February 2010
IMF Country Report No. 10/35

Haiti: Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion, and Augmentation of Access—Staff Report; Staff Statements; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Haiti.

In the context of the sixth review under the extended credit facility, request for waiver of performance criterion, and augmentation of access, the following documents have been released and are included in this package:

- The staff report for the Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion, and Augmentation of Access, prepared by a staff team of the IMF, following discussions that ended on December 15, 2009, with the officials of Haiti on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 22, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff supplement on the Debt Sustainability Analysis

- A Press Release summarizing the views of the Executive Board as expressed during its January 27, 2010, discussion of the staff report that completed the request and/or review.

- A statement by the Executive Director for Haiti.

The document listed below has been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Haiti*
*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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HAITI

Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion and Augmentation of Access

Prepared by the Western Hemisphere Department
(In consultation with other departments)

Approved by Miguel Savastano and Dominique Desruelle

January 22, 2010

EXECUTIVE SUMMARY

On January 12, 2009, a powerful earthquake struck Port-au-Prince, causing extensive casualties and unprecedented damage. Pending a more detailed assessment, losses are already estimated to be much larger than those from the 2008 hurricanes, which were in the order of 15 percent of GDP. The United Nations has issued a flash appeal for emergency relief over the next six months.

The authorities are requesting an augmentation of SDR 65.52 million (80 percent of quota) along with the sixth and last ECF review, aimed at supporting immediate balance-of-payments needs arising from the disaster. The augmentation complements already substantial international support, with humanitarian relief and recovery commitments totaling almost US$1.2 billion. The conclusion of the Article IV consultation and discussions on a possible new program will take place when estimates of damages and balance of payments needs have been firmed up and a revised policy framework has been agreed.

The mission for the 2009 Article IV consultation and the sixth and last review of the ECF, and discussions on a new three-year ECF arrangement took place in Port-au-Prince from December 2-15, 2009. The staff team comprised by Ms. Deléchat (head), Ms. Medina Cas, and Ms. Touré (all WHD), Ms. Riad (SPR), Mr. Bouhga-Hagbe (FAD), and Mr. Vandepeute (MCM), was assisted by Mr. Justice, Resident Representative, and was joined by Mr. Perez (OED) for part of the policy discussions. Staff met with President Préval, Prime Minister Bellerive, Finance Minister Baudin, Central Bank Governor Castel, and other representatives of the government and private sector.

Economic performance in FY 2009 was strong. Growth was higher than anticipated at close to 3 percent. Inflation turned negative, as the food and fuel price shock unwound.

Performance for the sixth and last ECF review was broadly satisfactory. All end-September quantitative performance criteria were met, and there was sufficient progress on all areas of structural reforms, although only two out of seven benchmarks were met on time. The authorities are requesting a waiver for contracting a nonconcessional loan.

The arrangement was approved in 2006 in an amount of 90 percent of quota, and access was raised to 140 percent of quota following two augmentations in the wake of the 2008 shocks. The ECF has been extended until May 31, 2010.

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I. BACKGROUND

1. **On January 12, 2010, Haiti was struck by an exceptionally powerful earthquake, which caused unprecedented damages and casualties.** The epicenter of the 7.0 magnitude earthquake was located near the capital city, Port-au-Prince, where a third of the country's population and most of the state and economic infrastructure are located (Box 1).

Box 1. Earthquake Impact

The earthquake has largely affected Port-au-Prince and nearby cities, affecting about 3 million people or a third of Haiti's population. The extent of destruction of buildings is compounded by the fact that Port-au-Prince has many densely packed neighborhoods with inferior construction standards. The number of casualties is estimated to be in the tens of thousands. The UN estimates that about one million people are in need of shelter, and this figure could rise. The affected population has either been injured, or has lost access to basic necessities such as food, water, health care, and shelter, in addition to jobs and education. Local hospitals were damaged or destroyed, and most of the schools in Port-au-Prince have collapsed. The UN and international humanitarian community located in the capital also suffered heavy losses. Due to the high concentration of the displaced population in Port-au-Prince, many are leaving the city to rural areas, or other urban centers in search of food and water, which will place more pressure on these areas.

There are fears the security situation may deteriorate rapidly, particularly if the humanitarian needs of the population are not met quickly. There have been reports of shootings, looting of shops, and small riots mostly at food distribution points. Nonetheless, the overall security situation has been fairly calm, helped by the presence of 9,000 UN troops and police, and the arrival of U.S. troops.

The economic infrastructure in and around the capital city was destroyed. The UN estimates that damage to agricultural production systems in and around the capital has been widespread. Several bank headquarters were destroyed. The sea port of Port-au-Prince became non operational. The airport was damaged but is open and receiving aid, though a lack of fuel, transport, communications and handling capacity are creating bottlenecks. Severe damages to infrastructure, including roads, bridges, water systems, and electrical and communications systems are affecting the immediate relief effort and will constrain economic activity over a longer period.

The government's ability to function was seriously impaired, further constraining the aid response. Several ministries and the tax and customs collection offices have been destroyed; the presidential palace, parliament, the prime minister's office and supreme court were seriously damaged; and many civil servants have been killed. The central bank sustained some damage, but has been able to restore a basic manual payments system.

2. **This disaster represents a major setback for Haiti, following several years of progress in maintaining macroeconomic stability, resuming growth, and implementing essential reforms.** Over the past three years economic growth averaged 2½ percent per

annum, improving the dismal growth performance of earlier years. Such progress was achieved despite a series of adverse external shocks, episodes of political instability and social unrest, and volatile external support which jeopardized macroeconomic stability.

3. **Haiti is the poorest country in the Western Hemisphere and ranks in the bottom quartile of the United Nations Development Program (UNDP) Human Development Index.** Over half the population lives on less than a dollar a day and 72 percent on less than two dollars. Poverty contributes to environmental degradation which, in turn, has increased its vulnerability to natural disasters (Text table 1).

Text table 1. Haiti: Selected Social Indicators

	Human Development Index	Life expectancy at birth (years)	DPT immunization rate (percent of children ages 12-23 months)	Prevalence of undernourishment (percent of population)	Adult literacy rate (percent of population above age 15)
Haiti [1]	0.53	61	53	58	55 [2]
Low income countries	0.54	58	80	31	64
Latin America and the Caribbean	0.82	73	92	9	91

Sources: UNDP, Human Development Report; World Bank, World Development Indicators.
[1] Haiti ranks 149th over 182 in the 2009 Human Development Report.
[2] Haiti uses the creole literacy rate whereas other countries use the main European language.

II. Recent Developments

4. **Economic performance through FY 2009 (ending in September 2009) was favorable, with a minimal impact of the global crisis and a post-hurricane rebound.**

- Growth reached 2.9 percent, fueled by strong agricultural and manufacturing output. Annual inflation bottomed out at minus 4.7 percent in September, reflecting lower international and local food prices.
- The fiscal deficit (excluding grants and externally financed projects) was contained at 4.4 percent of GDP, as spending remained subdued, in part due to delays in budget support disbursements. At the same time, dynamic exports, low import prices and resilient remittances helped reduce the external current account deficit to 3.2 percent of GDP, from 4.5 percent in FY 2008. Reserve coverage rose to 3.7 months of imports in September, following the SDR allocation (Figures 1-3, Tables 1-4).
- In the financial sector, credit and deposits grew strongly, liquidity improved, and all banks posted positive earnings (Figure 4, Table 5).

5. **The positive performance continued during the first quarter of FY 2010 (October-December 2009).**

- In November, 12-month inflation rose to minus 0.8 percent (from minus 4.7 in September), owing to rising world commodity prices and incipient pressures from increases in the minimum wage, electricity, and customs tariffs. Political developments in October-November caused some temporary pressures on the gourde which prompted the central bank to sell foreign exchange (US$11.8 million in net terms); as a result, NIR declined by US$16 million during the quarter.

