISCUSSIONS ON THE NEW SMP

Building on the satisfactory outcome of the 2022 SMP, the new proposed SMP would help strengthen domestic revenues mobilization to support efforts to raise inclusive growth thereby continuing lowering the monetary financing of the budget; it would further enhance transparency and accountability in the use of public spending; and it would continue to build administrative and institutional capacity through capacity development (Box 1).

A. Fiscal Policy

8. Background. Tax revenues at 5.3 percent of GDP in fiscal year 2022 are among the lowest globally. That said, during the first half of FY2023, domestic revenue was much stronger than in previous years, rising by 48 percent, owing mainly to custom duties and reflecting strong improvement in revenue administration and the government's ability to collect taxes on fuel imports at the new regulated price. Domestic revenue had a weak start, as a result of the paralysis of the economy in September/October, attributable to the temporary loss of access to the main fuel terminal (*Varreux*), which reduced tax collection in October 2022. In nominal terms, revenue recovered to its historical high as activity resumed. Average monthly revenue exceeded 17 billion gourdes in the second quarter of FY2023, relative to a monthly average of 11 billion gourdes during the year-earlier quarter. Nominal spending grew 18 percent (year-on-year) in the first semester of FY2023, led mainly by capital spending (25 percent), including to strengthen national police. The increase in current spending was more subdued (13 percent), with energy transfers (including fuel

Execution of Social Spending

Ministry	FY2022 1/		FY2023		Oct-Dec 2022		Jan-Mar 2023		Oct 2022-Mar 2023	
	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP
Agriculture	1,953	0.09	1,479.0	0.05	344	0.01	396	0.01	740	0.02
Education	20,767	0.96	20,911.4	0.67	6,026	0.19	4,430	0.14	10,456	0.33
Public health	6,433	0.30	5,913.4	0.19	1,879	0.06	1,078	0.03	2,957	0.09
Social affairs and labor (MAST) 2/	3,964	0.18	6,004.0	0.19	391	0.01	371	0.01	762	0.02
Total	33,117	1.53	34,307.8	1.10	8,639	0.28	6,275	0.20	14,914	0.48

Sources: Ministry of Economy and Finance (MEF) and IMF staff calculations.

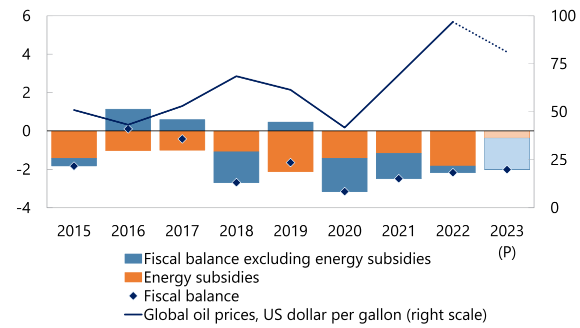
1/ Fiscal year 2022 ends in September 2022.

2/ Spending by MAST for FY 2023 Q1 is an estimate.

and electricity) cut in half,[7] as the fuel price adjustment has cut fuel subsidies to zero. During the first semester of FY2023, social spending totaled 0.65 percent of GDP, slightly higher than the year-earlier period (0.62 percent of GDP). In nominal terms, total social spending surged 50 percent year-on-year, reaching 20.3 billion gourdes. The higher level of spending is primarily domestically financed. Monetary financing of the budget stood at 1 percent of GDP, based on annualized data using the outturn for the first semester.

9. Implementation of the 2023 budget is in line with the goal under the new SMP of reducing monetary financing of the deficit and the FY2024 budget should be consistent with agreed targets under the new SMP (September structural benchmark). The overall government balance is projected at 1.9 percent of GDP in FY2023. Monetary financing is expected to reach 1.4 percent of GDP at the end of the fiscal year, given seasonality in spending, far below the 2.3 percent in FY2022. Total domestic tax revenue is expected to climb to 6.4 percent in 2023, from 5.3 percent of GDP in 2022. The higher tax revenue owes to higher customs revenue, given the recent revenue administration reforms, and the fuel price adjustment—projected to yield 0.9 percent of GDP from taxes on fuel imports. As for expenditures, current spending and domestically financed capital spending are projected to rise by 1.2 percentage point of GDP relative to 2022.[8] With global oil prices moderating, fuel subsidies will remain at zero for the rest of the fiscal year, and transfers to the electricity company will total 0.4 percent of GDP, consistent with historical patterns. The FY2024 budget is expected to remain around 1.8 percent of GDP, while the medium-term fiscal deficit is projected to slightly widen to an average of 2.1 percent of GDP, driven by a slight increase in capital spending to support infrastructure needs. The launch of the process on the 2024 budget has been announced in the new MEF website for July 7.

Contribution of Energy Subsidies to the Fiscal Balance
(Percent of GDP)



Sources: World economic outlook (WEO) and IMF staff projections.
Figures for 2023 correspond to projections.

10. Efforts to boost revenue have been successful and collection should be sustained in the new SPM. While the 2022 SMP focused on approving the tax code (approved by the Council of Ministries in December 2022 through a broad-based consultative process), the new SMP will focus on its implementation. To this end, the authorities have requested TA from the Fund to help implement it and design the tax administration strategic reform plan as well as TA on custom administration.[9] The new tax code will become operational in October 2024.

11. Meaningful progress has been achieved on PFM, with respect to enhancing the transparency of public spending and public finance reporting and accountability, and efforts

[7] Budget presentation and reporting improved substantially for FY2023 and clearly indicate electricity subsidies.
[8] Foreign financed capital spending is fully financed by grants.
[9] The authorities are also receiving support from the EU and the World Bank on customs. Staff is closely coordinating with development partners to ensure synergies among institutions.

should continue. Since March 2023, the authorities have provided far more detailed monthly data on budget execution (including spending on wages, goods and services, and capital investment by ministry and by project) and published (on the web site of the *Direction Generale du Budget*, MEF) detailed budget execution by line ministries. They are also committed to continuing sharing more detailed quarterly financial statements for the FAES (quarterly structural benchmark also under the new SMP), following PFM best practices provided by the FAD. The authorities have made progress in seeking to consolidate the Treasury Single Account (TSA). They have also prepared a medium-term fiscal framework (MTFF), with the NFPS deficit as the main anchor, adopted together with the FY2023 budget. Going forward, based on the MTFF, the medium-term budget framework (MTBF) should be prepared using a top-down approach to set expenditure ceilings that will guide budget preparation at the line ministry level. Building on this reform, in the medium run, each key line ministry should prepare a medium-term expenditure framework (MTEF), using its defined expenditure ceilings. This reform would help ensure better resource allocation and prioritization at the line ministry level, making the annual budget more credible and its execution more predictable.

Box 1. Haiti: Integration Between Capacity Development and the 2023 SMP-Forthcoming Activities

In achieving the SMP objectives, the Fund will continue to support the authorities through an extensive CD agenda. Furthermore, staff will closely collaborate with development partners, with particular emphasis on governance and customs administration issues.

- Governance diagnostic (LEG, FAD, MCM, starting in July 2023);
- Revision of the excise chapter of the new tax code (FAD/LEG, July 2023);
- Revenue administration and customs reform: to facilitate and ensure a timely and appropriate implementation of the recently approved General Tax Code and strengthen the customs procedures code (FAD/LEG, FY 2024);
- Compilation of quarterly GDP data (STA/CARTAC);
- Improve timeliness and quality of balance of payments statistics (STA/CARTAC); and
- Additional CD on the amendments to the organic law on the Central Financial Intelligence Unit could also be provided, pending authorities further needs.

12. **Spending related to the FSW**. To ensure transparency and accountability in the spending of emergency resources received under the FSW, the authorities have committed in January 2023 to carefully controlling, monitoring, recording, and publishing all expenditure related to this facility and strengthen audit capacity in the spending of emergency resources for the most vulnerable households to ensure accountability. These general commitments have become structural benchmarks under the new SMP. The authorities have started to publish comprehensive monthly reports on execution of the budget (on the *Direction Generale du Budget)* according to the template provided by Fund staff no later than 45 days after the end of each month (monthly structural benchmark). They also intend, through the General Finance Inspectorate, to conduct internal expenditure audits of all ministries that use emergency resources provided by the FSW and to report

these internal audits to the Superior Court of Audit and Administrative Disputes (CSCCA) (quarterly structural benchmark). The CSCCA will also conduct the financial and operational compliance audit of all RCF Food Shock Window spending for fiscal year 2022-23 and publish the report (December 2023 structural benchmark). Resources related to the FSW had not been spent until beginning of May and were kept as reserves at the central bank. This reflected the authorities' commitment to following proper procurement processes as well as the need to respect the safeguards agreed under the RCF to enhance transparency and accountability in the use of public spending. As of end May 2023, 4 billion gourdes, or about 25 percent of the total FSW disbursement were authorized to be spent, and 0.23 billion gourdes or 1.5 percent of the total actually spent. Spending rate is expected to accelerate in the last months of FY2023 (text Table).

Spending Related the Food Shock Window Resources
(In millions of gourdes)

Institution	Purpose	Measure	Budget allocation	Authorized to be spent	Actual spending 1/
Fonds d'Assistance Economique et Social (FAES)	Food security	Reactivation of community restaurants and mobile canteens	2,000	553	
		Distribution of food to vulnerable households (paniers de solidarité)	500	205	
	Cash distribution to vulnerable population	Cash transfer to vulnerable households	2,500	714	
		Cash to workers in subcontracting industries	1,500	309	229
Subtotal			6,500	1,781	229
Ministry of National Education and Vocational Training	Cash transfer to vulnerable households to encourage school attendance	Support to parents	7,500	1,801	
Ministry of Trade and Industry	Grants/subsidies to public transportation drivers	Fuel cards for drivers	1,600	410	
Total			15,600	3,991	229

Source: Ministry of Finance and Economy.
1/ Spending started in May 2023.

13. The authorities are working towards strengthening the social safety nets and efforts should continue. Fuel subsidy reform is essential to ensure medium-term fiscal sustainability. Given the political and social implications, the authorities are taking the lead both in terms of the modalities and timing of the reform. The authorities started reviewing the retail price-setting mechanism, as the September fuel price increases have eliminated fuel subsidies only temporarily, and a comprehensive and transparent policy framework for future price adjustments needs to be implemented. To this end the authorities committed to amend the 1995 Law with the objective of allowing changes in international fuel prices and exchange rates to be partially passed on to consumers, with a smoothing mechanism which caps the monthly variation of retail prices. The forthcoming fuel price reforms should include mitigating measures to protect the most vulnerable in conjunction with a gradual and well-communicated approach. Staff and the authorities agreed that an elaborated communication policy would greatly help the authorities' reform strategy. Establishing a regulatory framework for the petroleum products sector and strengthening related regulatory institutions should remain amongst the authorities' reform priorities. The authorities are taking steps to cushion the impact of the shocks on the population. The authorities have prepared a detailed strategy to tackle food insecurity and strengthen the social safety nets (see text Table1 and ¶15 of IMF Country Report No. 23/48 and ¶8 of IMF Country Report No. 23/80), also leveraging ongoing programs. The plan aims to expand programs that improve living conditions and enhance social inclusion, focusing on the most vulnerable groups (children, women, and old-age group). One of the challenges of the 2022 SMP was that, despite the authorities providing targeted social spending to the population, this amount was not fully reflected in the program spending definition. Following further consultation with the authorities and IMF Fiscal Affairs department, staff uses a different definition of social spending in this 2023 SMP to better reflect Haiti's specificities.

B. Monetary and Exchange Rate Policy

14. Background. Monetary financing of the budget has decreased since the start of the 2022 SMP (text chart in ¶4), which has enhanced the credibility of the monetary policy framework. On the exchange rate front, recent data suggest that the authorities' interventions in the foreign exchange (FX) market are mainly to rebuild NIR. The authorities also began to unwind some FX surrender requirements (per Circular 114.3), a positive step in line with staff recommendations. And they have requested technical assistance on FX market operations, aiming at eliminating the foreign exchange parallel market.[10]

15. To strengthen the monetary and exchange rate frameworks, staff continued to recommend:

(i) greater exchange rate flexibility,

(ii) a ceiling on credit to the NFPS as the main anchor to limit monetary financing of the deficit to 1½ percent of GDP, and

[10] The BRH published the daily reference exchange rate (taux de référence), a weighted average between the interbank rate or *marche bancaire* (60 percent), and the informal rate or *marche informel* (40 percent). In addition to the informal rate reported by the BRH, a *parallel* market rate is obtained from informal surveys data.

(iii) short-term liquidity-absorbing operations at a fixed rate (policy rate) and full allotment.

Staff recommended a further increase in short-term interest rates to initiate disinflation, given the large negative real rate of about 15 percent. While the interest rate transmission to inflation is weak, there is little room to tighten direct instruments further as reserve requirements are already at 50 percent.

16. The Bank of the Republic of Haiti (BRH) should continue to limit its interventions in the FX market to smoothing excessive exchange rate volatility. Staff recommended that the BRH:

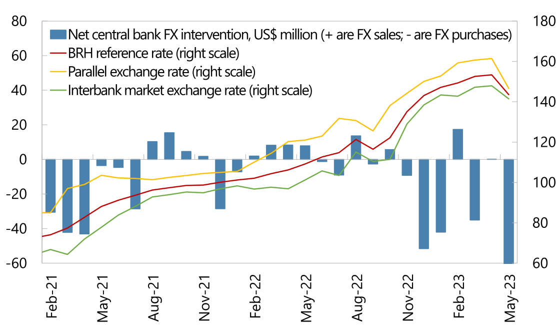
(i) put in place an appropriate mechanism for FX interventions, such as well-designed weekly FX auctions, in lieu of the FX allocation system;

(ii) advance its ongoing work on an FX market intervention rule; and

(iii) complete the revision of banks' net open position (NOP) limits.

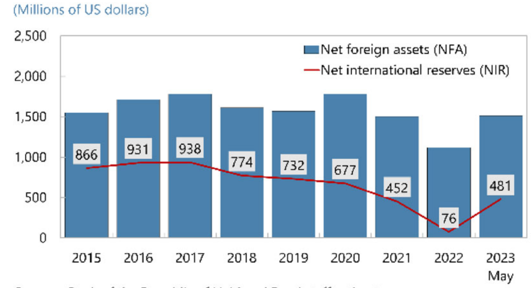
These reforms will deepen the foreign exchange market and help the government formalize the FX market as well. The authorities are committed not to introduce exchange restrictions or multiple currency practices. Staff received requested information on the unwinding of FX surrender requirement measures (under Circular 114.3).

Exchange Rate and Foreign Exchange Intervention



Sources: Bank of the Republic of Haiti and IMF staff estimates.

Net Foreign Assets and Net International Reserves of the Central Bank
(Millions of US dollars)



Sources: Bank of the Republic of Haiti and Fund staff estimates.
Data refer to September (end of the fiscal year) with the exception of 2023.

C. Financial Sector

17. Background. The BRH is advancing reforms to increase financial inclusion to increase access to credit, including in the rural areas and support inclusive growth. It has been strengthening banking supervision, with Fund assistance, to upgrade the regulatory framework and move to risk-based supervision. More information is needed for a full-fledged assessment of risks faced by the financial sector, including for small non-bank financial institutions that have been growing fast.

18. Reform efforts will need focus on:

- **Banking supervision**. The BRH has reinforced human capital through external hiring and training of supervisors. It finalized the pre-draft of risk assessment grids and the rating matrix for financial institutions, an important step toward risk-based supervision. The adoption of regulations on risk concentration, classification, and provisioning of credits—and a new chart of accounts for financial institutions—are being finalized. Staff commends recent progress, including the BRH's commitment to finalize pending regulation and to continue working to establish risk-based supervision, supported by TA.

- **Digital money**. BRH has benefited from the Fund's technical assistance in analyzing key issues related to a central bank digital currency. The BRH conveyed that it does not intend to implement the CBDC at the moment, but stressed the importance of putting a placeholder in the central bank framework, in anticipation of future implementation, as legal frameworks are not frequently revised in Haiti. Staff strongly recommended that the BRH considers all aspects of the project's desirability and feasibility, including a robust evaluation of costs and risks, before proceeding. Haiti still needs to improve the regulatory framework and/or update the national payment system to facilitate mobile payments and operators. Modernization efforts should include migration toward new international messaging standards that support interoperability and financial integrity.

- **Anti-money laundering**. The authorities have upgraded the AML/CFT framework with the technical support of the IMF Legal Department to ensure greater alignment with the international standards of the Financial Action Task Force (FATF); and they approved in April the new AML/CFT Decree. The revised AML/CFT framework should allow Haiti to address a key item on the FATF action plan. The authorities should also enact amendments to the Financial Intelligence Unit (FIU) law (Unité Centrale de Renseignements Financiers—UCREF), including to ensure UCREF's operational autonomy, its power to conduct operational and strategic analysis, and its access to a broad range of information held by other government agencies (December 2023 structural benchmark). LEG has provided TA in this area and stands ready to further support the authorities on this endeavor. In addition, the authorities are working with staff to address other steps necessary to exit FATF grey list and ease potential pressures on correspondent banking relationships, including completing sectoral risk assessments, implementing a risk-based supervision regime for financial institutions and designated non-financial businesses and professions, and ensuring transparency of basic and beneficial ownership information on legal persons. The authorities should also review regulations recently published by the BRH to ensure consistency with the new AML/CFT decree.

19. The authorities are committed to the prudent use of Haiti's SDR holdings and to transparent reporting on Haiti's use of its SDR allocation. Haiti converted about half the SDR holdings it received from the 2021 SDR allocation to freely usable currencies, which it subsequently used to pay for priority fiscal spending. Staff emphasized the importance of reinforcing institutional frameworks governing the fiscal use of the SDR allocation—including on the repayment terms between the finance ministry and central bank—and on transparency measures for SDR-related spending. The authorities also agreed to communicate publicly on the BRH or MEF websites any future conversion of their SDR allocation into freely usable currencies and to engage staff on future SDR conversions.

D. Governance

20. The authorities have made solid progress on governance and further efforts are needed. The authorities have published public procurement contracts, including the publication of tenders, contracts, and the beneficial owners of successful bidders and will continue to do so under the new SMP (monthly structural benchmark). To monitor the implementation of social programs, the authorities are committed to follow good PFM practices, in line with recent technical assistance from the IMF. They introduced all social expenditure into the budget and all associated financing in the Treasury Single Account at the central bank, in compliance with procurement, execution, and expenditure control procedures. The authorities have requested an IMF *Governance Diagnostic* CD which should help them identify the next priorities for governance and anti-corruption reforms. The revision of to the AML/CFT legal framework is also an important step forward to address the FATF recommendations and fight corruption.

21. With a view to strengthen its governance and operations, the BRH had made further efforts to implement some of the overdue 2019 safeguards recommendations and has committed to implement the pending ones. The BRH recently approved drafting amendments to its organic act which, once passed, will strengthen its governance arrangements and autonomy as well as clarify its mandate. The other priority recommendations, such as the adoption of International Financial Reporting Standards and development of a medium-term plan to phase-out BRH's involvement in development activities, as well as the alignment of the foreign investment strategy with best practices, remain in progress. Staff will continue to monitor the implementation of these recommendations.

PROGRAM MONITORING

This SMP envisages two reviews and two test dates: June 2023 and December 2023.

22. Quantitative targets (QTs). Periodic QTs are presented in Appendix 1. Table 1 and comprise: (i) a floor on the NFPS primary balance; (ii) a ceiling on Central Bank's net credit to the NFPS; (iii) a floor on net international reserves (NIR) of the central bank; (iv) a floor on the sum of the budget allocations to the Ministry of Social Affairs and Labor (MAST), Ministry of Education, Ministry of Agriculture, and Ministry of Public Health; 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 adjustor 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 in infrastructure, social spending, and national police. There is no adjustor on central bank net credit to the NFPS. The test dates are set for end-June and end-December 2023. ITs will apply to September 2023. The new indicator to measure social spending (QT (iv) above), is meant to improve SMP monitoring of social spending.

23. Structural benchmarks. The proposed program has identified eight benchmarks that will help consolidate and lock in recently implemented reforms to strengthen economic resilience, governance, and social protection (Appendix 1. Table 2). Considerable preparatory work has already been accomplished by the authorities for the proposed structural benchmarks, including in the context of the recently completed SMP (supported by Fund TA) and the disbursement under the FSW under the Rapid Credit Facility, which should facilitate implementation. The proposed benchmarks focus on locking in recent reforms on governance, transparency, and accountability to improve budget controls and reporting and to strengthen best practices in AML/CFT issues, public financial management; and tax policy and tax administration measures to support the implementation of the new Tax Code.

STAFF APPRAISAL

24. Haiti faces a humanitarian crisis, with a challenging macroeconomic outlook and risks tilted to the downside. The country has been hit hard by the economic spillovers from Russia's invasion of Ukraine, with food price inflation triggering a hunger crisis. This global shock has been compounded by political instability and security volatility, which has heightened the economy's fragility and further fueled inflation. Risks to the outlook include intensified political instability, a worsening of the security conditions constraining further business activity, and natural disasters, including an intensification of recent floods.

25. Despite domestic and global difficulties, the authorities have adopted important policy reforms over the last year, anchored by the 2022 SMP, and displayed a firm commitment throughout. These include reforms on governance and anti-corruption, tax and revenue administration, budget preparation and execution, and central bank independence. Data and statistics have also improved. All these have enhanced much-needed transparency in public spending and in the financial sector and helped maintain macroeconomic stability. Still, the paralysis of economic activity in September/October, owing to the escalation of gang violence, has led to temporary macro slippages. Despite the delicate political landscape, and thanks to a highly inclusive consultative process, the authorities built the necessary ownership and public support for the SMP (including through public consultations when warranted) through the high-level Program Monitoring Committee (*Comité de Suivi)*.

26. The recent fiscal reforms are encouraging and should continue to allow Haiti to finance its large development needs. The authorities have taken crucial measures to strengthen revenue administration and boost revenue mobilization over time. These include the approval of a new tax code and tax procedures code, publication of all codes and tariffs related to customs, adoption of unique Tax Identification Numbers (TINs), publication of the TIN database and of the file of active taxpayers, and stronger oversight of the revenue agency since August 2022. Thanks mainly to an improvement of revenue administration, customs revenue has reached a historic high in recent months, although from a low base.

27. Staff welcomes the recent progress made in reducing governance vulnerabilities, but corruption and broader financial integrity risks need to continue to be effectively addressed. Governance and anti-corruption measures were key components of reforms under the 2022 SMP and continue to be key in the new SMP. The authorities have acted to strengthen accountability in the use of public resources and have boosted the transparency of public procurement for emergency resources. The recent finalization of revisions to the Central Bank and to the AML/CFT legal frameworks are also critical for improving governance and transparency. Sustaining progress on reforms to strengthen governance is paramount for ensuring inclusive growth and building the trust of the private sector and of development partners. The authorities' recent formal request of a Fund *Governance Diagnostic* is a welcome development.

28. Measures taken under the 2022 SMP to strengthen public financial management are needed to promote fiscal and macroeconomic stability and should continue in the new SMP. The authorities have successfully consolidated the main central budgetary accounts into one Treasury Single Account and adopted a three-year medium-term fiscal framework for the first time. Their improved budget presentation and execution will ensure greater accountability and transparency in public finances and help reduce fiscal dominance, as will the government's commitment to limit central bank financing of the NFPS deficit to 1½ percent of GDP. Going forward, the medium-term budget framework should be prepared by the Ministry of Economy and Finance before the medium-term expenditure framework could be envisaged at the line-ministry level. The completed FY2021 financial audit of the BRH and publication of its audited financial statements was an important step in implementing the recommendations of the 2019 Safeguards Assessment, which the authorities have committed to complete. The BRH should maintain the timely completion and publication of its annual financial statements.

29. Continued strengthening of the social safety nets will be essential for cushioning the impact of the shocks on the population and alleviating widespread poverty. Staff thus welcomed the authorities' detailed strategy to tackle food insecurity and looks forward to assessing the implementation of spending related to FSW resources. The authorities are taking meaningful steps toward implementing the fuel reform strategy. The technical assistance from the Fund on the consumer-pricing mechanism of fuel should allow changes in international fuel prices to be regularly passed on to consumers instead of ad hoc price/sudden price adjustments. Staff recommends that the authorities follow through with the implementation of this reform, following recent TA provided by FAD. The reform should be accompanied by mitigating measures together with an effective communication strategy, to protect the most vulnerable.

30. The authorities have strengthened the monetary policy and exchange rate frameworks and should continue to do so. The authorities moved toward greater exchange rate flexibility, which has helped rebuild reserves. They have also limited monetary financing of the deficit to less than 1½ percent of GDP. The revisions to the central bank law, if enacted, should allow the BRH to focus on its core policy goals of stabilizing prices while maintaining adequate liquidity and financial stability to support growth.

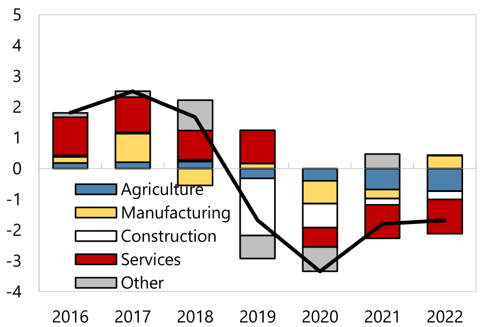
31. Data provision to the Fund for program and surveillance purposes has improved under the SMP, and efforts should continue. The timeliness and periodicity of data provided to the Fund exceed the commitments of countries of comparable capacity under the Enhanced General Data Dissemination System (e-GDDS), for publication purposes—which the authorities are considering implementing in the future.

32. Based on Haiti's performance under the 2022 SMP and the authorities' strong commitment throughout, Fund staff supports the authorities' request for a new nine-month SMP. The new SMP should help lock in recent reforms and sustain them to further enhance economic resilience. That said, risks to the implementation of the SMP exist, including in the context of upcoming elections. The new SMP will continue to be supported with Fund capacity development assistance. In line with the Fund Strategy for Fragile and Conflict-Affected States, staff will also coordinate closely with Haiti's main development partners and produce an updated Country Engagement Strategy as part of the upcoming Article IV Consultation, scheduled for fall 2023.

Figure 1. Haiti: Real Sector Developments, 2016–23

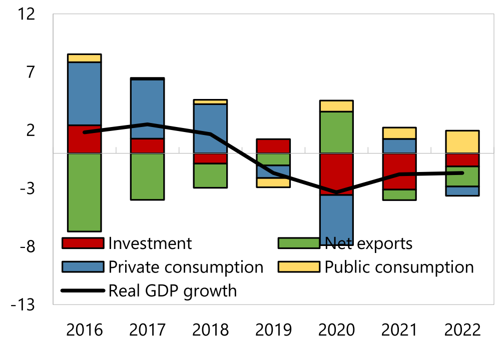
Real GDP has contracted for the fourth consecutive year in FY2022[1] by 1.7 percent…

Contribution to GDP Growth (Supply-side)
(Percent)



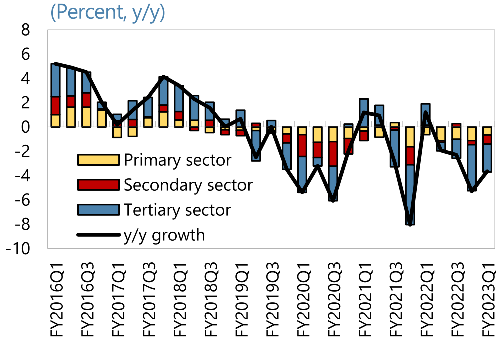
…Reflecting mostly a sharp decline in private consumption, investment, and net exports[1]…

Contribution to GDP Growth (Demand-side)
(Percent)



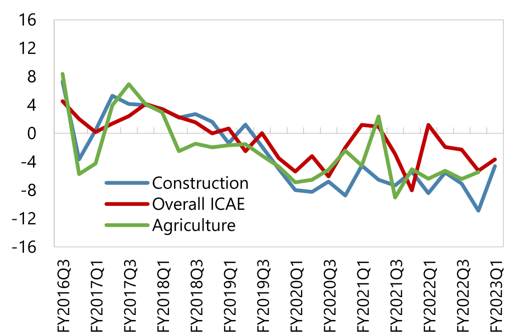
…And negative growth in all key sectors, particularly in agriculture, services…

Contribution to the Conjuctural Economic Activity Indicator (ICAE) Growth
(Percent, y/y)



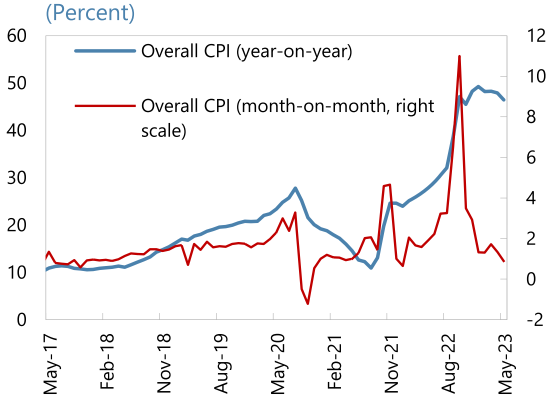
…And construction.

Economic Activity Indicator
(Percent, y/y)



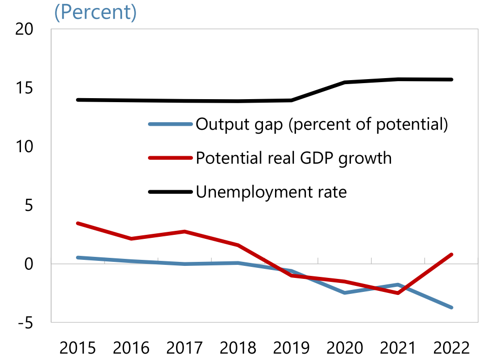
Inflation rose sharply since 2022, although it is decelerating.

Inflation
(Percent)



The output gap also widened, and unemployment increased.

Potential Growth and Unemployment
(Percent)

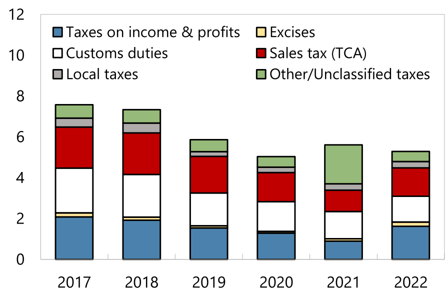


Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti, and Fund staff estimates.
1/ On a fiscal-year basis, ending on September 30.