- The end-December fiscal deficit was lower than anticipated in the budget. A strong revenue performance (with the exception of petroleum taxes) and lower spending on wages and investment resulted in a small overall surplus.

III. Impact of the Earthquake and Proposed Augmentation

6. **Staff's very preliminary estimates suggest that GDP could decline by at least 13 percentage points to - 10 percent in FY 2010 as a result of the earthquake**.[1] This estimate is comparable to the loss of GDP suffered by other countries following major natural disasters (Text Table 2). Pre-earthquake projections for 2010 pointed to positive growth of about 3.6 percent and annual inflation of 8 percent. It is too early to present estimates of the total damage caused by the earthquake, but it is likely to be much larger than that of the 2008 hurricanes, which caused losses in the order of US$900 million (15 percent of GDP). The above GDP projection takes into account the following assessment:

- First quarter growth (October-December) is estimated to have been in line with the pre-earthquake annual projection of about 3.6 percent output growth.

- The largest drop of GDP is expected to occur in the second quarter (January-March 2010). Manufacturing activity would be hit the most, as the largest enterprises, including the important export textile sector, were located in the Port-au-Prince area. The destruction of government and private buildings is also estimated to result in a sharp drop in government services, commerce, and tourism. Agriculture, the main growth driver, would be affected due to widespread damages to the production systems in and around the earthquake area, in addition to disruptions to the distribution networks.

- In the second half of the fiscal year, some gradual recovery would take place as a result of the reconstruction effort. The strength of the recovery would depend importantly on the speed of disbursement of foreign aid.

- On a very preliminary basis also, inflation is projected to rise significantly, perhaps to about 10-20 percent, as a result of severe shortages and a sharp initial depreciation of the gourde.

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[1] Given data limitations and uncertainty as to the economic impact of the earthquake, the analysis in this report is limited to FY 2010, with the exception of the debt sustainability analysis which was prepared on the basis of very preliminary macroeconomic assumptions. The upcoming Article IV report and, request for a new program would seek to address the impact of the earthquake on medium-term prospects.

Text Table 2. Impact of Large Natural Disasters

Country	Event	Death toll	Damage		Growth impact
			(in millions of U.S. dollars)	(in percent of GDP)	(in percentage points, one year after disaster)
Bangladesh	1970 Bhola cyclone	500,000	86	2.2	-11.5
Nicaragua	1998 Hurricane Mitch	3,000	1,200	57.0	3.3
Honduras	1998 Hurricane Mitch	13,500	5,000	95.0	-4.8
El Salvador	2001 Earthquakes	1,000	2,200	16.0	-0.5
Maldives	2004 Tsunami	108	1,553	50.0	-14.1
Myanmar	2008 Cyclone Nargis	146,000	10,000	38.2	-7.9
Haiti	2008 Hurricanes	800	900	15.0	-2.6

Source: IMF Country Reports.

7. **The fiscal balance is projected to deteriorate very substantially.** About 85 of total revenues are collected in the capital area, where most of the country's largest enterprises are located. In addition to staff losses among government officials, revenue administration infrastructure has been destroyed or seriously damaged, including buildings and computer systems, which will further hamper revenue collection. Reconstruction needs will lead to substantial increases in government spending, and actual spending will depend importantly on the availability of external aid. Very preliminary staff projections suggest that the overall deficit for FY 2010 could rise to about 5.8 percent of GDP. This scenario also assumes a fairly conservative level of new financing, which, given amounts already committed is likely to reach higher levels. However, spending needs are equally likely to rise in a commensurate manner based on more precise estimates of the damages and reconstruction needs. Projections assume that most of the budget financing needs would be covered by grants.

8. **The impact of the earthquake on the external current account is expected to be significant.** Destruction of the production and trade infrastructure (factories, port, roads) could lead to a large decline in exports (all but one textile plants are located in Port-au-Prince, and textile exports represent 90 percent of total exports), while reconstruction-related imports will likely increase. Remittances could increase significantly from FY 2009 as the diaspora responds to the emergency, provided transfers and payments systems can be restored promptly. Nonetheless, the external current account deficit (excluding grants) could reach almost 20 percent of GDP owing to a sharp widening in the trade balance.

9. **To help cover the projected balance of payments gap FY 2010, the authorities are requesting a program augmentation of SDR 65.52 million (equivalent to 80 percent of quota).** External project and program financing could increase substantially (see below). The remaining financing gap for the year as a whole, after the augmentation from the Fund, could nonetheless reach about US$100 million. The sixth review and augmentation purchases would bring total Fund disbursements to 137 percent of quota, above the normal annual

access limit of 100 percent of quota under the new framework for concessional lending to low-income countries, which became effective on January 7, 2010 (Table 6). Exceptional access is justified in light of the very large balance of payments needs that result from the earthquake, the authorities' commitment to implement strong policies to address the impact of the earthquake in consultation with the Fund and the international community (as indicated in the letter of intent), and Haiti's capacity to repay the Fund (see below). Fund financing would serve to limit the decline in reserves due to the surge in import needs, which is expected to be covered only in part by other sources of foreign financing, and the drastic loss in export production capacity. Maintaining a prudent level of reserves is critical not only in light of uncertainties concerning the trade balance and its financing, but also to provide scope to meet temporary increases in private sector demand for foreign exchange without severe market disruptions.

10. **The proposed augmentation would complement budget support, project financing, and humanitarian assistance already committed by other stakeholders** (Box 2). Contributions announced to this date (January 20, 2010) amount to over US$1.2 billion, of which US$632 million would be earmarked for recovery. However, it remains unclear how much of the committed funds represent additional resources, and what share would be allocated as budget support. The authorities also have at their disposal about US$150 million in accumulated PetroCaribe financing, which they intend to use for the relief and reconstruction effort. Finally, staff's balance of payments projections assume the disbursement of US$144 million in budget support grants that had been committed before the earthquake.

11. **Haiti has a good track record of timely servicing its obligations to the Fund.** Although debt service to the Fund is projected to peak at about 5 percent of domestic revenues and 5.9 exports of goods and services, respectively, in 2016, it should remain manageable through 2020 (Table 7).

Box 2. Haiti: Donor Response to the Earthquake

The United Nations has issued a flash appeal amounting to US$562 million, half of which in food aid. The appeal is intended for emergency humanitarian assistance over the next six months. Priority needs are food, medical supplies, shelter, and security.

The international community response has been strong, with almost US$1.2 billion already committed. The United Nations will coordinate a more comprehensive post-disaster needs assessment and hold a donor conference in Montreal, scheduled on January 25. Immediate pledges for humanitarian assistance already exceed US$540 million and another US$632 million was pledged to cover economic recovery needs.