Figure 2. Haiti: Fiscal Sector Developments, 2016–23

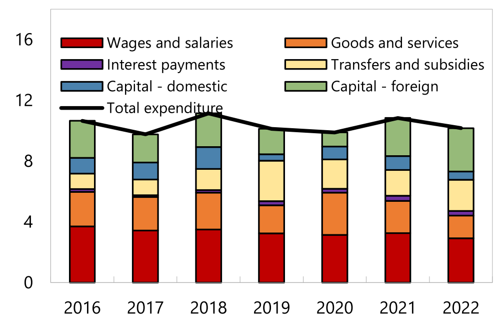
Tax revenue has fallen since 2018…

Taxes
(Percent of GDP)



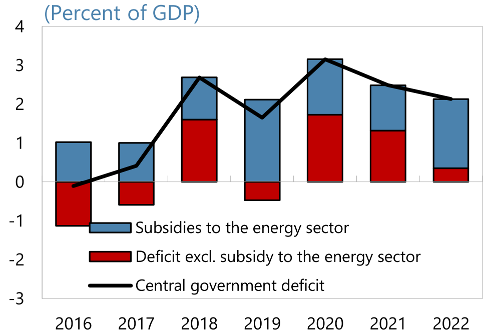
…While expenditure has remained stable.

Total Expenditure
(Percent of GDP)



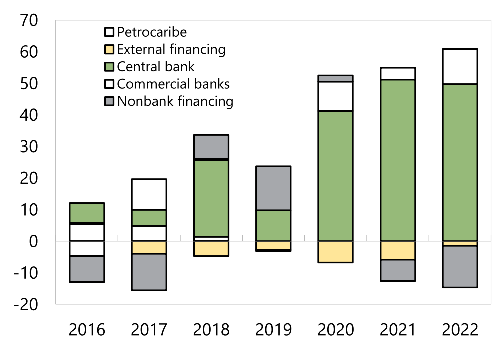
The fiscal deficit has been driven by fuel subsidies until September 2022…

Central Government Deficit With and Without Energy Subsidies
(Percent of GDP)



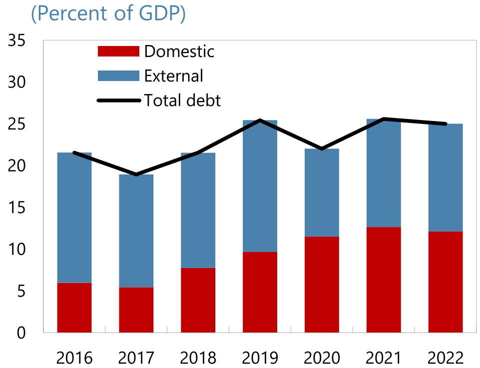
…And had been largely monetized until then…

Financing by Source
(Billions of gourdes)



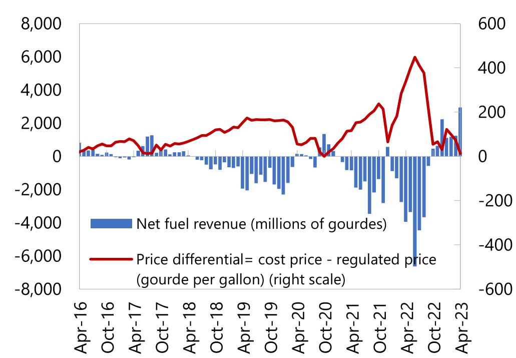
…Raising also domestic debt.

Central Government Debt
(Percent of GDP)



A fuel price adjustment took place in September 2022, mitigating the pressure on public finances thereafter.

Fuel Prices and Net Revenues

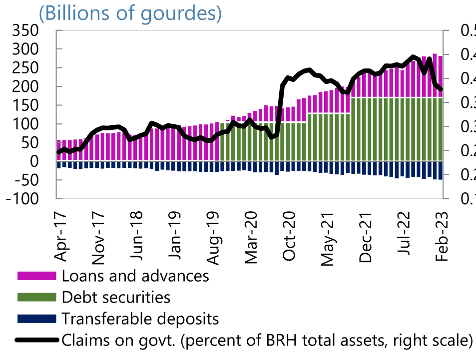


Sources: National authorities and Fund staff calculations.

Figure 3. Haiti: Monetary and Financial Sectors Developments, 2016–23

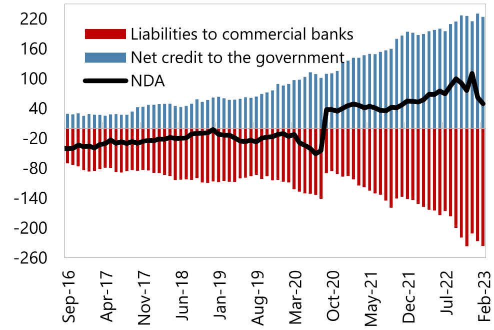
The BRH financing of the fiscal deficit has declined since November 2022 as reflected in the declining ratio of BRH claims on government to total BRH assets…

BRH financing to government
(Billions of gourdes)



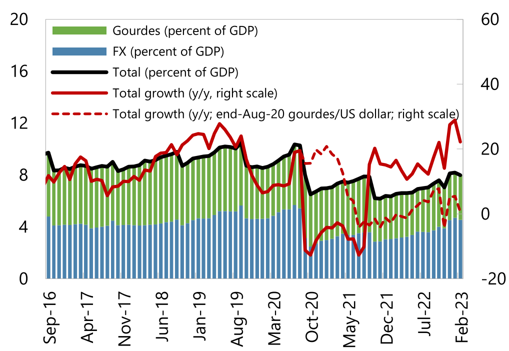
…While the stock of net credit to the government drives growth in central bank's net domestic assets.

Net Domestic Assets (NDA) of the Central Bank
(Billions of gourdes)



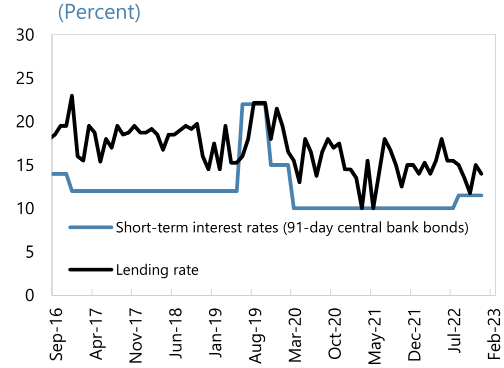
Private sector credit has been anemic and is often negative in real terms…

Private Sector Credit



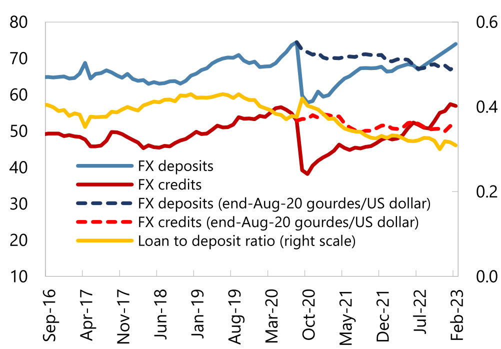
…And bank lending rates are not strongly influenced by changes in the BRH policy rate.

Nominal Interest Rates
(Percent)



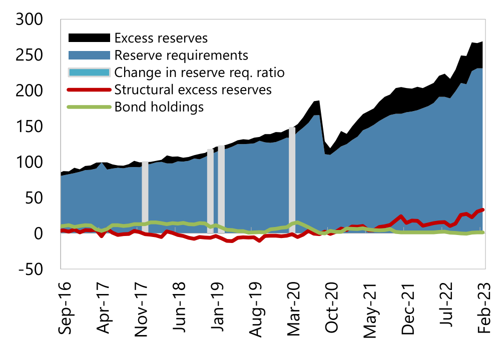
FX deposits and loans have been stable since August 2020, after the central bank revalued the gourde…

Dollarization



…While excess structural liquidity is rising in the banking system[1].

Structural Liquidity Excess of Banking System
(Billions of gourdes)

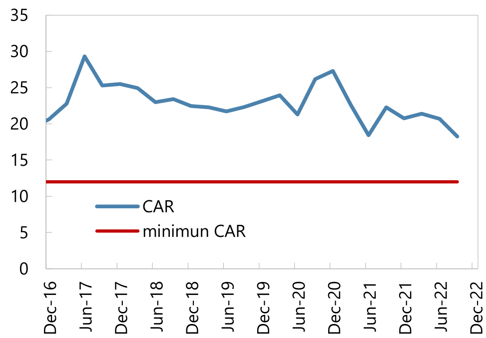


Sources: Bank of the Republic of Haiti and Fund staff calculations.
1/ Excess reserves are reserves above requirement ratios on deposits; structural excess reserves include excess reserves plus other bank deposits at the BRH minus reserves banks obtain under BRH facilities.

Figure 4. Haiti: Financial Sector Indicators, 2016–22

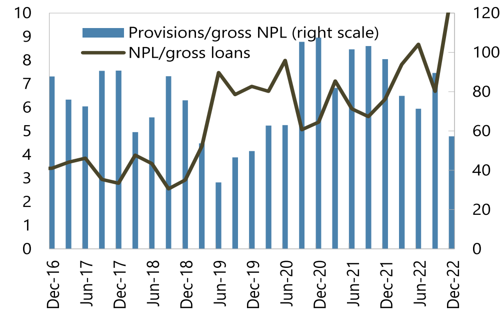
The banking system has capital buffers above the minimum requirement…

Capital Adequacy Ratio (CAR)
(Percent)



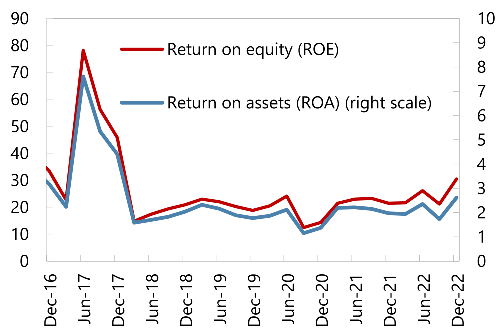
…But relatively high non-performing loans and related provisions.

NPLs and Provisions
(Percent)



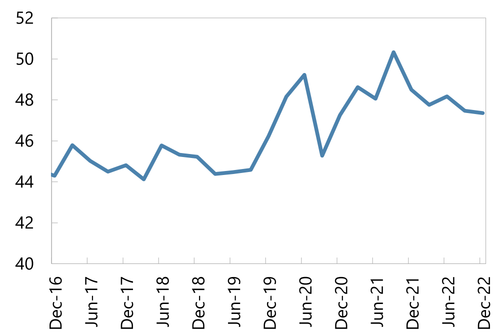
Profitability has recovered since the exchange rate shock of August 2020 and has been stable since…

Profitability
(Percent)



…While liquidity conditions remain favorable.

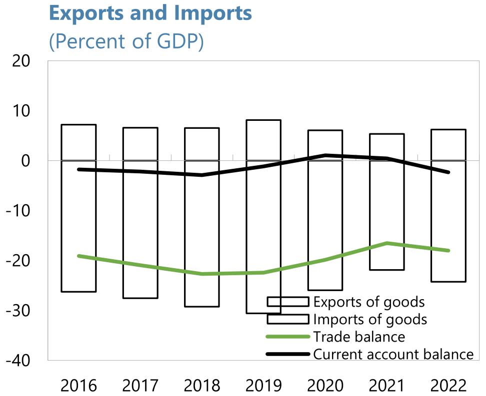
Liquid Assets to Total Assets Ratio
(Percent)



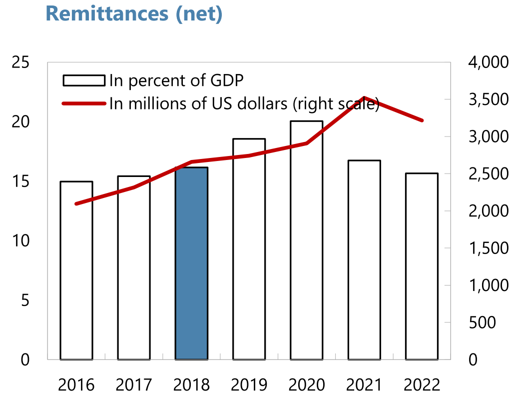
Sources: National authorities and Fund staff calculations.

Figure 5. Haiti: External Sector Developments, 2016–23

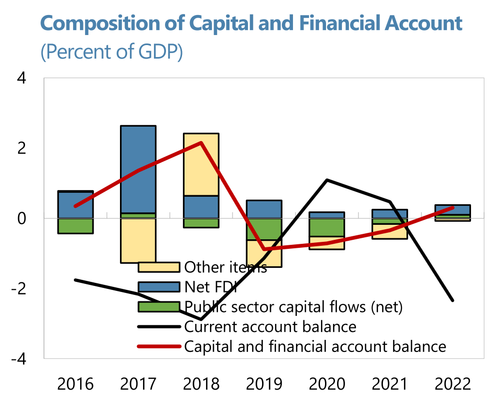
The current account swung into a deficit in 2022 after registering surpluses in 2020-21…



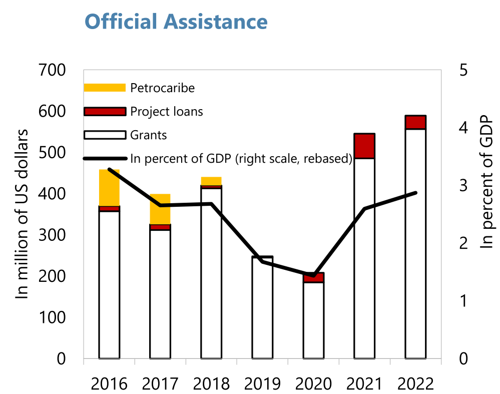
…While remittances (in dollar terms) are above pre-pandemic trend.



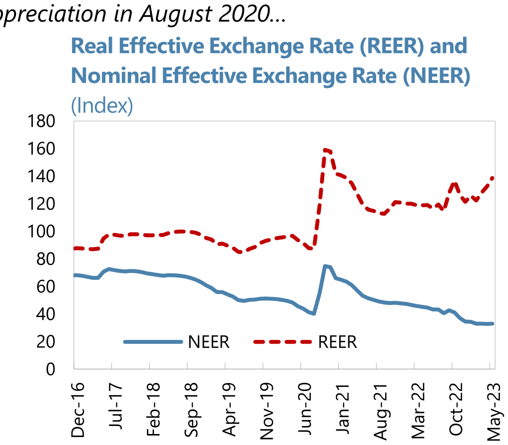
FDI has declined in recent years…



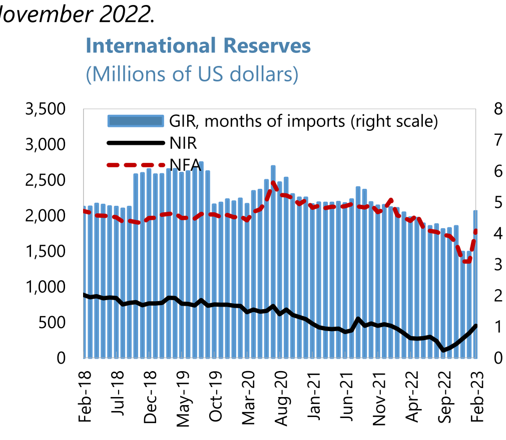
…While donor flows increased following the August 2021 earthquake.



The REER has remained stable after its sharp appreciation in August 2020…



…And external buffers have been rebuilt since November 2022.