Sector	Requirements (US$ mn)
Total	**562**
Coordination and Support Services	46
Productive Sectors	**69**
Agriculture	23
Infrastructure	**99**
Economic Recovery and Infrastructure	41
Water and Sanitation	58
Social Sectors	**372**
Education	11
Food	246
Health	82
Protection/Human Rights/Rule of Law	16
Shelter and Non-Food	37

Source: United Nations

Haiti Earthquake Relief and Recovery Efforts--Financing Needs and Pledges (USD Million) 1/

	Disbursed	Committed	Pledged	In-kind 1/	Total
A. Humanitarian					
Funding needs 2/					**575.0**
Funding pledged, committed, or disbursed					
Government	66.3	92.7	222.8	8.8	**390.7**
Private 1/	40.0	17.7	32.3	4.8	**94.7**
UN	5.1	25.8	1.0	3.4	**35.3**
NGO 1/	1.0	4.0	16.4	0.4	**21.8**
Of which **: UN Flash Appeal**	**61.6**	**46.4**	**49.9**		**157.9**
Sub-total Humanitarian	**112.4**	**140.2**	**272.5**	**17.4**	**542.5**
B. Recovery					
IMF			100.0		100
World Bank			100.0		100
European Union			432.0		432
Sub-total Recovery			**632.0**		**632.0**
Total Humanitarin and Recovery	**112.4**	**140.2**	**904.5**	**17.4**	**1,174.5**

Source: United Nations
1/ As of January 15, 2010
2/ Figures are estimates and unlikely to capture all contributions made.
3/ Funding needs as estimated by UN Flash Appeal

12. **The updated joint Bank-Fund debt sustainability analysis (DSA) indicates that the PetroCaribe resources received in FY 2009, as well as the economic repercussions of the earthquake, will adversely affect the debt trajectory.** As in the previous DSA, Haiti remains at high risk of debt distress (Country Report No. 09/288). Given the emergency situation, the LIC DSA presented in June 2009 at the time of the HIPC completion point was updated to incorporate: (i) a worsened macroeconomic outlook post-earthquake; (ii) a lower discount rate of 4 percent that, all things equal, raises the present value of debt; (iii) new debt

to Venezuela under the PetroCaribe agreement of approximately US$295 million (that was previously treated as a private liability);[2] and (iv) the Fund's augmentation. Based on these revisions, the external debt-to-exports ratio would exceed the 100 percent ceiling between 2010 and 2025. Stress tests also show that public and external debt remains vulnerable to shocks, most importantly to a combined shock to growth, exports and non-debt creating flows. Together these shocks could push the NPV of debt-to-exports ratios up to 180 percent, and keep those ratios above the threshold throughout the projection period. The authorities remain committed to seeking foreign financing on highly concessional terms, continue to strengthen debt management, and have agreed to consult with Fund staff on all external financing issues.

13. **The proposed Fund financing, in and of itself, should not be regarded as increasing Haiti's debt vulnerability.** Fund financing, including the augmentation, would imply a somewhat higher level of gross debt. However, the Fund's support is a critical element of the broader international efforts to limit the damage resulting from the earthquake, which will set a foundation for a subsequent economic recovery. Accordingly, these efforts are vital for medium-term economic growth, fiscal revenue, exports, and thus for debt sustainability. While data limitations do not allow for meaningful scenario analysis at this stage, the counterfactual to Fund support would be a scenario with a more prolonged downturn and higher risk of debt distress.

14. **The main priority, following the initial phase of emergency rescue and relief, would be to assist the authorities in re-establishing a working government and preparing a plan geared to economic recovery and reconstruction.** The Fund, in close coordination with other international economic agencies and bilateral donors, stands ready to assist the authorities with the immediate task of reestablishing a functional government (Box 3). Based on the results of the forthcoming assessment of damages to economic and state infrastructure, there will be a need for a coordinated economic plan that would prioritize key economic infrastructure and activities that need to be restored (e.g. port and key roads to allow for international trade, internal distribution, communications, etc).

[2] In the Completion Point DSA, resources in the amount of US$104 million accumulated under the PetroCaribe agreement were treated as private debt, on the understanding that a binational company would be established and therefore assume the associated debt burden. As of September 2009, the binational company had not been set up and new PetroCaribe resources were accumulated. Financing under the PetroCaribe arrangement is provided on concessional terms. Based on the terms currently applicable—1 percent interest, 2 years grace, and 25 years maturity—the associated concessionality element is 44.5 percent. The same terms would apply to projected new flows of US$153 million for FY2010.

Box 3. Haiti: Immediate Government Needs in the Area of Economic Management

The authorities, in consultation with IMF staff and other partners, are stepping up efforts to restore their capacity to conduct fiscal and monetary policy with a view to address the emergency and support reconstruction and economic recovery.

On the fiscal side, the authorities have already taken significant steps to restore public financial management (PFM) systems and procedures with the full support of technical assistance partners. Despite damages to the buildings, the main servers supporting the information and payments systems seem to be unaffected. As a result, the authorities have established temporary technical units that would assure minimum government services, and prepared a first assessment of immediate needs. The technical units are in urgent need of computers, office and communication equipment, as well as generators. Technical assistance partners are working on a joint proposal to support the authorities' efforts in the PFM area. Priority areas include: basic payroll for government employees, basic treasury functions, basic audit service and expenditure monitoring, procurement functions for major purchases, IT services, and revenue administration. Fund staff stands ready to support efforts on cash planning and the revision of the FY 2010 budget. In the medium term, technical assistance would mostly deal with strengthening budget preparation and execution, particularly of reconstruction expenditures.

The payments system is broadly functioning and banks are expected to reopen soon in Port-au-Prince, although a lack of security, cash distribution, and damages to branches and communication systems remain a concern. The central bank building suffered some damage but is still standing and functional. The extent of physical damage to bank branches is not yet known. The communication infrastructure was badly damaged, including the landline and fiber optic cable. Remittances stopped when the earthquake struck, but have restarted at operational locations. There are significant difficulties in delivering cash to bank branches and money transfer houses, which, for the time being, appear to have enough cash to function. Initially, daily drawings from banks will be limited to US$2,500 per person. The central bank is also preparing a list of institutions that should receive emergency liquidity. The portfolios of banks, and particularly of microfinance institutions, are expected to deteriorate significantly, especially as the latter do not have insurance on their loans. Fund staff will propose to the authorities to conduct a short assessment to better understand immediate needs and priorities. Assistance with payments systems, deposit protection, liquidity management and control of inflation would be available.

IV. Performance under the ECF Arrangement

15. **Program performance through end-December 2009 was broadly satisfactory, although the zero ceiling on contracting non-concessional external debt was breached.**

- *All quantitative performance criteria for end-September were met*, although budget support fell short by US$50 million, and 90 percent of disbursements occurred during the last week of the fiscal year. Temporarily higher central bank financing was reflected in slightly higher base money growth relative to the indicative target.

- *In the last quarter of 2009 the authorities contracted a non-concessional sovereign loan* of US$33 million with the Development Bank of Venezuela (BANDES), to rehabilitate the Cap Haitian airport. The authorities regarded this loan as essential to promote tourism in the north of the country. However, the grant element of this loan (30.2 percent element) is below the required concessionality levels (35 percent). Prior to the earthquake, the authorities had initiated discussions with the IDB on a grant to raise the concessionality element of this project and reiterated their commitment to seek financing on highly concessional terms. Staff supports the authorities' request for a waiver on the continuous performance criterion on contracting of non-concessional debt, in view of the remedial actions taken. Staff will continue to closely monitor Haiti's debt dynamics to ensure that future financing takes primarily the form of grants and highly concessional lending (Table 8).

- *There was satisfactory overall progress toward meeting structural conditionality*. Two structural benchmarks were met on time, notably the implementation of an electricity tariff structure aimed at gradual cost recovery, and two benchmarks were met with delay. Satisfactory progress was being made on the remaining measures: full operationalization of the debt unit at the Ministry of Finance awaited recommendations from recent IMF technical assistance; the central bank recapitalization plan was moving ahead, as part of a more ambitious project to establish a domestic T-bill market; and the banking law was awaiting Senate approval (Table 9).

V. Staff Appraisal

16. **The January 2010 earthquake struck Haiti at a time when its economy had been weathering the global crisis relatively well.** During FY 2009, economic growth was almost 3 percent, the highest in the Caribbean region, while annual inflation was negative. The fiscal and the current account deficits remained contained. Remittances showed remarkable resilience, supporting domestic demand. The limited integration of the Haitian financial sector in global markets largely shielded it from the impact of the global financial crisis.

17. **The damages and losses caused by the earthquake, which struck near the Haitian capital and other major cities, are unprecedented, both in human and economic terms.** Casualties could reach 200,000 people. About 3 million people have been severely affected by the earthquake and are in need of water, medicine, food, shelter and security. The international community is responding promptly to the situation in Haiti, with total pledges for assistance already reaching US$1.2 billion, of which about US$600 million for recovery. It is however essential that the humanitarian and non-humanitarian relief pledged be timely delivered and coordinated, and that they be a sustained commitment to help rebuild Haiti over the medium-term.

18. **The earthquake's disastrous impact on economic institutions may have undone many of the achievements of recent years**. Performance under the ECF-supported arrangement has been broadly satisfactory. The authorities had maintained macroeconomic

stability under difficult circumstances, and implemented essential structural reforms. As a result of these efforts, Haiti had received US$1.2 billion in HIPC and MDRI debt relief in June 2009. The impact of the earthquake on revenue collections and financial infrastructure is expected to be significant. Critical human capital has been lost, together with physical and administrative organization.

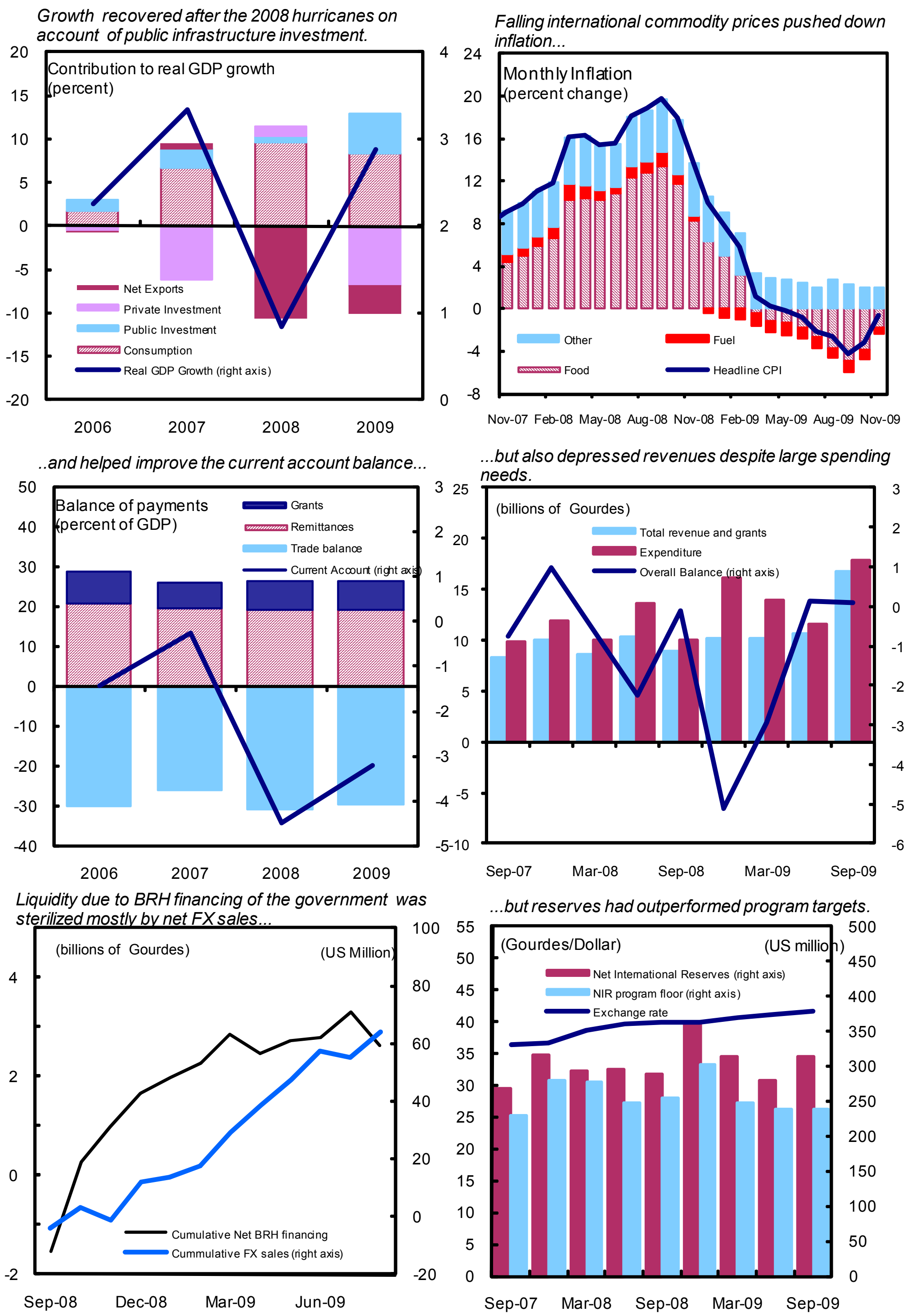
19. **A concerted international effort will be needed over the coming weeks and months to assist with the economic reconstruction and recovery.** The Fund is fully committed to participate in these efforts with financial and technical support, within its areas of expertise and in close coordination with other development partners.

20. **The proposed augmentation of access under the program would assist Haiti with immediate balance-of-payments needs.** It would help maintain an adequate reserves cushion in the face of very large import needs for the reconstruction, and complement ongoing efforts by the international community.

21. **Staff supports the conclusion of the sixth review and waiver of the missed performance criterion, as well as the authorities' request for an augmentation under the Extended Credit Facility.** Staff regrets the recent signing of a loan on non-concessional terms, despite the relatively favorable terms of the loan. Staff considers that the waiver is justified by the authorities' efforts to seek to increase the concessionality of the loan, and their forward-looking commitment to seek new project financing on concessional terms only, to consult with staff ahead of time on external financing issues, and to strengthen debt management. Although Haiti remains at high risk of debt distress, the proposed augmentation under the ECF is essential to support the significant additional balance of payments need.