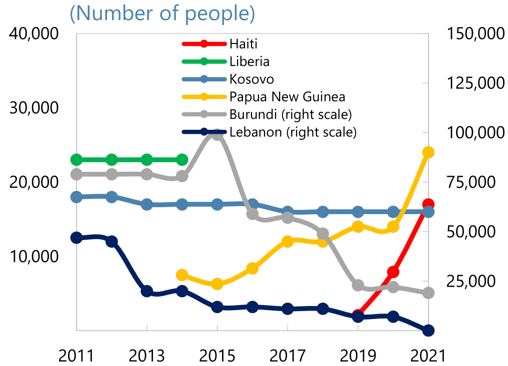


Sources: National authorities and staff calculations.

Figure 6. Haiti: Social Indicators

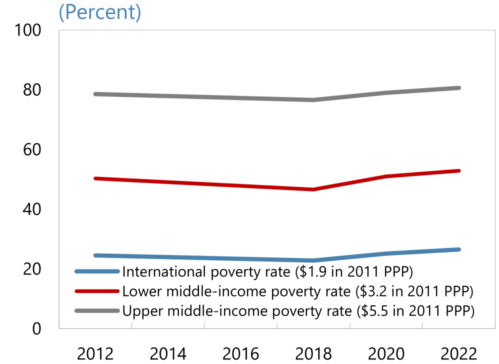
Political instability and security problems have taken a heavy toll on Haitian society…

Total Displaced Persons by Violence
(Number of people)



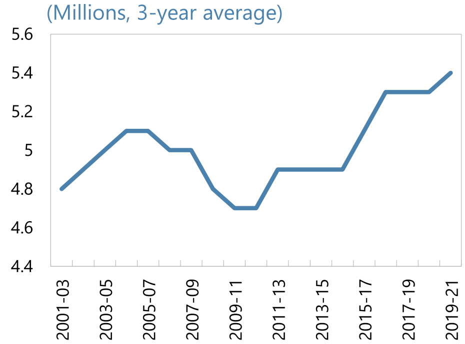
…And have reversed the small progress made in reducing poverty.

Poverty Rates
(Percent)



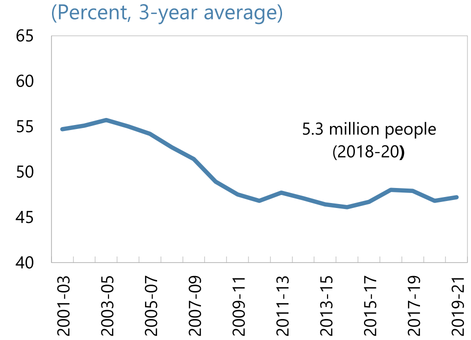
The absolute number of people undernourished has resumed its upward trend…

Number of People Undernourished
(Millions, 3-year average)



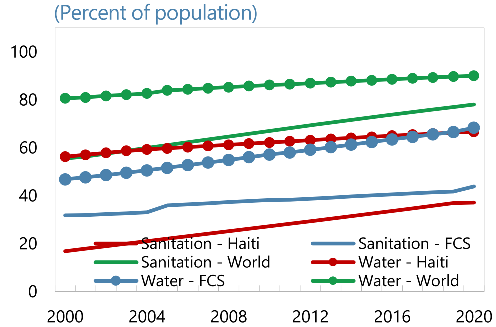
…Although the undernourished as a percent of the population have been relatively steady since 2010.

Prevalence of Undernourishment
(Percent, 3-year average)



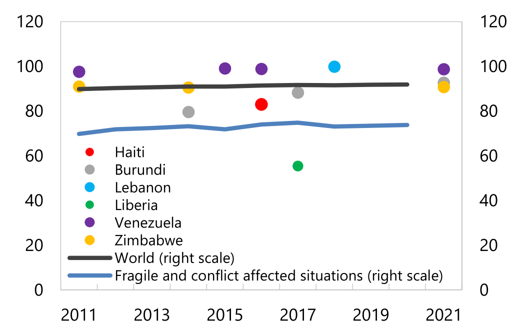
Sanitation rates are well below those in Fragile and Conflict-Affected states (FCS)…

People Using at Least Basic Sanitation Services and Basic Drinking Water
(Percent of population)



…Although youth literacy is significantly above the FCS average and close to the world average.

Literacy rate
(Percent of people aged 15-24)



Sources: International Organization for Migration (IOM), Fed, World Bank, and Fund staff estimates.

Table 1. Haiti: Selected Economic and Financial Indicators, 2020–28
(Fiscal year ending September 30)

Nominal GDP (2022): US$21.5 billion — GDP per capita (2021): US$1,765
Population (2021): 11.9 million — Percent of population below poverty line (2021): 52.3

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)								
National income and prices									
GDP at constant prices	-3.3	-1.8	-1.7	0.1	1.2	1.5	1.5	1.5	1.5
GDP deflator	20.6	19.3	29.8	43.9	18.4	16.4	14.9	12.8	11.3
Consumer prices (period average)	22.9	15.9	27.6	43.6	13.4	12.6	11.5	9.7	9.7
Consumer prices (end-of-period)	25.2	13.1	38.7	30.1	12.7	12.4	10.7	9.1	8.0
External Sector									
Exports (goods, valued in U.S. dollars, f.o.b.)	-26.3	27.7	13.6	5.2	6.6	6.5	6.7	6.7	7.2
Imports (goods, valued in U.S. dollars, f.o.b.)	-16.7	22.3	8.3	7.6	5.4	4.8	3.8	4.0	4.2
Remittances (valued in U.S. dollars)	6.0	21.1	-8.6	0.0	5.2	5.7	5.7	5.6	5.6
Real effective exchange rate (eop; + appreciation)	34.2	-5.2	7.1	…	…	…	…	…	…
Money and credit (valued in gourdes)									
Credit to private sector (in U.S. dollars and gourdes)	-11.2	15.2	17.4	19.5	19.2	18.7	13.8	12.5	9.0
Base money (currency in circulation and gourde deposits)	22.4	21.5	23.1	30.0	20.8	19.7	17.6	16.5	15.0
Broad money (excl. foreign currency deposits)	-0.3	38.2	21.1	21.6	16.9	16.2	14.6	13.5	13.5
	(In percent of GDP; unless otherwise indicated)								
Central government									
Overall balance (including grants)	-2.4	-2.6	-2.1	-1.9	-1.8	-1.8	-2.1	-2.2	-2.4
Domestic revenue	6.2	5.9	5.3	6.4	6.7	7.4	7.7	7.8	7.9
Grants	1.3	2.3	2.7	2.3	2.0	1.8	1.9	1.9	1.9
Expenditures	9.9	10.8	10.2	10.6	10.6	11.1	11.7	11.9	12.2
Current expenditures	8.1	7.4	6.8	7.4	7.0	7.2	7.3	7.3	7.8
Capital expenditures	1.8	3.4	3.4	3.2	3.5	3.8	4.4	4.6	4.4
Overall balance of the nonfinancial public sector 1/	-3.2	-2.5	-2.1	-1.9	-1.8	-1.8	-2.1	-2.2	-2.4
Savings and investment									
Gross investment	17.7	18.0	15.9	11.5	14.6	17.8	19.5	21.1	22.0
Of which: public investment	1.8	3.4	3.4	3.2	3.5	3.8	4.4	4.6	4.4
Gross national savings	18.8	18.5	13.5	10.7	14.1	17.2	18.8	20.2	21.0
External current account balance (incl. official grants)	1.1	0.5	-2.3	-0.8	-0.5	-0.6	-0.7	-0.8	-1.0
Net fuel exports	-5.0	-3.1	-4.9	-3.8	-3.2	-2.8	-2.6	-2.4	-2.2
Public debt									
External public debt (medium and long-term, eop)	10.5	12.9	12.9	9.9	9.1	8.5	8.1	7.7	7.9
Total public sector debt (end-of-period)	23.3	28.5	30.1	24.0	22.7	21.7	21.2	21.1	21.3
External public debt service 2/	12.5	9.5	8.0	8.7	8.1	8.2	8.3	7.5	7.8
Memorandum items:	(In millions of dollars, unless otherwise indicated)								
Net international reserves (program definition)	677	452	76	485	530	579	646	700	783
Gross international reserves	2,501	2,534	2,067	2,452	2,512	2,537	2,562	2,637	2,787
In months of imports of the following year	5.8	5.4	4.1	4.7	4.6	4.5	4.4	4.3	4.1
Nominal GDP (millions of gourdes)	1,449,888	1,699,208	2,168,223	3,122,964	3,741,391	4,421,231	5,155,565	5,904,558	6,673,342
Nominal GDP (millions of U.S. dollars)	14,508	21,017	20,535	26,409	28,576	30,564	32,681	34,769	36,922

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 2a. Haiti: Non-Financial Public Sector Operations, 2020–28
(Fiscal year ending September 30; in millions of gourdes)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	**108,524**	**139,852**	**173,690**	**272,423**	**327,694**	**410,575**	**494,394**	**574,466**	**657,291**
Domestic revenue	90,046	100,635	114,919	200,232	252,101	329,088	395,915	462,053	527,952
Domestic taxes	52,378	74,012	82,525	126,521	159,095	207,458	248,617	287,098	329,817
Customs duties	21,127	22,613	27,341	66,246	83,837	110,531	134,045	159,423	180,180
Of which: fuel taxes	0	0	0	24,960	31,457	34,593	40,338	46,199	52,214
Other current revenue	16,541	4,009	5,053	7,466	9,169	11,100	13,253	15,532	17,955
Grants	18,478	39,217	58,771	72,190	75,593	81,487	98,479	112,412	129,339
Budget support 1/	3,868	1,321	446	9,460	5,892	6,509	7,099	7,757	11,057
Project grants	14,610	37,897	58,325	62,730	69,702	74,977	91,380	104,656	118,282
Total Expenditure 2/	**143,265**	**184,164**	**220,167**	**330,791**	**395,933**	**489,193**	**601,347**	**702,915**	**814,217**
Current expenditure	117,479	126,058	146,602	229,707	263,180	320,312	373,975	429,875	520,098
Wages and salaries	45,333	55,130	63,030	103,058	127,207	154,743	180,445	206,660	233,567
Goods and services	32,119	35,472	32,504	62,459	74,828	88,425	103,111	118,091	133,467
Interest payments	3,604	6,014	6,596	6,181	6,886	8,606	10,497	13,000	16,246
Transfers and subsidies	27,984	28,842	44,473	58,008	54,258	68,539	79,922	92,124	136,818
Of which: Transfers to EDH	11,838	9,111	7,411	10,937	13,103	15,484	18,056	20,679	23,371
Of which: Fuel direct subsidies to oil companies	8,844	10,682	31,242	0	0	0	0	0	0
Exceptional expenditures 3/	8,439	600	0	0	0	0	0	0	0
Capital expenditure	25,786	58,107	73,564	101,084	132,753	168,881	227,372	273,041	294,118
Domestically financed	12,334	15,359	11,789	38,078	49,959	76,545	115,345	144,266	146,767
Foreign-financed	13,452	42,748	61,775	63,006	82,794	92,336	112,027	128,775	147,352
Central Government Balance Including Grants	**-34,741**	**-44,312**	**-46,477**	**-58,368**	**-68,239**	**-78,617**	**-106,954**	**-128,450**	**-156,925**
Excluding grants and externally financed projects	-39,767	-40,782	-43,473	-67,553	-61,038	-67,768	-93,406	-112,087	-138,912
Primary Balance of NFPS, incl. Grants and Other Transfers to EDH	**-31,137**	**-38,298**	**-39,881**	**-52,187**	**-61,352**	**-70,012**	**-96,457**	**-115,450**	**-140,679**
Adjustment (unsettled payment obligations)	11,059	-2,031	-256	0	0	0	0	0	0
Overall Balance of NFPS, Including Grants	**-45,800**	**-42,282**	**-46,220**	**-58,368**	**-68,239**	**-78,617**	**-106,954**	**-128,450**	**-156,925**
Financing, NFPS	**45,800**	**42,282**	**46,220**	**58,368**	**68,239**	**78,617**	**106,954**	**128,450**	**156,925**
External net financing	-6,728	-5,865	-1,468	-10,868	649	3,661	5,647	7,884	11,249
Loans (net)	-6,728	-2,640	-5,822	-10,868	649	3,661	5,647	7,884	11,249
Disbursements	2,281	4,851	3,450	276	13,093	17,359	20,647	24,119	29,070
Amortization	-9,009	-7,491	-9,272	-11,144	-12,444	-13,697	-14,999	-16,235	-17,820
Arrears (net)	0	-3,225	4,354	0	0	0	0	0	0
Internal net financing	52,527	48,147	47,689	69,236	67,590	74,956	101,307	120,565	145,676
Banking system	50,584	54,916	60,877	69,236	67,590	74,956	101,307	120,565	145,676
BRH (includes the FSW) 4/	41,255	51,165	49,714	44,920	54,250	64,108	74,756	85,616	96,763
Commercial banks	9,329	3,751	11,163	24,317	13,340	10,848	26,551	34,949	48,912
Nonbank financing 5/	1,943	-6,769	-13,188	0	0	0	0	0	0
Memorandum Items									
Forgone fuel taxes and fuel direct subsidies	29,332	31,984	62,553	3,746	-5,556	-6,883	-8,026	-9,192	-10,389
o/w Forgone fuel taxes	20,488	21,302	31,311	3,746	-5,556	-6,883	-8,026	-9,192	-10,389
o/w Fuel direct subsidies to oil companies	8,844	10,682	31,242	0	0	0	0	0	0
Health, education and agriculture spending	29,050	28,173	33,117	54,652	67,345	81,793	97,956	112,187	126,794
Nominal GDP	1,449,888	1,699,208	2,168,223	3,122,964	3,741,391	4,421,231	5,155,565	5,904,558	6,673,342

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, the full two-year debt-relief under the CCRT for FY2021-22, and the FSW disbursement for FY2023.

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 2b. Haiti: Non-Financial Public Sector Operations, 2020–28
(Fiscal year ending September 30; in percent of GDP)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	**7.5**	**8.2**	**8.0**	**8.7**	**8.8**	**9.3**	**9.6**	**9.7**	**9.8**
Domestic revenue	6.2	5.9	5.3	6.4	6.7	7.4	7.7	7.8	7.9
Domestic taxes	3.6	4.4	3.8	4.1	4.3	4.7	4.8	4.9	4.9
Customs duties	1.5	1.3	1.3	2.1	2.2	2.5	2.6	2.7	2.7
Of which: fuel taxes	0.0	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8
Other current revenue	1.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Grants	1.3	2.3	2.7	2.3	2.0	1.8	1.9	1.9	1.9
Budget support 1/	0.3	0.1	0.0	0.3	0.2	0.1	0.1	0.1	0.2
Project grants	1.0	2.2	2.7	2.0	1.9	1.7	1.8	1.8	1.8
Total Expenditure 2/	**9.9**	**10.8**	**10.2**	**10.6**	**10.6**	**11.1**	**11.7**	**11.9**	**12.2**
Current expenditure	8.1	7.4	6.8	7.4	7.0	7.2	7.3	7.3	7.8
Wages and salaries	3.1	3.2	2.9	3.3	3.4	3.5	3.5	3.5	3.5
Goods and services	2.2	2.1	1.5	2.0	2.0	2.0	2.0	2.0	2.0
Interest payments	0.2	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Transfers and subsidies	1.9	1.7	2.1	1.9	1.5	1.6	1.6	1.6	2.1
Of which: Transfers to EDH	0.8	0.5	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Of which: Fuel direct subsidies to oil companies	0.6	0.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional expenditures 3/	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	1.8	3.4	3.4	3.2	3.5	3.8	4.4	4.6	4.4
Domestically financed	0.9	0.9	0.5	1.2	1.3	1.7	2.2	2.4	2.2
Foreign-financed	0.9	2.5	2.8	2.0	2.2	2.1	2.2	2.2	2.2
Central Government Balance Including Grants	**-2.4**	**-2.6**	**-2.1**	**-1.9**	**-1.8**	**-1.8**	**-2.1**	**-2.2**	**-2.4**
Excluding grants and externally financed projects	-2.7	-2.4	-2.0	-2.2	-1.6	-1.5	-1.8	-1.9	-2.1
Primary Balance of NFPS, incl. Grants and other Transfers to EDH	**-2.1**	**-2.3**	**-1.8**	**-1.7**	**-1.6**	**-1.6**	**-1.9**	**-2.0**	**-2.1**
Adjustment (unsettled payment obligations)	0.8	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance of NFPS,I ncluding Grants	**-3.2**	**-2.5**	**-2.1**	**-1.9**	**-1.8**	**-1.8**	**-2.1**	**-2.2**	**-2.4**
Financing, NFPS	**3.2**	**2.5**	**2.1**	**1.9**	**1.8**	**1.8**	**2.1**	**2.2**	**2.4**
External net financing	-0.5	-0.3	-0.1	-0.3	0.0	0.1	0.1	0.1	0.2
Loans (net)	-0.5	-0.2	-0.3	-0.3	0.0	0.1	0.1	0.1	0.2
Disbursements	0.2	0.3	0.2	0.0	0.3	0.4	0.4	0.4	0.4
Amortization	-0.6	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
Arrears (net)	0.0	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Internal net financing	3.6	2.8	2.2	2.2	1.8	1.7	2.0	2.0	2.2
Banking system	3.5	3.2	2.8	2.2	1.8	1.7	2.0	2.0	2.2
BRH (includes the FSW) 4/	2.8	3.0	2.3	1.4	1.5	1.5	1.5	1.5	1.5
Commercial banks	0.6	0.2	0.5	0.8	0.4	0.2	0.5	0.6	0.7
Nonbank financing 5/	0.1	-0.4	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items									
Forgone fuel taxes and fuel direct subsidies	2.0	1.9	2.9	0.1	-0.1	-0.2	-0.2	-0.2	-0.2
o/w Forgone fuel taxes	1.4	1.3	1.4	0.1	-0.1	-0.2	-0.2	-0.2	-0.2
o/w Fuel direct subsidies to oil companies	0.6	0.6	1.4	0.0	0.0	0.0	0.0	0.0	0.0
Health, education and agriculture spending	2.0	1.7	1.5	1.8	1.8	1.9	1.9	1.9	1.9
Nominal GDP (millions of gourdes)	1,449,888	1,699,208	2,168,223	3,122,964	3,741,391	4,421,231	5,155,565	5,904,558	6,673,342

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, the full two-year debt-relief under the CCRT for FY2021-22, and the FSW disbursement for FY2023.

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 3a. Haiti: Balance of Payments, 2020–28
(In millions of U.S. dollars on a fiscal year basis; unless otherwise indicated)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account (Including Grants)	**158**	**98**	**-481**	**-207**	**-139**	**-184**	**-229**	**-290**	**-380**
Current Account (Excluding Grants)	**32**	**-36**	**-705**	**-818**	**-717**	**-747**	**-274**	**-336**	**-441**
Trade balance	-2,879	-3,474	-3,701	-4,012	-4,215	-4,395	-4,521	-4,658	-4,801
Exports of goods	885	1,130	1,284	1,351	1,441	1,534	1,637	1,747	1,873
Of which: Assembly industry	824	1,071	1,205	1,270	1,350	1,440	1,538	1,644	1,768
Imports of goods	-3,764	-4,604	-4,985	-5,364	-5,656	-5,930	-6,158	-6,404	-6,673
Of which: Fossil fuels	-720	-643	-1,005	-1,003	-903	-868	-843	-824	-814
Services (net)	-313	-464	-532	-493	-416	-421	-407	-390	-500
Receipts	129	124	118	150	156	158	171	184	199
Payments	-441	-589	-650	-643	-573	-579	-578	-574	-699
Income (net)	29	23	23	66	87	113	127	139	148
Current transfers (net)	3,321	4,013	3,729	4,233	4,404	4,520	4,572	4,618	4,774
Official transfers (net)	126	135	224	610	577	563	45	46	61
Private transfers (net)	2,906	3,518	3,215	3,216	3,383	3,574	3,776	3,989	4,214
Other transfers (net)	290	360	290	406	444	382	750	583	499
Capital and Financial Accounts	**-104**	**-72**	**61**	**499**	**199**	**209**	**254**	**365**	**530**
Capital transfers	58	54	57	13	19	19	0	0	0
Public sector capital flows (net)	-75	-35	20	-106	-6	5	45	52	256
Loan disbursements	23	60	30	0	100	120	170	170	355
Amortization	-98	-95	-10	-106	-106	-115	-125	-118	-99
Foreign direct investment (net)	25	51	57	106	114	122	173	277	172
Banks (net) 1/	-76	-162	50	76	37	33	63	93	97
Other items (net) 2/	-35	18	-123	411	35	29	-26	-57	5
Errors and Omissions	**85**	**-29**	**-123**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**139**	**-4**	**-542**	**292**	**60**	**25**	**25**	**75**	**150**
Financing	**-139**	**4**	**542**	**-292**	**-60**	**-25**	**-25**	**-75**	**-150**
Change in net foreign assets (+ is decrease)	-350	-91	467	-385	-60	-25	-25	-75	-150
o/w Change in gross reserves (+ is decrease)	-350	-91	467	-385	-60	-25	-25	-75	-150
Change in IMF credit and loans (+ is increase)	106	-5	-10	93	0	0	0	0	0
Exceptional financing	104	101	86	0	0	0	0	0	0
o/w Changes in arrears 3/	96	90	81	0	0	0	0	0	0
o/w Debt rescheduling and debt relief 4/	3	-1	0	0	0	0	0	0	0
Memorandum Items:									
Change in US$ denom. reserve deposits at BRH (+ is decrease)	-246	-164	68	-1	35	-1	-22	-43	-99
Change in NIR (program definition) (+ is decrease)	55	225	376	-409	-45	-49	-67	-54	-83
Exports of goods, f.o.b (percent change)	-26.3	27.7	13.6	5.2	6.6	6.5	6.7	6.7	7.2
Imports of goods, f.o.b (percent change)	-16.7	22.3	8.3	7.6	5.4	4.8	3.8	4.0	4.2
Projected average oil price (U.S. dollars per barrel, APSP)	41.8	69.2	96.4	81.3	76.8	72.7	69.6	67.0	64.8
Debt service (in percent of exports of goods and services)	12.5	9.5	8.0	8.7	8.1	8.2	8.3	7.5	7.8
Gross international reserves (in millions of U.S. dollars)	2,501	2,534	2,067	2,452	2,512	2,537	2,562	2,637	2,787
(in months of next year's imports of goods and services)	5.8	5.4	4.1	4.7	4.6	4.5	4.4	4.3	4.1
Nominal GDP (millions of U.S. dollars)	14,508	21,017	20,535	26,409	28,576	30,564	32,681	34,769	36,922

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 3b. Haiti: Balance of Payments, 2020–28

(In percent of GDP on a fiscal year basis; unless otherwise indicated)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account (Including Grants)	**1.1**	**0.5**	**-2.3**	**-0.8**	**-0.5**	**-0.6**	**-0.7**	**-0.8**	**-1.0**
Current Account (Excluding Grants)	**0.2**	**-0.2**	**-3.4**	**-3.1**	**-2.5**	**-2.4**	**-0.8**	**-1.0**	**-1.2**
Trade balance	-19.8	-16.5	-18.0	-15.2	-14.8	-14.4	-13.8	-13.4	-13.0
Exports of goods	6.1	5.4	6.3	5.1	5.0	5.0	5.0	5.0	5.1
Of which: Assembly industry	5.7	5.1	5.9	4.8	4.7	4.7	4.7	4.7	4.8
Imports of goods	-25.9	-21.9	-24.3	-20.3	-19.8	-19.4	-18.8	-18.4	-18.1
Of which: Fossil fuels	-5.0	-3.1	-4.9	-3.8	-3.2	-2.8	-2.6	-2.4	-2.2
Services (net)	-2.2	-2.2	-2.6	-1.9	-1.5	-1.4	-1.2	-1.1	-1.4
Receipts	0.9	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Payments	-3.0	-2.8	-3.2	-2.4	-2.0	-1.9	-1.8	-1.7	-1.9
Income (net)	0.2	0.1	0.1	0.3	0.3	0.4	0.4	0.4	0.4
Current transfers (net)	22.9	19.1	18.2	16.0	15.4	14.8	14.0	13.3	12.9
Official transfers (net)	0.9	0.6	1.1	2.3	2.0	1.8	0.1	0.1	0.2
Private transfers (net)	20.0	16.7	15.7	12.2	11.8	11.7	11.6	11.5	11.4
Other transfers (net)	2.0	1.7	1.4	1.5	1.6	1.2	2.3	1.7	1.4
Capital and Financial Accounts	**-0.7**	**-0.3**	**0.3**	**1.9**	**0.7**	**0.7**	**0.8**	**1.1**	**1.4**
Capital transfers	0.4	0.3	0.3	0.0	0.1	0.1	0.0	0.0	0.0
Public sector capital flows (net)	-0.5	-0.2	0.1	-0.4	0.0	0.0	0.1	0.2	0.7
Loan disbursements	0.2	0.3	0.1	0.0	0.3	0.4	0.5	0.5	1.0
Amortization	-0.7	-0.5	0.0	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3
Foreign direct investment (net)	0.2	0.2	0.3	0.4	0.4	0.4	0.5	0.8	0.5
Banks (net) 1/	-0.5	-0.8	0.2	0.3	0.1	0.1	0.2	0.3	0.3
Other items (net) 2/	-0.2	0.1	-0.6	1.6	0.1	0.1	-0.1	-0.2	0.0
Errors and Omissions	**0.6**	**-0.1**	**-0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**1.0**	**0.0**	**-2.6**	**1.1**	**0.2**	**0.1**	**0.1**	**0.2**	**0.4**
Financing	**-1.0**	**0.0**	**2.6**	**-1.1**	**-0.2**	**-0.1**	**-0.1**	**-0.2**	**-0.4**
Change in net foreign assets (+ is decrease)	-2.4	-0.4	2.3	-1.5	-0.2	-0.1	-0.1	-0.2	-0.4
Change in IMF credit and loans (+ is increase)	0.7	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.7	0.5	0.4	0.0	0.0	0.0	0.0	0.0	0.0
o/w Changes in arrears 3/	0.7	0.4	0.4	0.0	0.0	0.0	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	0.0	0.0
Memorandum Items:									
Exports of goods, f.o.b (percent change)	-26.3	27.7	13.6	5.2	6.6	6.5	6.7	6.7	7.2
Imports of goods, f.o.b (percent change)	-16.7	22.3	8.3	7.6	5.4	4.8	3.8	4.0	4.2
Projected average oil price (U.S. dollars per barrel, APSP)	41.8	69.2	96.4	81.3	76.8	72.7	69.6	67.0	64.8
Debt service (in percent of exports of goods and services)	12.5	9.5	8.0	8.7	8.1	8.2	8.3	7.5	7.8
Nominal exchange rate	99.9	80.9	105.6	…	…	…	…	…	…
Gross international reserves (in millions of U.S. dollars)	2,501	2,534	2,067	2,452	2,512	2,537	2,562	2,637	2,787
(in months of next year's imports of goods and services)	5.8	5.4	4.1	4.7	4.6	4.5	4.4	4.3	4.1
Nominal GDP (millions of U.S. dollars)	14,508	21,017	20,535	26,409	28,576	30,564	32,681	34,769	36,922

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 4. Haiti: Summary Accounts of the Banking System, 2020–28

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
			I. Central bank						
Net Foreign Assets	117,208	146,005	131,774	184,998	206,682	235,004	269,218	305,878	357,375
(In millions of U.S. dollars)	1,778	1,499	1,120	1,509	1,519	1,569	1,658	1,754	1,936
Of which: Net international reserves (in millions of U.S. dollars) 1/	677	452	76	485	530	579	646	700	783
Of which : Commercial bank forex deposits (in millions of U.S. dollars)	1,160	1,324	1,255	1,256	1,221	1,222	1,244	1,287	1,386
Net Domestic Assets	37,550	42,096	99,713	116,013	156,946	200,153	242,567	290,494	328,573
Net credit to the nonfinancial public sector	109,964	159,923	215,025	259,945	314,195	378,303	453,058	538,674	635,438
Of which: Net credit to the central government 2/	112,194	162,197	219,409	264,328	318,579	382,686	457,442	543,058	639,822
Claims on central government	143,984	200,974	269,884	314,804	369,054	433,162	507,917	593,534	690,297
Central government deposits	31,791	38,777	50,475	50,475	50,475	50,475	50,475	50,475	50,475
Of which: IMF CCRT debt relief	-4,686	-2,634	-2,087	-2,926	-3,766	-4,605	-4,605	-4,605	-4,605
Liabilities to commercial banks (excl. gourde deposits)	81,390	138,460	157,539	164,748	177,889	198,773	231,751	269,797	328,199
BRH bonds/Open market operations	841	3,525	2,630	3,630	4,630	8,630	22,630	38,230	65,230
Commercial bank forex deposits	80,549	134,935	154,909	161,119	173,259	190,144	209,122	231,567	262,970
Other	-22,871	-11,432	11,406	12,406	13,406	14,406	15,406	16,406	16,406
Base Money	154,758	188,101	231,487	301,011	363,628	435,157	511,785	596,372	685,948
Currency in circulation	96,234	108,670	133,411	181,483	219,236	261,704	307,788	355,580	401,878
Commercial bank gourde deposits	58,524	79,431	98,077	119,528	144,393	173,453	203,997	240,792	284,070
			II. Consolidated banking system						
Net Foreign Assets	150,596	205,868	203,476	254,930	279,277	309,903	340,165	365,880	402,977
(In millions of U.S. dollars)	2,285	2,114	1,729	2,079	2,052	2,069	2,095	2,098	2,183
Of which: Commercial banks NFA (in millions of U.S. dollars)	506	615	609	533	496	463	400	307	210
Net Domestic Assets	219,132	305,095	415,158	497,597	600,704	712,716	831,823	964,030	1,106,109
Credit to the nonfinancial public sector	130,870	199,795	273,762	342,998	410,588	485,544	586,851	707,416	853,092
Of which: Net credit to the central government 2/	130,870	195,957	271,085	340,321	407,911	482,867	584,174	704,739	850,415
Claims on central government	178,659	252,599	339,657	408,893	476,483	551,439	590,849	711,415	857,091
Central government deposits	47,789	56,641	68,572	68,572	68,572	68,572	6,675	6,675	6,675
Credit to the private sector	121,785	138,572	161,957	192,516	228,466	270,110	306,560	344,258	374,660
In gourdes	70,344	72,552	77,196	92,634	110,416	131,015	149,045	167,692	182,730
In foreign currency	45,495	60,926	79,521	94,641	112,809	133,854	152,274	171,325	186,689
Other	-56,140	-60,068	-52,140	-69,106	-69,539	-74,127	-92,776	-118,833	-152,832
Broad Money	369,728	510,963	618,634	752,526	879,981	1,022,619	1,171,988	1,329,910	1,509,086
Currency in circulation	85,390	98,150	123,511	171,583	209,336	251,804	297,888	345,681	391,978
Gourde deposits	114,581	134,373	157,617	171,092	198,941	238,446	280,414	325,232	400,804
Foreign currency deposits	165,194	270,986	329,793	399,159	458,245	514,934	574,714	635,219	686,164
(In millions of U.S. dollars)	2,506	2,782	2,802	3,256	3,367	3,438	3,540	3,642	3,717
			(12-month percentage change)						
Currency in circulation	40.6	14.9	25.8	38.9	22.0	20.3	18.3	16.0	13.4
Base money	22.4	21.5	23.1	30.0	20.8	19.7	17.6	16.5	15.0
Broad money (M3)	-0.3	38.2	21.1	21.6	16.9	16.2	14.6	13.5	13.5
Gourde deposits	26.4	17.3	17.3	8.5	16.3	19.9	17.6	16.0	23.2
Foreign currency deposits	-23.4	64.0	21.7	21.0	14.8	12.4	11.6	10.5	8.0
Credit to the private sector	-11.2	15.2	17.4	19.5	19.2	18.7	13.8	12.5	9.0
Credit in gourdes	16.8	3.1	6.4	20.0	19.2	18.7	13.8	12.5	9.0
Credit in foreign currency	-35.2	33.9	30.5	19.0	19.2	18.7	13.8	12.5	9.0
Memorandum Items:									
Foreign currency deposits (% of total private deposits)	59.7	67.4	68.3	69.9	69.6	68.2	67.1	66.0	63.0
Foreign curr. credit to priv. sector (% of total)	39.2	45.5	50.5	50.5	50.5	50.5	50.5	50.5	50.5
Commercial banks' credit to private sector (% of GDP)	8.0	7.9	7.2	6.0	6.0	6.0	5.9	5.8	5.5
Real private sector growth	-36.4	2.2	-21.2	-10.6	6.5	6.3	3.1	3.5	1.0

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.