Figure 1. Haiti: Recent Economic Indicators

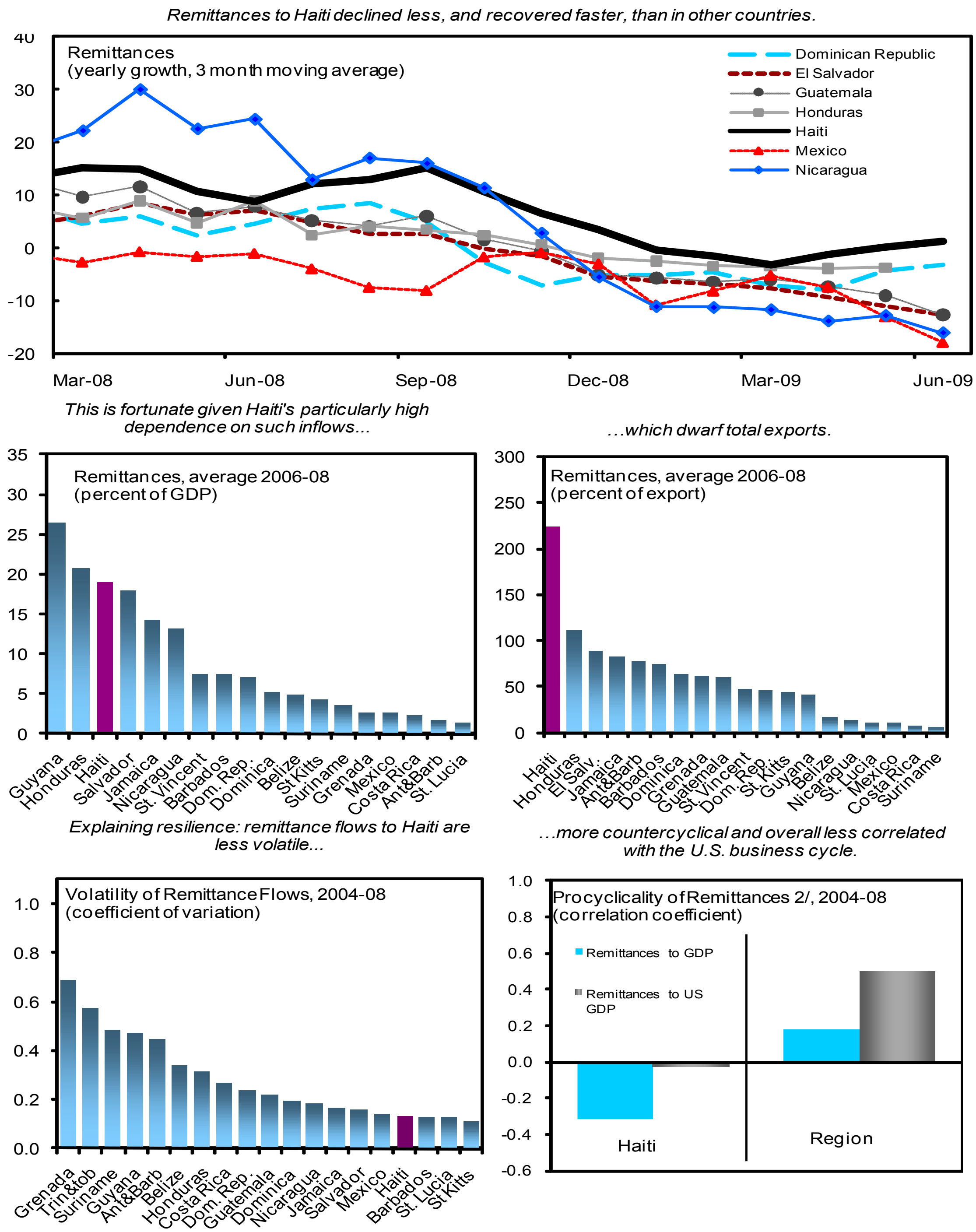
Prior to the earthquake growth, inflation, and the external sector improved in 2009, but fiscal dominance raised liquidity.



Sources: Haitian Authorities; and IMF staff calculations.

Figure 2. Haiti: Remittances

Remittance inflows to Haiti have proved surprisingly resilient amid the global crisis compared to other remittance-dependent economies in the region, supporting consumption and modest growth.

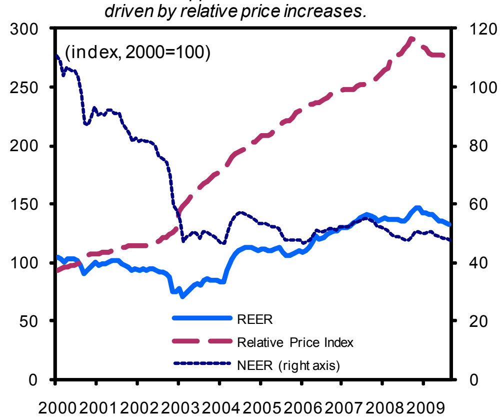


Sources: Country Authorities; Haver Analytics; and Fund staff calculations.
1/ Excluding Panama and Guatemala.
2/ Correlation of the annual change in remittances to real GDP growth.

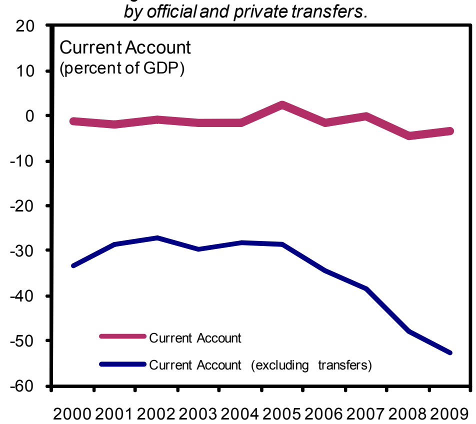
Figure 3. Haiti: External Sector and Competitiveness

Most competitiveness indicators indicated either some deterioration in recent years or a relatively worse position than regional competitors...

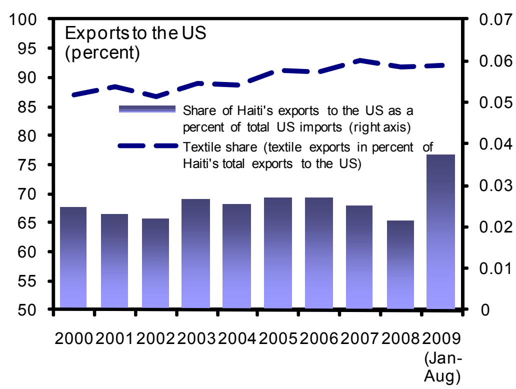
The trend real appreciation since 2003 was driven by relative price increases.



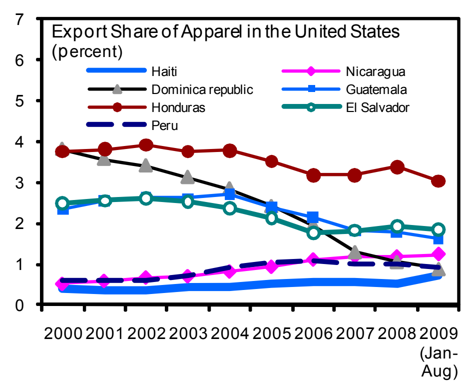
The large current account deficit is financed by official and private transfers.



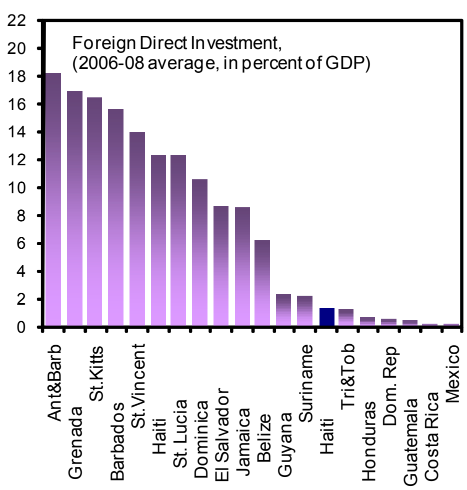
Haiti was increasingly dependent on textile exports, but its overall U.S. market share declined.



Competitors in the region appear better positioned, in spite of Haiti's preferential access to the U.S. market.



Haiti didn't fare well in attracting FDI...



...A symptom of a more difficult business environment.