2/ Changes in stocks of net claims on government differ from domestic financing data in Table 2a due to differences in accounting practices (cash vs. accrual) and in the recording of revaluations of positions denominated in foreign exchange.

Table 5. Haiti: External Financing Requirements and Sources, 2020–28

(In millions of US$ on a fiscal year basis; unless otherwise indicated) 1/

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Requirements	**66**	**131**	**715**	**924**	**823**	**862**	**400**	**454**	**539**
Current account deficit, excluding grants	-32	36	705	818	717	747	274	336	441
Debt amortization, excluding repayments to the IMF	98	95	10	106	106	115	125	118	99
Sources	**-145**	**36**	**640**	**831**	**823**	**862**	**400**	**454**	**539**
Capital transfers, excluding official transfers	58	54	57	13	19	19	0	0	0
Foreign direct investment	25	51	57	106	114	122	173	277	172
Official disbursements, excluding budget support	116	190	254	530	632	638	170	170	355
Of which: Project loans	23	60	30	0	100	120	170	170	355
Other flows, including commercial banks (net)	-27	-173	-195	394	72	62	37	36	102
Official budget support 2/	33	5	0	80	45	45	45	46	61
Change in central bank's NFA (+ is decrease) 3/	-350	-91	467	-385	-60	-25	-25	-75	-150
Additional Financing	**211**	**95**	**76**	**93**	**0**	**0**	**0**	**0**	**0**
IMF disbursement under RCF	111	0	0	0	0	0	0	0	0
IMF debt relief under CCRT	6	11	4	0	0	0	0	0	0
Change in existing obligations to the IMF (+ is increase)	-5	-5	-10	93	0	0			
Debt rescheduling and debt relief, excluding the Fund	3	-1	0	0	0	0			
Change in arrears 4/	96	90	81	0	0	0	0	0	0
Memorandum Items:									
Gross international reserves 5/	2,501	2,534	2,067	2,452	2,512	2,537	2,562	2,637	2,787
(in months of next year's imports of goods and services)	5.8	5.4	4.1	4.7	4.6	4.5	4.4	4.3	4.1
SDR allocation	0	224	0	0	0	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 6. Haiti: Financial Soundness Indicators, June 2020–December 2022
(In percent; unless otherwise stated)

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Size and Growth											
Asset volume (in US$ millions)	4332.7	4319.1	5754.2	5745.0	5340.4	5341.3	5320.3	5267.8	5216.4	5238.7	4770.9
Deposit volume (in US$ millions)	3554.5	3382.5	4577.6	4613.0	4318.4	4351.5	4327.3	4275.6	4303.6	4294.2	3942.0
Asset growth (in gourde terms), y/y	23.5	-6.7	1.0	3.9	0.9	38.8	32.2	23.7	20.6	17.3	28.2
Credit growth (net, in gourde terms), y/y	5.7	-13.7	-8.3	-5.0	-2.1	21.2	20.6	18.8	12.1	14.6	23.3
Capital Adequacy											
Regulatory capital to risk-weighted assets	21.3	26.2	27.3	22.6	18.4	22.3	20.8	21.4	20.7	18.2	20.3
Regulatory capital to assets	7.4	9.2	9.3	8.1	7.0	7.9	7.6	7.5	7.2	6.5	7.0
Asset Quality and Composition											
Loans (net) to assets	26.8	28.7	27.1	25.8	26.0	25.1	24.8	24.8	24.2	24.5	23.8
NPLs to gross loans	8.0	5.0	5.4	7.1	5.9	5.6	6.3	7.8	8.7	6.7	10.9
Provisions to gross NPLs	63.0	105.4	107.5	81.8	101.6	103.1	96.5	77.8	71.3	89.5	57.2
Earnings and Profitability											
Cumulative since beginning of calendar year											
Return on assets (ROA)	2.1	1.2	1.4	2.2	2.2	2.1	2.0	1.9	2.4	1.7	2.6
Return on equity (ROE)	24.1	12.4	14.4	21.4	23.0	23.2	21.5	21.2	26.1	21.2	30.5
Net interest income to gross income	50.1	57.1	55.0	52.6	50.2	51.1	51.6	51.4	45.6	53.5	49.5
Operating expenses to net profits	58.5	71.4	68.1	57.0	57.4	58.6	59.4	62.9	56.1	60.5	50.8
Efficiency											
Interest rate spread 1/	8.6	9.7	8.6	9.9	9.3	9.4	9.1	9.0	8.8	9.9	9.1
Liquidity											
Liquid assets to total assets 2/	49.2	45.3	47.3	48.6	48.1	50.3	48.5	47.8	48.2	47.5	47.4
Liquid assets to deposits 2/	60.0	57.8	59.4	60.6	59.4	61.8	59.6	58.8	58.4	57.9	57.3
Dollarization											
Foreign currency loans to total loans (net)	57.0	40.0	42.8	45.5	43.5	44.9	47.2	47.7	52.2	50.5	55.9
Foreign currency deposits to total deposits	70.6	58.5	59.6	60.1	63.8	66.1	66.5	66.3	66.9	67.3	71.7
Foreign currency loans to foreign currency deposits	26.4	25.1	24.5	24.3	21.9	20.9	21.6	22.0	22.8	22.4	22.5

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 4, which reflect the

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.

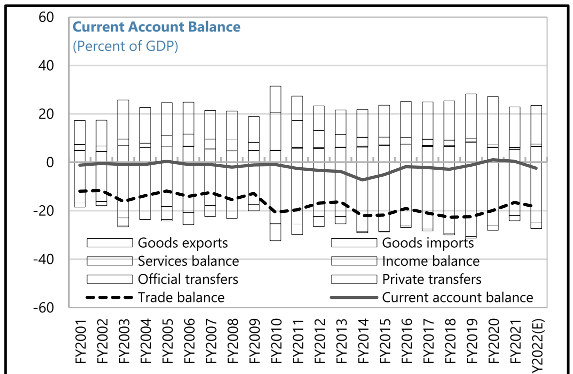
Annex I. External Sector Assessment

Overall Assessment: *The external position of Haiti in FY2022 is assessed to be moderately weaker than medium-term fundamentals and desired macroeconomic policies.*

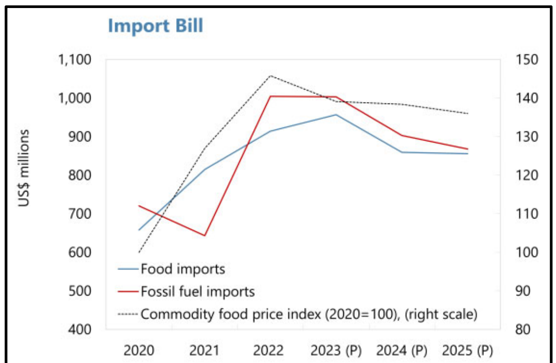
Potential Policy Responses: *Over time, continued reforms and improvements in Haiti's security situation and business climate may address vulnerabilities and strengthen Haiti's external position. The BRH should maintain its policy of limiting interventions in the FX market to smoothing excessive volatility while ensuring the continued phase out of foreign exchange surrender requirements.*

Current Account

- **Background**. Haiti's current account swung into deficit by about 2.3 percent of GDP in FY2022 after posting a 0.5 percent surplus the year before. A key cause was a 7.1 percent year-on-year contraction in remittances, which returned to their pre-pandemic levels. On the import side, the commodity price shock triggered by the war in Ukraine contributed to an annual rise in Haiti's food import bill of about 12 percent and a 56 percent annual increase in fossil-fuel import costs (see text chart on import bill). Non-fossil-fuel imports grew about 0.5 percent, reflecting subdued economic activity also associated with Haiti's deterioration of the security situation and import compression. Beyond insecurity, many obstacles limit the structural transformation required to boost competitiveness and export capacity. These include poor port and road infrastructure; the limited availability of credit, electricity, and water; and Haiti's inadequate legal and regulatory environment. Haiti's structural challenges are compounded by the concentration of its export base both in product lines and destinations (apparels account for more than three-quarters of goods exports, about 70 percent of which go to the United States); by its dependence on imports of essential products; and by its proneness to natural disasters and other exogenous shocks.



Sources: Bank of the Republic of Haiti and Fund staff calculations.



Sources: Bank of the Republic of Haiti, Word Economic Outlook and IMF staff calculations.

- **Assessment**. The quantitative results of Haiti's EBA-lite (External Balance Assessment) current account (CA) model would indicate that Haiti's FY2022 balance is moderately weaker than its medium-term fundamentals and desirable policies would suggest. The 2022 EBA-lite CA model, which includes adjustors for temporary factors related to the COVID-19 pandemic, found a model-identified CA gap of -1.7 percent of 2022 GDP—based on a cyclically-adjusted current account shortfall of -1.5 percent of GDP and a norm of 0.1 percent of GDP. Policy gaps contributed about 1.6 percent of GDP to the model-estimated CA gap, with the rest attributable to such unidentified country-specific variables as fundamentals and residuals (see text table below).

- Staff maintained the CA-REER (real effective exchange rate) semi-elasticity of 0.3, given Haiti's status as an open, fragile economy with little integration into global value chains and an undiversified export base. Staff used a five-year import and export elasticity measurement, weighted by import and export shares of GDP, in line with Haiti's 2021 External Sector Assessment.

EBA-lite Model Results, 2022

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-2.3**	
Cyclical contributions (from model) (-)	0.3	
COVID-19 adjustors (-) 2/	0.0	
Natural disasters and conflicts (-)	-1.0	
Adjusted CA	**-1.5**	
CA Norm (from model) 2/	**0.1**	
CA Gap	**-1.7**	**-10.1**
o/w Relative policy gap	1.6	
Elasticity	-0.3	
REER Gap (in percent)	**6.6**	**39.7**

1/ Based on the EBA-lite 3.0 methodology

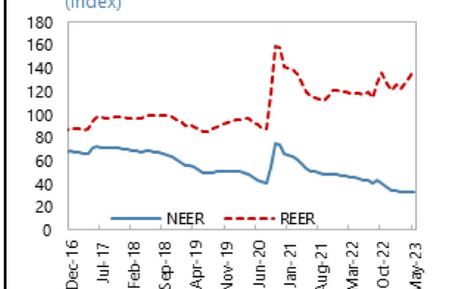
2/ Cyclically adjusted, including multilateral consistency adjustments for tourism worth 0.03 percent of GDP. Note that no other COVID-19 adjustors were used.

- While fiscal consolidation over the medium term would help improve the current account balance, measures are needed to increase productivity and lower private precautionary saving, including through policies that support greater inclusion (e.g., higher spending on social assistance, education, and health, as well as measures to increase financial access). Exporters' medium-term competitiveness would also be helped by strengthening the business climate, phasing out foreign exchange surrender requirements, and moving toward a more market-determined exchange rate.

Real Exchange Rate

Background. Haiti's REER has appreciated by about 26 percent in since FY2020, while the nominal effective exchange rate (NEER) has depreciated by 6 percent (text chart). This divergence between the REER and NEER reflects, in part, recent inflation developments (strengthening the REER) and reduced foreign exchange intervention to support the gourde amid broad U.S. dollar strength (weakening the NEER).

Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER)
(Index)



Sources: National Authorities and IMF staff

Assessment. The EBA-lite REER model estimates the REER was overvalued by nearly 40 percent. In staff's view, this figure likely overstates the degree of REER misalignment relative to fundamentals and desired policies, with the EBA-lite CA results—which indicate a REER overvaluation of 6.6 percent—likely being more representative. Staff believes that the results of the REER-model should be interpreted with caution as the global commodity and food shocks and supply side constraints led to a large rise in headline inflation, which strengthened the REER substantially in 2022. These influences should dissipate as commodity prices normalize and fiscal deficits remain contained. The REER would then be expected to fall, in line with the nominal depreciation of the gourde. Moreover, monetary and exchange rate policy should seek to phase out foreign exchange (FX) surrender requirements, continue to limit FX intervention to smoothing excess volatility, and reduce net central bank credit to the government to dampen inflation, which can allow the gourde to adjust to a more market-determined level.

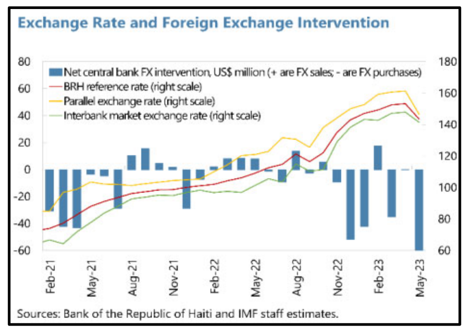
Capital and Financial Accounts: Flows and Policy Measures

Background. FDI inflows have averaged about 0.8 percent of GDP annually year since the 2010 earthquake, below the regional average. In FY2022, FDI flows were low relative to historic averages, at 0.3 percent of GDP, reflecting lower disbursements for private projects amid considerable domestic uncertainty. FDI flows are expected to return to post-earthquake averages over the medium term, as both the relaxation of FX surrender requirements and improvements in the business climate boost foreign direct investment.

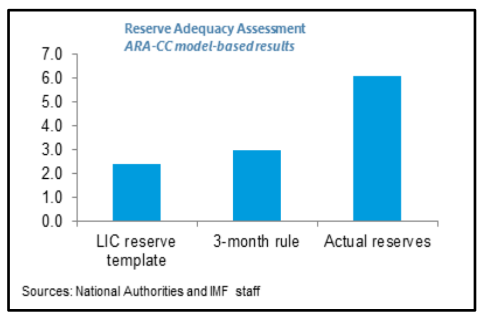
Assessment. Haiti's ongoing security volatility greatly impairs its investment climate. Improving the country's security situation while sustaining reforms (as envisaged under Haiti's SMP) would be the most effective way to attract FDI and boost Haiti's export sector.