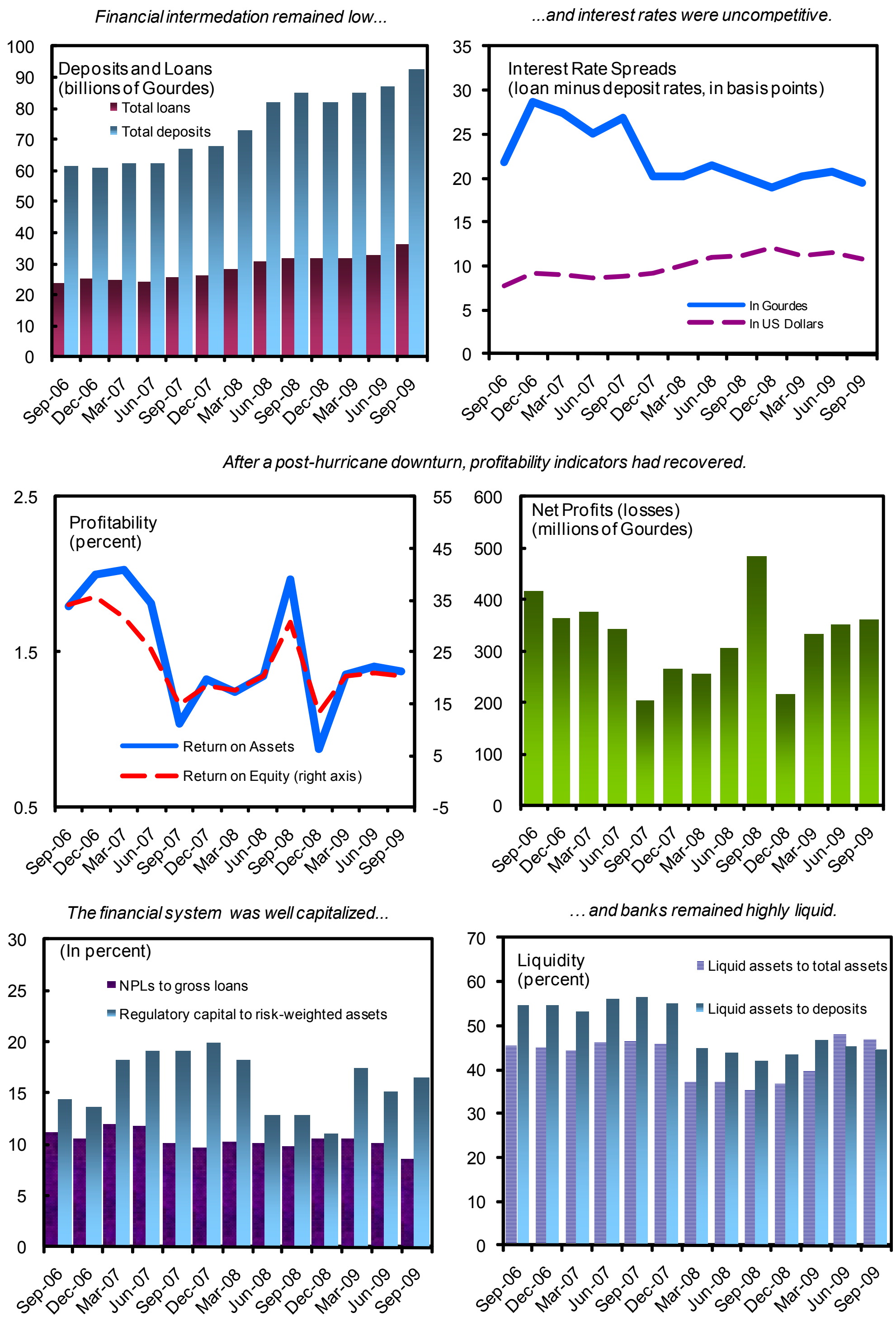
Haiti: Comparison of Doing Business Indicators

	Haiti	Dom. Rep.	Nicaragua	Guatemala	Average
Overall Ranking (Out of 183)	151	86	117	110	116
1. Starting a Business	180	107	95	156	135
2. Closing a Business	155	146	70	93	116
3. Registering Property	129	112	143	24	102
4. Obtaining Credit	135	71	87	4	74
5. Protecting Investors	165	57	93	132	112
6. Paying Taxes	99	70	165	109	111
7. Trading Across Borders	144	36	99	119	100
8. Enforcing Contracts	92	86	67	103	87

Sources: Authorities; U.S. Department of Commerce and the U.S. International Trade Commission (USCIT); World Bank Doing Business Project; and IMF staff calculations.

Figure 4. Haiti: Financial Indicators of the Banking System

The financial sector in Haiti was underdeveloped and largely insulated from the global financial sector crisis.



Sources: Haitian Authorities; and IMF staff calculations.

Table 1. Haiti: Selected Economic and Financial Indicators

(Fiscal year ending September 30)

Nominal GDP (2008): US$6.95 billion
Population (2008): 9.76 million
Share of pop. living with less than $1 a day (2003): 54 percent

GDP per capita (2008): US$712
Adult literacy (2008): 53 percent
Unemployment rate (2003): 27 percent

	2007	2008	2009		2010
			Country Report No. 09/258		
	Actual	Est.	Actual GDP 1/	Prel.	Proj.
	(change over pervious year unless otherwise stated)				
National income and prices					
GDP at constant prices	3.3	0.8	2.0	2.9	-10.0
GDP deflator	7.2	13.8	6.3	3.2	11.6
Consumer prices (period average)	9.0	14.4	5.1	3.4	8.4
Consumer prices (end-of-period)	7.9	19.8	1.0	-4.7	15.0
External sector					
Exports (f.o.b.)	5.7	-6.2	0.1	12.4	-29.7
Imports (f.o.b.)	4.5	30.2	-0.8	-3.3	12.3
Real effective exchange rate (+ appreciation)	15.3	2.9	…	1.0	…
Central government					
Total revenue and grants	30.7	9.2	29.4	25.9	-2.2
Total revenue excl. grants	15.4	15.7	8.2	11.3	-43.0
Current expenditure	-2.0	42.8	21.8	13.8	2.8
Total expenditure	14.6	33.4	37.4	30.3	4.6
Money and credit					
Credit to the nonfinancial public sector (net) 2/	-6.9	-29.8	63.7	25.3	38.9
Credit to private sector	10.8	25.2	12.8	14.7	-8.6
Base money	7.6	13.9	9.3	9.5	1.1
Broad money (incl. foreign currency deposits)	4.8	17.7	10.0	11.0	6.7
	(in percent of GDP, unless otherwise stated)				
Central government					
Overall balance	0.2	-3.1	-5.0	-4.4	-5.8
Overall balance (excl. grants)	-5.0	-7.5	-12.5	-11.1	-16.9
Overall balance (excl. grants and externally-financed projects	0.4	-2.3	-5.8	-4.4	-8.2
Overall balance (excl. ext.-financed projects and project grant	1.6	-0.9	-3.5	-2.9	-5.8
Central bank net credit to the central government	-0.4	0.0	0.9	0.2	0.0
Savings and investment					
Gross investment	25.0	26.0	38.2	23.4	26.8
Gross national savings	24.8	21.5	34.9	20.2	20.4
Of which: Central government savings	3.2	1.4	0.9	1.2	-3.0
External current account balance (incl. official grants)	-0.3	-4.5	-3.3	-3.2	-6.4
External current account balance (excl. official grants)	-6.9	-11.7	-13.4	-10.6	-19.1
Total public debt (end-of-period) 3/	39.8	36.4	23.2	23.4	28.4
External public debt service (in percent of exports of goods and nonfactor services) 4/	8.3	8.2	10.0	3.9	3.7
	(in millions of U.S. dollars, unless otherwise stated)				
Overall balance of payments	163.4	41.5	-57.4	33.4	-304.2
Net international reserves (program) 5/	269.1	288.1	238.1	314.5	516.8
Liquid gross reserves 5/6/	544.7	707.8	754.7	947.5	867.6
In months of imports of the following year	2.3	2.9	3.0	3.7	3.4
Exchange rate (gourdes per dollar, end-of-period)	36.4	40.0	…	41.8	…
Nominal GDP (millions of gourdes)	219,102	251,464	266,893	266,893	268,067
Nominal GDP (millions of U.S. dollars)	5,858	6,572	6,560	6,560	6,104

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

1/ GDP ratios are calculated using nominal program figures for 2009 (numerator) and actual GDP (denominator).
2/ In 2008 it reflects accumulation of Petrocaribe-related resources; in 2009, it reflects the use of Petrocaribe-related resources accumulated in 2008.
3/ Coverage has been modified since Country Report No. 09/77. Includes external public sector debt, domestic debt of the central government, but excludes BRH bonds issued for monetary purposes. Reflects HIPC/MDRI debt reduction in
4/ Includes HIPC/MDRI relief beginning in 2010.
5/ Excluding commercial bank forex deposits, letters of credit, guarantees, and earmarked project accounts. In 2010, NIR jumps as the program definition of NIR changed with the SDR allocation no longer netted out as a liability. NIR at end-2009 under the new definition is US$608.2 million.
6/ As of August 28, 2009, also includes the (general and special) SDR holdings of SDR 64.8 million.