FX Intervention and Reserves Level

Background. Haiti's gross international reserves stand at about $2.4 billion, equivalent to roughly 4.5 months of imports. Net international reserves are estimated at about $480 million as of the end of May 2023. Part of the discrepancy between gross and net international reserves stems from the central bank's accrual of FX-reserve-related liabilities to the banking sector. Haiti's *de jure* exchange rate regime is floating, but its *de facto* regime is an "other managed" arrangement. The central bank tracks the developments in the exchange rate market given its high pass-through to domestic prices, implications for liquidity in the banking system, and impact on growth. Net international reserves have been declining since 2020, owing to FX sales aimed at strengthening and defending the nominal exchange rate, although FX intervention has moderated in recent months. Together with regulations that channeled more dollars to the formal FX market, a parallel-official exchange rate gap exists. The gap peaked at about 25 percent in March 2021 but has since narrowed to less than 4 percent at the end of May 2023 (text chart).



Sources: Bank of the Republic of Haiti and IMF staff estimates.



Sources: National Authorities and IMF staff

Assessment. Gross international reserves coverage is adequate to finance close to 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 if it is unable to roll over reserve-related liabilities. Future efforts to defend the nominal value of the gourde, including through the continued accumulation of reserve-related liabilities, should continue to be limited. Gradually phasing out all remaining FX surrender requirements would further help strengthen external resilience while providing needed foreign exchange to exporters.

Appendix I. Letter of Intent

Port-au-Prince
June 29, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., 20431, U.S.A.

Madam Managing Director:

1. Our country's macroeconomic outlook remains uncertain due to multiple shocks internal and external (amid a food and humanitarian crisis resulting from the Russian invasion of Ukraine and a deteriorated security situation). The net effect is a weaker and more fragile economy. In this challenging context, the IMF has remained engaged alongside Haiti and provided financial support through the food shock window in January 2023 and technical assistance, for which we are very grateful.

2. Implementation of our Staff Monitored Program (SMP), approved in June 2022 and ended in May 2023, has been a key factor in stabilizing the macroeconomic situation. Despite our national and international problems, we have adopted substantial structural reforms. These reforms have led to enhanced transparency in managing public expenditure and the financial sector and have helped maintain macroeconomic stability. The highly inclusive consultative process we adopted, despite a difficult political situation, has gained us public support for, and acceptance of, the Staff Monitored Program carried out through a high-level Program Monitoring Committee.

3. Against this backdrop, we are requesting a new nine-month Staff Monitored Program that will help lock in and deepen the recently approved and implemented reforms to strengthen economic resilience, governance, and social protection. We hope that the new Staff Monitored Program will also be supported with IMF capacity development assistance, in line with the IMF's strategy for Fragile/Conflict-Affected States. The new nine-month program, ending in March 2024, will help further enhance our macroeconomic management capabilities and strengthen our fiscal and monetary policy frameworks. In line with Staff-Monitored Program policies, if the circumstances require, we may request to extend the program by additional three months through June 2024, to allow us to establish a solid track record that could pave the way for an Upper Credit Tranche financing with the IMF.

4. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent developments and presents the objectives and policies of our economic program. To consolidate and lock in our recent progress in governance, economic resilience, and social protection, we intend to publish comprehensive monthly reports on the execution of fiscal expenditure financed by the IMF Food Shock Window according to the template provided by IMF staff within 45 days of the end of each month. We also intend, through the General Finance Inspectorate, to conduct internal expenditure audits of all ministries involved in the use of emergency resources provided by the Food

Shock Window and to report these internal audits to the Superior Court of Audit and Administrative Disputes (CSCCA) which will also conduct the financial and operational compliance audit of all expenditure related to IMF Food Shock Window for the fiscal year 2022-23 and publish the results and report. We are also committed to prepare a plan to implement the Tax Code and Code of Procedures that will become operational in October 2024. We have also requested an IMF *Governance Diagnostic,* which should help us identify additional priorities for governance and anti-corruption reforms and continue our reform momentum achieved through the 2022 SMP.

5. The nine-month period of this SMP will allow to continue our efforts to build a consistent social safety net with national coverage to promote a foundation for stronger, sustainable, and inclusive economic growth. We will also continue to monitor the soundness of financial institutions and finalize regulatory texts related to, *inter alia*, risk-based banking supervision and cybercrime, while taking measures to complete safeguards related to the use of IMF resources, including the transition to International Financial Reporting Standards (IFRS). We understand that a new safeguards assessment must be completed prior to the approval of any subsequent IMF financial arrangement with Haiti.

6. 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 with IMF staff before undertaking any revisions to the policies set out in the MEFP, in line with IMF practice. We will refrain for the duration of the program from: (i) imposing or intensifying restrictions on the making of payments and transfers for current international transactions, (ii) introducing or modifying multiple currency practices, or (iii) concluding bilateral payments agreements that are inconsistent with Article VIII. 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 promptly provide 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.

7. We undertake to publish this LOI, all its attachments, and the accompanying IMF Staff Report on the websites of the Ministry of Economy and Finance and the Bank of the Republic of Haiti as soon as the Staff Monitored Program is approved by IMF Management. We also give our consent to the IMF to publish the staff report on this SMP, this Letter of Intent, and its attachments.

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

___/s/___	___/s/___
Michel Patrick Boisvert	Jean Baden Dubois
Minister for Economy and Finance	Governor of the Bank of the Republic of Haiti

Attachment I. Memorandum of Economic and Financial Policies

A. Introduction and macroeconomic framework

1. This Memorandum of Economic and Financial Policies (MEFP) presents the macroeconomic framework underpinning our program, as well as the priorities and objectives of the economic policies and structural reforms we will pursue. It reflects views shared by the Haitian authorities and IMF staff on the best ways to:

- further strengthen economic resilience, governance, and social protection;
- maintain economic stability and to lay the groundwork for inclusive and sustainable economic growth;
- reduce poverty and improve living conditions for all Haitian citizens.

2. Macroeconomic conditions remain difficult. Growth is projected at 0.1 percent during fiscal year2022-23, consistent with the slowdown in credit growth that is attributable mainly to our fragile security situation. Growth is expected to reach 1.5 percent in the medium term, requiring continued implementation of structural reforms and improvement in the security situation. Annual inflation can be expected to fall gradually to about 30 percent by the end of fiscal year 2022-23, as the impact of reduced monetary financing of the fiscal deficit becomes evident and as food and fuel prices stabilize on global markets.

B. Structural Benchmarks: Governance, Transparency, and Accountability

3. To ensure transparency and accountability in the spending of emergency resources received under the IMF Food Shock Window, we are carefully controlling, monitoring, recording, and publishing all expenditure related to this facility. These commitments enable us to consolidate and lock in our recent progress in governance, economic resilience, and social protection. For this purpose, we intend to publish comprehensive monthly reports on execution of fiscal expenditure financed by the IMF Food Shock Window according to the template provided by IMF staff no later than 45 days after the end of each month (monthly structural benchmark). We also intend, through the General Finance Inspectorate, to conduct internal expenditure audits of all ministries that use emergency resources provided by the IMF Food Shock Window and to report these internal audits to the Superior Court of Audit and Administrative Disputes (CSCCA) (quarterly structural benchmark). The CSCCA will also conduct the financial and operational compliance audit of all RCF Food Shock Window spending for fiscal year 2022-23 and publish the report (December 2023 structural benchmark).

4. With technical assistance from the IMF, we drafted the decree governing transparency requirements in government procurement, adopted and published in November 2021. This includes the requirements to publicly disclose the beneficial owners of successful bidders in all government contracts and concessions. Since that time, we have regularly published all public contracts, including information on successful bidders. We will ensure that all provisions of this decree are implemented (monthly structural benchmark) and will begin work on preparing a comprehensive reform of the law on procurement. Significant progress has been made on public financial management (PFM), particularly in improving the transparency of public spending, fiscal reporting, and accountability, and we will sustain these efforts. We will continue to provide more detailed consolidated quarterly financial statements for the Economic and Social Assistance Fund (FAES), in accordance with best practices in public financial management provided by IMF staff; this includes regular reporting from the FAES's quarterly board of directors' meetings (quarterly structural benchmark). We undertake to publish the report on the governance diagnostic to be conducted by IMF staff and incorporate its recommendations into our reforms.

5. We have adopted the General Tax Code (CGI) and the Tax Procedures Code, which will simplify the tax system and eliminates numerous exemptions. We have also published all customs codes and tariffs. We have requested technical assistance from the IMF in preparing a plan to implement the Tax Code and Code of Procedures (December 2023 structural benchmark), which we expect to implement in October 2024.

C. Fiscal Policy and Social Protection

6. The implementation of the fiscal year 2022-23 budget fulfills one of the goals of the Staff Monitored Program—to reduce monetary financing of the deficit and the FY23-2024 budget will be consistent with agreed targets under this new SMP Accordingly, fiscal policy will aim, despite difficult economic conditions, to maintain a floor for the nonfinancial public sector primary balance (quantitative target) at a fiscal deficit of 1.9 percent of GDP for fiscal year 2022-23 and 1.8 percent of GDP for fiscal year 2023-24.[1] Tax revenue can be expected to reach 6.4 percent of GDP during the 2022-23 fiscal year, against 5.3 percent in the previous year. This increased tax revenue is attributable to higher customs revenue deriving from the recent tax administration reforms and the fuel price adjustment in September 2022, which are expected to generate the equivalent of 0.9 percent of GDP in fuel import taxes. Current and capital expenditures financed with domestic resources are expected to rise by 1.2 percentage points of GDP, compared with fiscal year 2021-22. With the moderation of global oil prices, fuel subsidies will remain at zero for the rest of this fiscal year, and transfers to the electricity sector will amount to 0.4 percent of GDP, consistent with the historical trends. The budget deficit should narrow slightly, to about 1.8 percent of GDP, during fiscal year 2023-24, driven primarily by improved tax revenues while sustaining capital spending. Public debt indicators are expected to improve relative to the debt sustainability analysis presented at the time of the disbursement from the IMF Food Shock Window, as budget deficits are currently below projected levels.

7. Monetary financing is expected to reach 1.4 percent of GDP at the end of the fiscal year 2022-23—accounting for seasonal expenditure patterns, well below 2.3 percent for the

[1] The program will include an asymmetric adjustor on the floor of the primary balance of the nonfinancial public sector and net international reserves (NIR) if external budget support is lower than projected. See the Technical Memorandum of Understanding, Attachment II.

preceding year. We will cap *Banque de la République d'Haïti* (BRH) financing at what is considered the noninflationary level of 1.5 percent of GDP. Should this level be exceeded, any excess monetary financing will be sterilized through BRH liquidity absorption operations—with some interventions on the foreign exchange market, if required. We will cover the remaining financing requirements (0.5 percent of GDP) through domestic borrowing and concessional external financing. To help reduce inflation, we intend to substantially reduce monetary financing of the budget in fiscal year 2023-24, to be approved in September 2023. We will also update the financing "pact" between the BRH and the Ministry of Economy and Finance in line with these objectives. We will also update the medium-term budget framework with the oversight ministry to ensure that the sector ministry budgets are consistent with the information reported by the Ministry of Finance and to ensure consistency with the data on budget execution and the budget document.

8. We will continue our efforts to build a consistent social safety net with national coverage. We will therefore continue to implement the action plan drawn up by the government, which is designed to expand programs that improve living conditions and strengthen social inclusion, focusing on the most vulnerable groups (children, pregnant women, disabled persons, and the elderly). We also plan to increase monetary transfers and food rations for vulnerable households. We have launched school food programs, provided hot meals to vulnerable households through community restaurants, and we are planning to eliminate some school fees. We had discussed with IMF staff—including experts from the Fiscal Affairs Department—a new method for measuring and monitoring execution and targeting of social expenditures that includes spending not only from the Ministry of Social Affairs and Labor (MAST) but also from the ministries of education, health, and agriculture (quantitative target). We are convinced that this is one of the best ways to monitor social expenditure in Haiti. To monitor the implementation of social programs we are committed to follow good PFM practices, in line with recent technical assistance from the IMF.

9. Fuel subsidy reform is essential to ensure fiscal sustainability in the medium term. Given the political and social implications, we have taken the initiative on both the mechanisms and the timetable for the reform. Any future adjustments in fuel prices must include mitigation measures to protect the most vulnerable sectors, along with a gradual, effectively reported approach. We are committed to amend the 1995 Law allowing changes in international fuel prices to be partially passed on to consumers. A planned communication policy will provide substantial support for our reform strategy. We will also work to establish a regulatory framework for the oil sector and strengthen the relevant regulatory institutions.

10. We remain committed to the principles of prudent use of Haiti's SDR assets and to reporting transparently on Haiti's use of its SDR allocation. This includes the publication, on the websites of the BRH or the Ministry of Finance, of any future conversions of the SDR allocation into freely usable currencies. We intend to maintain the institutional frameworks governing the fiscal use of the SDR allocation, including in connection with the repayment terms between the Ministry of Finance and the central bank, as well as transparency measures for SDR expenditure.

D. Monetary, Exchange Rate, and Financial Policies

11. We will continue to strengthen the monetary policy framework against a backdrop of enhanced exchange rate flexibility. For this purpose, we will adopt a ceiling on credit to government to serve as the main anchor for limiting monetary financing of the fiscal deficit (quantitative target); and we will conduct short-term liquidity absorption operations to eliminate any excess monetary financing, reduce potential inflationary pressures, and enhance monetary policy transmission. Since the ceiling on the Bank of the Republic of Haiti's financing to the Treasury does not include an adjustor, the government will be required to obtain financing from other domestic sources, or to obtain concessional external financing to cover a lower primary balance than currently programmed, if required. We are also working on a further limited increase in short-term interest rates to trigger disinflation, in view of the substantially negative real interest rate of about 15 percent. We will sustain the reforms initiated by the Bank of the Republic of Haiti to develop the public securities market to provide the Treasury with an alternative source of financing and a more efficient monetary policy steering mechanism.

12. The BRH will limit its interventions in the foreign exchange market to efforts to smooth excessive exchange rate fluctuations. Thus, we will:

- adopt a floor on net international reserves (quantitative target);
- establish an appropriate mechanism for foreign exchange interventions, such as well- designed weekly foreign exchange auctions instead of the foreign exchange allocation system;
- move forward with the ongoing work on a foreign exchange market intervention rule; and
- complete the revision of net open position (NOP) limits for commercial banks.

Last, we undertake not to impose or intensify restrictions on payments and transfers for current international transactions or to introduce or modify multiple currency practices.

13. We will continue reforms to strengthen banking supervision and financial integrity measures to increase financial inclusion in support of growth. For this purpose:

- The BRH has asked CARTAC to continue TA on implementing risk-based banking supervision and will finalize the remaining texts on banking regulation.
- We have started to enact a robust anti-money laundering and terrorism financing (AML/FT) legal framework with technical support from the IMF Legal Department, and in line with the Financial Action Task Force (FATF) international standards. The revised framework was adopted by decree in April 2023. We will enact any necessary regulations required to implement the new AML/CFT decree, and review regulations recently published by the BRH to ensure consistency with the decree.

- We will also move forward on amending the Law on the Central Financial Intelligence Unit (UCREF) with assistance from the IMF Legal Department (December 2023 structural benchmark). The amendments will aim at (i) providing UCREF with the power to conduct operational and strategic analysis, (ii) including procedures for handling information securely and a requirement for UCREF staff to hold adequate security clearances, (iii) ensuring UCREF's direct access to the broadest range of relevant information held by other governmental agencies, (iv) ensuring UCREF's independence and autonomy, including through the allocation of a sufficient budget; and (v) ensuring that it has the power to exchange information with its foreign counterparts. We will continue to address other steps necessary to exit FATF grey list, including completing sectoral risk assessments, implementing a risk-based supervision regime for financial institutions and designated non-financial businesses and professions, and ensuring transparency of basic and beneficial ownership information on legal persons.

E. Safeguards

14. We will continue implementing the outstanding recommendations from the 2019 Safeguards Assessment. In addition to achieving the legal reforms, this includes the adoption of the International Financial Reporting Standards and the development of a medium-term plan to phase out the involvement of the BRH in development finance activities, as well as the alignment of the asset allocation strategy with best practices. It is also our understanding that a new safeguards assessment must be completed prior to the approval of any subsequent IMF financial arrangement with Haiti.

F. Program Monitoring

15. We intend to take all necessary steps agreed in connection with the Staff Monitored Program with the IMF (Tables 1 and 2 of this memorandum). A committee responsible for monitoring the program is in place; it includes representatives from the Ministry of Economy and Finance and the Bank of the Republic of Haiti. If required, this committee may request the participation of other sectors. It will meet at least quarterly with the Minister of Economy and Finance and the Governor of the BRH to give them a progress report on implementation of the Staff Monitored Program. Our program will be monitored with quantitative targets at end-June and end-December 2023, with indicative targets at end-September 2023 (Appendix 1. Table 1), and structural benchmarks (Appendix 1. Table 2).

16. We undertake to publish this Memorandum and the accompanying IMF Staff Report on the websites of the Ministry of Economy and Finance and the Bank of the Republic of Haiti as soon as the Staff Monitored Program is approved by IMF Management.

Appendix I. Table 1. Haiti: Quantitative and Indicative Targets, June–December 2023 1/

	Actual stock at end-Sept. 2022, at end-March 2023 for NIR 2/ 3/	Cumulative flows from September 2022, from Mars 2023 for NIR			Projected stock at end-Sept. 2023 2/	Cumulative flows from September 2023	
		end-June 2023		end-Sept. 2023		end-Dec. 2023	
		Quantitative target	Actual	Indicative target		Quantitative target	Actual
I. Periodic Quantitative Targets							
Net international reserves (NIR) of the central bank (in millions of U.S. dollars)—floor	384.30	65		20	470	50	
Primary balance of the nonfinancial public sector—floor		-39,140		-52,187	0	-15,542	
Net central bank credit to the nonfinancial public sector—ceiling 4/	215,025	33,690		44,920	259,945	13,563	
Central government 5/	219,409	33,690		44,920	264,328	13,563	
Other nonfinancial public sector entities	-4,384	0		0	-4,384	0	
Budget allocations for social expenditure—floor 6/		22,000		31,000		9,000	
II. Continuous Quantitative Targets							
Accumulation of domestic arrears by the central government	0	0		0	0	0	
Accumulation of external arrears by the public sector (in millions of U.S. dollars)	0	0		0	0	0	
Contracting or guaranteeing by the public sector of new nonconcessional external debt (in millions of U.S. dollars)—ceiling	0	0		0	0	0	
III. Indicative Targets							
Central government fiscal revenue, excluding grants-floor 7/		150,174		200,232		38,838	
Memorandum Items							
Budget support (in millions of U.S. dollars) 8/		28.8		28.8		0.0	
Gross international reserves (stock, in millions of U.S. dollars) 9/	2,067	2,403		2,452	2,452	2,502	
(In months of imports of goods and services of the following year)	4.1	4.5		4.7	4.7	4.1	

Sources : Ministry of Finance, Bank of the Republic of Haiti (BRH), and IMF staff estimates.

1/ The program includes an asymmetric adjuster on the floor for the NFPS primary balance and net international reserves (NIR) for external budget support below the planned amounts. The BRH financing ceiling for the Treasury does not include any adjusters. The quantitative and indicative targets (QTs and ITs) are set for end-month, i.e., end-June and end-December for QTs and end-September for ITs, and are expressed in millions of gourdes, unless otherwise indicated.

2/ The September 2022 data refer to the end of the 2022 fiscal year and the September 2023 data refer to the end of the 2023 fiscal year.

3/In accordance with the adoption by the BRH of the International Financial Reporting Standards (IFRS), the BRH and the Ministry of Economy and Finance signed a memorandum of understanding, dated June 28, 2022, that recognized additional interest accrued since 2020 on non-negotiable government debt securities held by the BRH. The recognition resulted in an increase in the stock of net claims of the BRH on central government beginning with the October 2021 balance sheet. Net central bank credit to the central government was adjusted downward by HTG 12.241 billion to offset the impact of this recognition, as it represents interest expenditure for the 2019/2020 and 2020/2021 fiscal years. Adoption of the IFRS provides the BRH with greater transparency and enhanced communication of financial information, aligns it with international best accounting practices, and provides a better understanding of how its financial position may impact the implementation of monetary policy or the policy transmission mechanism.

4/ The QT is met if the total is met.

5/ Excludes SDR allocations and resources released as a result of debt relief under the IMF Catastrophe Containment and Relief Trust (CCRT).

6/ Budget envelope allocated to social affairs and labor, education, agriculture, and public health. The floor corresponds to the sum of the budget allocations to the Ministry of Social Affairs and Labor (MAST), Ministry of Education, Ministry of Agriculture, and Ministry of Public Health.

7/ Includes domestic taxes on enterprises, personal income, and sales; and customs duties.

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

9/ For program monitoring purposes, the program exchange rate for the period June 2023 to March 2024 is HTG 153.6019 per US$1 (BRH reference rate of March 31, 2023).

Appendix I. Table 2. Haiti: Structural Benchmarks under the 2023 SMP

	Measure	Timing
	Governance, Transparency, and Accountability	
1	Publish all public procurement contracts awarded since the publication of Decree 52 of November 2021, including beneficial ownership information on contracts awarded to successful bidders.	Monthly
2	The Ministry of Finance will publish full monthly reports on execution of fiscal expenditure financed by the IMF Food Shock Window according to the template provided by IMF staff, no later than 45 days after the end of each month.	Monthly
3	Through the General Finance Inspectorate, conduct and complete internal expenditure audits of all ministries involved in the use of emergency resources provided through the IMF Food Shock Window, and report these internal audits to the Superior Court of Accounts and Administrative Disputes (CSCCA).	Quarterly
4	Have the CSCCA conduct a financial and operational compliance audit of all expenditure in connection with the Rapid Credit Facility Food Shock Window for the 2022-23 fiscal year and publish the results/report.	End-Dec. 2023
5	Approval by the Council of Ministers of amendments to the Organic Law on the Central Financial Intelligence Unit (UCREF) in line with the FATF standards (recommendations 29 and 40).	End-Dec. 2023
6	The Council of Ministers shall adopt the 2024 budget which has to be consistent with the targets and fiscal measures agreed under the SMP.	End-Sept. 2023
	Public Financial Management/Governance	
7	Publish (i) quarterly reports, and (ii) at the last quarter of the year an annual report, on operations and financial status of the Economic and Social Assistance Fund (FAES), including regular reports from its quarterly meetings of the board of directors.	Quarterly
	Tax Policy and Revenue Administration	
8	Prepare a plan on implementation of the Tax Code and Tax Procedure Code that will become operational in October 2024.	End Dec. 2023

Attachment II. Technical Memorandum of Understanding

1. Haiti's performance under the 9-month Staff-Monitored Program (SMP) ending March 2024 will be assessed based on quantitative targets (QTs) and structural benchmarks (SBs). 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. 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, with the exception of the QT on NIR for which the reference date is end March, 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; assets, liabilities, and flows denominated in US dollar will be valued in US dollar, the currency used to measure net international reserves. For the purposes of the program, it has been agreed to use the following exchange rates: HTG 153.6019/US$ (BRH reference rate as of March 31, 2023), US$1.087500 /EUR and SDR 0.743367 /US$ (rates as at March 31, 2023 published by the IMF on its website-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*) 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, 2022.

Components of Net Central Bank Credit to the NFPS (In millions of gourdes)	
	September 2022
Net Central Bank Credit to the Nonfinancial Public Sector	**216,907,798.84**
Net Credit on Central Government	194,643,384.63
Claims on central government	269,884,127.25
Deposits by government	75,240,742.62
Deposits in current accounts	31,796,309.50
Sight deposits (HTG)	10,720,116.67
Sight deposits (US$)	21,076,192.83
Securities seized UCREF	594,748.67
Sundry accounts payable	7,230.60
Certified checks	286,815.46
Certified bank checks	25,041,448.88
Foreign Debt Special Fund	117,742.54
Internal Public Debt Special Fund	3,037,241.08
Treasury special accounts	12,201,556.37
Civil pension – investments transaction	583,394.69
IMF debt relief after disaster	1,965,245.23
Minus: Deposits from autonomous agencies (ONA)	390,990.39
Net Credit to the Rest of the Nonfinancial Public Sector	- 3,346,147.14
Claims on the rest of the nonfinancial public sector	1,563,886.60
Deposits by the rest of the nonfinancial public sector	4,910,033.74
Deposits by autonomous agencies (ONA) (HTG and US$)	390,990.39
Local government deposits (sight deposits and certified checks)	747,632.79
Deposits by state-owned enterprises (sight deposits in gourdes and US$ and certified checks)	3,771,410.56

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 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.[1] 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

[1] 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.

IMF reserve position. Swaps in foreign currency with domestic financial 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 (debt service payment to PDVSA (Venezuela) will be evaluated at dollar amount in escrow account[2]), (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*, provided by the Central Bank 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.

Appendix II. Table 1. Haiti: Calculation of BRH Net International Reserves
(In thousands)

	March 2023 (gourdes)	**March 2023** (US$)[1,2]
BRH Gross International Reserves	**366,494,781.48**	**2,386,004.22**
Gold holdings	17,430,730.50	113,479.91
Foreign currency	2,014,247.53	13,113.43
Foreign sight deposits	56,736,180.09	369,371.60
Investments abroad	267,302,901.83	1,740,231.74
SDRs holdings (according to IMF books)	18,758,031.55	122,121.09
IMF reserve position (based on IMF books)	4,252,689.98	27,686.44
Minus: Foreign liabilities	104,793,794.91	682,242.83
Of which: Foreign liabilities (excluding liabilities related to Haiti's participation in the capital of international financial institutions)	2,018,145.14	13,138.80
Debt service payment to PDVSA	76,522,069.47	498,184.39
Off-balance-sheet foreign currency liabilities	2,303,604.88	14,997.24
Liabilities to the IMF (based on IMF books)	23,949,975.43	155,922.39
Minus: Deposits in foreign currency	193,901,818.08	1,262,366.01
Minus: Foreign currency swap transactions	8,580,317.81	55,860.75
Minus: Special accounts in foreign currency	189,537.18	1,233.95
Minus: Project accounts	79.66	0.52
Net International Reserves of the BRH	**59,029,233.83**	**384,300.15**

[1] Exchange rate: HTG 153.6019/US dollar.
[2] Debt service payment to PDVSA equals the amount in the escrow account.

[2] Haiti has had difficulties processing payments to Venezuela for debts incurred under the Petrocaribe agreement owing to international sanctions. Debt service payments to Venezuela are being placed in an escrow account in U.S. dollars.

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.

Appendix II. Table 2. Haiti: Projected Budgetary Grants
(In millions of US dollars)

Cumulative Flows since end-September 2022				Cumulative Flows since end-September 2023			
Dec. 2022	March 2023	June 2023	Sept. 2023	Dec. 2023	March 2024	June 2024	Sept. 2024
24.7	49.5	-	-	-	-	-	-

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 adjustor. 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 Allocations to Social Expenditure

22. The budget decree gives ministries appropriations, i.e., the authority to incur obligations, which become due during the fiscal year up to a specified amount for specified purposes (as indicated in the budget decree) within the fiscal year. For the purposes of the program, the social spending is defined as the budget envelope allocated to Ministry of Social Affairs and Labor (MAST), Ministry of Education, Ministry of Agriculture, and Ministry of Public Health, in the budget decree. **The floor on the QT** applies to the sum of the budget allocations to the Ministry of Social Affairs and Labor (MAST), Ministry of Education, Ministry of Agriculture, and Ministry of Public Health, as executed at end-month, i.e., end-June and end-December for QTs and end-September for ITs. Provisional appropriations, i.e., expenditure that get under way before the actual budget appropriation, if any, will be included.

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 sometime 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'Haiti* (BRH) to the government.

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.[3]

External Public Debt

27. This is the debt of the public sector which is contracted 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 reported 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 reported 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

[3] 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.

Appendix II. Table 3. Haiti: Summary of Data to be Provided

Sector	Data Series	Periodicity	Timeliness
Real Sector			
	National accounts	Annual	Three months
	Quarterly economic indicators (economic cycle)	Quarterly	Two months
	Consumer price index (including breakdowns)	Monthly	Three weeks
Public Finances			
	Fiscal revenues (internal, external, other)	Monthly	Four weeks
	Expenditures on Cash Basis (wages and salaries, goods and services, external debt, current accounts)	Monthly	Four weeks
	Table of government financial transactions (TOFE)	Monthly	Two weeks
	Balance on current accounts and operation of projects	Monthly	One month
	Table Underlying TOFE, which enables the determination of checks in circulation and balance on investment project accounts	Monthly	One month
	Table on budget implementation with breakdown by ministry and other bodies and by type of expenditure	Monthly	One month
	Total monthly amount of expenditure executed by transfer letters	Monthly	One month
	Report on Revenue Collection of DGI (progress report)	Monthly	One month
	Tables of revenue collection of AGD (port activity indicators, analytical report of customs receipts on import)	Monthly	One month
	Table of revenue collected and authorized expenditure (TEREDA)	Monthly	One month
	Detailed revenue and expenditures of BMPAD	Quarterly	One month
	Report on social protection expenditures	Quarterly	One month
	Table on the implementation of the PSUGO program	Quarterly	One month
	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	One month
	EDH commercial data allowing the calculation of EDH's billing and collection rates	Monthly	One week
	EDH cash data including all revenues and all expenditures (operating, investment, and other)	Monthly	One month
	Information on any off-budget claims presented for payment	Monthly	One month

Appendix II. Table3. Haiti: Summary of Data to be Provided (Continued)

	Stock of unpaid off-budget central government liabilities	Monthly	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	One week
	Table of import prices of petroleum products, by arrival	Monthly	One month
	Table of imported quantities of petroleum products	Monthly	One month
	"Stabilization margin" table of the Directorate of the Tax Inspectorate	Monthly	One month
	"Petroleum product tax" table of the Directorate of the Tax Inspectorate	Monthly	One month
	Details of the stock of all government borrowing and debt securities (interest rate, maturity, creditor if known)	Annual	Three months
	Full amortization table of domestic and external government debt	Annual	Three months
	Statement of stocks and flows of repayment of suppliers' credits and payment arrears	Monthly	One week
Monetary and Financial Data			
	Exchange rate	Daily	One day
	Monetary base and sources thereof and currency in circulation.	Weekly	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	One week
	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	One month

Appendix II. Table 3. Haiti: Summary of Data to be Provided (Concluded)

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