Table 2a. Haiti: Central Government Operations

(Fiscal year ending September 30; in millions of gourdes)

	2007	2008	2009		2010	
			Country Report No. 09/258			
	Actual	Est.	Prog.	Rev. Proj.	Budget	Proj.
Total revenue and grants	34,713	37,901	49,062	47,717	76,853	46,679
Domestic revenue	23,197	26,849	29,041	29,881	34,925	17,045
Domestic taxes	15,740	18,026	19,663	19,954	23,873	11,207
Customs duties	6,828	7,917	8,939	8,958	10,570	5,130
Other current revenue	629	906	438	970	482	709
Grants	11,517	11,052	20,021	17,836	41,928	29,634
Budget support	2,720	3,485	5,956	3,873	3,168	6,401
Project grants	8,797	7,568	14,065	13,962	38,760	23,233
Total expenditure [1/]	34,248	45,680	62,497	59,534	88,198	62,275
Current expenditure	18,864	26,935	32,595	30,641	31,700	31,490
Wages and salaries	8,087	11,716	13,997	13,396	16,031	14,681
Net Operations [2/]	3,027	8,416	7,671	7,159	8,698	10,607
Operations [2/]	6,322	7,350	7,671	7,655	8,698	10,607
Interest payments	2,420	1,768	2,259	2,242	1,559	1,686
External	720	928	1,064	1,106	420	547
Domestic	1,700	840	1,194	1,136	1,139	1,139
Transfers and subsidies	5,330	5,035	8,669	7,844	5,412	4,516
Of which: energy sector	…	…	4,258	3,448	2,000	1,988
Capital expenditure	15,385	18,745	29,902	28,894	56,498	30,785
Domestically financed	3,546	5,611	11,839	10,959	9,054	7,552
Of which: Treasury	3,546	5,611	3,021	2,225	7,892	6,390
Of which: Counterpart funds [3/]	…	…	1,899	1,899	1,162	1,162
Foreign-financed	11,839	13,134	18,063	17,934	47,444	23,233
Overall balance	465	-7,778	-13,435	-11,817	-11,345	-15,596
Excl. grants	-11,052	-18,831	-33,456	-29,653	-53,273	-45,230
Excl. grants and externally financed projects	787	-5,697	-15,394	-11,718	-5,828	-21,996
Excl. project grants and ext. financed projects	3,507	-2,212	-9,437	-7,845	-2,660	-15,596
Financing	-465	7,778	13,435	11,817	11,345	11,204
External net financing	-106	6,786	8,298	8,210	8,399	10,043
Loans (net)	1,620	6,786	8,281	8,210	8,399	10,043
Disbursements	3,406	8,461	10,015	9,935	8,685	10,499
Budget support	364	2,895	6,017	5,963	0	10,499
Of which: Petrocaribe	…	1,951	5,996	5,963	0	10,478
Project loans	3,042	5,566	3,997	3,972	8,685	0
Amortization	-1,786	-1,676	-1,734	-1,725	-285	-457
External financing to be committed	…	…	17	0	0	0
Arrears (net)	-1,726	0	0	0	0	0
Internal net financing	-1,264	83	3,603	2,082	2,946	1,162
Banking system	-1,264	-229	2,395	644	2,244	0
BRH	-949	121	2,395	644	2,244	0
excl. Petrocaribe				644	2,244	0
Net T-bills for recap	…	…	…	…	…	0
Commercial banks	-315	-349	0	0	0	0
excl. Petrocaribe				0	0	0
Net purchase of T-bills	…	…	…	…	…	0
Nonbank financing	0	312	1,208	1,439	702	1,162
Amortization	…	…	-690	-460	-460	-460
Counterpart funds [3/]	…	…	1,899	1,899	1,162	1,162
Arrears (net)	0	0	0	0	0	0
Debt rescheduling	134	163	143	142	0	0
HIPC interim relief	771	747	1,391	1,383	0	0
Unidentified financing (in U.S. dollars)	0	0	0	0	0	100

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

[1/] Commitment basis except for domestically financed capital expenditure, which is reported on cash basis from 2007 onwards.
[2/] Includes stastical discrepancy.
[3/] Proceeds from sales of grants received in kind.

Table 2b. Haiti: Central Government Operations

(Fiscal year ending September 30; in percent of GDP)

	2007	2008	2009		2010	
			Country Report No. 09/258			
	Actual	Est.	Actual GDP 3/	Rev. Proj.	Budget	Proj.
Total revenue and grants	15.8	15.1	18.4	17.9	28.7	17.4
Total revenue	10.6	10.7	10.9	11.2	13.0	6.4
Domestic revenue	10.6	10.7	10.9	11.2	13.0	6.4
Domestic taxes	7.2	7.2	7.4	7.5	8.9	4.2
Customs duties	3.1	3.1	3.3	3.4	3.9	1.9
Other current revenue	0.3	0.4	0.2	0.4	0.2	0.3
Grants	5.3	4.4	7.5	6.7	15.6	11.1
Budget support	1.2	1.4	2.2	1.5	1.2	2.4
Project grants	4.0	3.0	5.3	5.2	14.5	8.7
Total expenditure 1/	15.6	18.2	23.4	22.3	32.9	23.2
Current expenditure	8.6	10.7	12.2	11.5	11.8	11.7
Wages and salaries	3.7	4.7	5.2	5.0	6.0	5.5
Net Operations 2/	1.4	3.3	2.9	2.7	3.2	4.0
Operations 2/	2.9	2.9	2.9	2.9	3.2	4.0
Interest payments	1.1	0.7	0.8	0.8	0.6	0.6
Transfers and subsidies	2.4	2.0	3.2	2.9	2.0	1.7
o/w energy sector	…	…	1.6	1.3	0.7	0.7
Capital expenditure	7.0	7.5	11.2	10.8	21.1	11.5
Domestically financed	1.6	2.2	4.4	4.1	3.4	2.8
Of which: Treasury	1.6	2.2	1.1	0.8	2.9	2.4
Of which: Counterpart funds 4/	0.0	0.0	0.7	0.7	0.4	0.4
Foreign-financed	5.4	5.2	6.8	6.7	17.7	8.7
Overall balance	0.2	-3.1	-5.0	-4.4	-4.2	-5.8
Excl. grants	-5.0	-7.5	-12.5	-11.1	-19.9	-16.9
Excl. grants and externally financed projects	0.4	-2.3	-5.8	-4.4	-2.2	-8.2
Excl. project grants and ext. financed projects	1.6	-0.9	-3.5	-2.9	-1.0	-5.8
Financing	-0.2	3.1	5.0	4.4	4.2	4.2
External net financing	0.0	2.7	3.1	3.1	3.1	3.7
Loans (net)	0.7	2.7	3.1	3.1	3.1	3.7
Disbursements	1.6	3.4	3.8	3.7	3.2	3.9
Budget support	0.2	1.2	2.3	2.2	0.0	3.9
Of which: Petrocaribe	…	0.8	2.2	2.2	0.0	3.9
Project loans	1.4	2.2	1.5	1.5	3.2	…
Amortization	-0.8	-0.7	-0.6	-0.6	-0.1	-0.2
External financing to be committed	…	0.0	0.0	0.0	0.0	0.0
Arrears (net)	-0.8	0.0	0.0	0.0	0.0	0.0
Internal net financing	-0.6	0.0	1.4	0.8	1.1	0.4
Banking system	-0.6	-0.1	0.9	0.2	0.8	0.0
BRH	-0.4	0.0	0.9	0.2	0.8	0.0
excl. Petrocaribe				0.2	0.8	0.0
Net T-bills for recap	…	…	…	0.0	0.0	0.0
Commercial banks	-0.1	-0.1	0.0	0.0	0.0	0.0
excl. Petrocaribe				0.0	0.0	0.0
Net purchase of T-bills	…	…	…	0.0	0.0	0.0
Other nonbank financing	0.0	0.1	0.5	0.5	0.3	0.4
Amortization	…	…	-0.3	-0.2	0.0	0.0
Counterpart funds 4/	…	…	0.7	0.7	0.0	0.0
Arrears (net)	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling	0.1	0.1	0.1	0.1	0.0	0.0
HIPC interim relief	0.4	0.3	0.5	0.5	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	1.6

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

1/ Commitment basis except for domestically financed capital expenditure, which is reported on cash basis from 2007 onwards.

2/ Includes stastical discrepancy.

3/ GDP ratios are calculated using Nominal Program Figures for 2008 (numerator) and actual nominal GDP (denominator)

4/ Procceds from sales of grants received in kind.

Table 3. Haiti: Summary Accounts of the Banking System

(Fiscal year ending September 30; in millions of gourdes)

	2007	2008	2009		2010
			Country Report No. 09/258		
	Actual	Est.	Prog.	Act.	Proj.
I. Central Bank					
Net foreign assets	16,849	21,035	21,522	24,953	18,235
(In millions of U.S. dollars)	463	526	507	597	393
Net international reserves (program) [1/]	269	288	238	315	517
Commercial bank forex deposits	181	221	250	267	262
Net domestic assets	8,081	7,356	9,522	6,126	13,171
Net credit to the nonfinancial public sector	19,905	20,541	22,936	21,549	21,549
Of which: Net credit to the central government	20,487	20,607	23,002	23,118	23,118
Of which: t-bills					0
Liabilities to commercial banks (excl gourde deposits)	-15,596	-18,431	-20,777	-20,711	-20,156
BRH bonds	-9,013	-9,601	-10,161	-9,552	-8,000
Counterpart of commercial bank forex deposits	-6,583	-8,830	-10,616	-11,159	-12,156
Other	3,771	5,247	7,363	5,289	11,778
Base Money	24,930	28,392	31,043	31,080	31,406
Currency in circulation	11,570	13,030	14,271	13,448	13,744
Commercial bank gourde deposits	13,359	15,362	16,773	17,632	17,663
II. Consolidated Banking System					
Net foreign assets	28,106	39,111	38,603	41,490	39,605
(In millions of U.S. dollars)	773	979	909	993	854
Of which: Commercial banks NFA	309	452	402	396	461
Net domestic assets	50,557	53,469	63,196	61,303	70,050
Credit to the nonfinancial public sector	18,852	13,224	21,649	16,575	23,025
Credit to the private sector	29,946	37,496	42,291	43,002	39,319
In gourdes	13,284	16,117	17,284	19,206	12,906
In foreign currency	16,663	21,380	25,007	23,796	26,414
In millions of U.S. dollars	458	535	589	570	570
Other	1,760	2,748	-744	1,727	7,706
Broad money	78,664	92,580	101,800	102,794	109,656
Currency in circulation	11,570	13,030	14,271	13,448	13,744
Gourde deposits	32,974	37,050	39,829	41,182	41,290
Foreign currency deposits	34,120	42,500	47,700	48,164	54,622
In millions of U.S. dollars	938	1,064	1,124	1,153	1,178
(12-month percentage change)					
Currency in circulation	3.7	12.6	9.5	3.2	2.2
Base money	7.6	13.9	9.3	9.5	1.1
Gourde money (M2)	4.3	12.4	8.0	9.1	0.7
Broad money (M3)	4.8	17.7	10.0	11.0	6.7
Gourde deposits	4.6	12.4	7.5	11.2	0.3
Foreign currency deposits (U.S. dollars)	5.3	24.6	12.2	13.3	13.4
Credit to the nonfinancial public sector	-6.9	-29.8	63.7	25.3	38.9
Credit to the private sector	10.8	25.2	12.8	14.7	-8.6
Credit in gourdes	2.8	21.3	7.2	19.2	-32.8
Credit in foreign currency (U.S. dollars)	18.2	28.3	17.0	11.3	11.0
Memorandum items:					
Foreign currency bank deposits (percent of total)	50.9	53.4	54.5	53.9	56.9
Foreign curr. credit to priv. sector (percent of total)	55.6	57.0	59.1	55.3	67.2
Commercial Banks' Credit to Private Sector (percent of GDP)[2/]	13.0	14.2	15.8	15.4	13.9

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

[1/] Excluding commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and U.S.dollar-denominated bank reserves. In 2010, NIR jumps as the program definition of NIR changed with the SDR allocation no longer netted out as a liability. NIR at end-2009 under the new definition is US$608.2 million.

[2/] GDP ratio calculated using nominal program figure for 2009 (numerator) and actual nominal GDP (denominator).

Table 4. Haiti: Balance of Payments

(Fiscal year ending September 30; in millions of U.S. dollars)

	2007	2008	2009		2010
	Actual	Est.	Country Report No. 09/258 Prog.	Est.	Proj.
Current account	-15.2	-295.3	**-213.9**	-210.3	-392.1
Current account (excluding grants)	-406.8	-769.0	**-875.4**	-697.7	-1,163.9
Trade balance	-1,096.0	-1,617.0	-1600.1	-1,486.0	-1,900.3
Exports of goods	522.5	490.2	490.8	551.2	387.5
Of which: Assembly industry	463.1	423.3	432.1	491.3	346.5
Imports of goods	-1,618.4	-2,107.2	-2090.9	-2,037.2	-2,287.8
Of which: Petroleum products	-415.0	-602.2	-425.0	-384.6	-497.3
Services (net)	-443.6	-420.6	-451.5	-462.5	-576.8
Receipts	259.6	342.8	319.9	382.0	235.0
Payments	-703.2	-763.4	-771.4	-844.5	-811.8
Income (net)	7.3	16.0	-12.8	10.5	-4.8
Of which: Interest payments 1/	-19.6	-24.6	-26.8	-12.2	-12.5
Current transfers (net)	1,517.1	1,726.4	1850.5	1,727.7	2,089.9
Official transfers (net)	391.6	473.7	661.5	487.4	771.8
Of which: budget support	0.0	0.0		93.6	144.6
Private transfers (net)	1,125.5	1,252.7	1189.0	1,240.3	1,318.1
Capital and financial accounts	178.6	336.7	**156.6**	243.7	87.9
Capital transfers (HIPC/MDRI)	0.0	0.0	1069.0	1,069.0	0.0
Public sector capital flows (net)	46.1	319.7	49.6	263.8	143.3
Loan disbursements	91.6	363.5	98.0	186.4	153.7
Amortization 1/	-45.5	-43.8	-48.4	-24.0	-10.4
Debt stock reduction (HIPC/MDRI)	0.0	0.0	-1092.0	-1,092.0	0.0
Banks (net) 2/	16.2	-143.0	50.0	56.5	-65.0
Private sector capital flows 2/	73.0	115.8	57.0	-2.1	9.6
Of which: Foreign direct investment	74.5	29.8	20.0	36.9	9.6
Errors and omissions 3/	43.3	44.2	0.0	26.8	0.0
Overall balance	163.4	41.5	**-57.4**	33.4	-304.2
Financing	-163.4	-41.5	**57.4**	-33.4	204.2
Change in net foreign assets 4/	-184.3	-63.4	19.5	-70.8	204.1
Change in gross reserves	-207.9	-163.0	-46.7	-258.7	80.0
Liabilities	23.5	99.6	66.2	187.9	124.1
Utilization of Fund credits(net)	21.0	49.9	60.3	61.4	116.5
Purchases and loans	54.7	49.9	60.3	61.4	12.04
Repayments	-33.7	0.0	0.0	0.0	0.0
Other liabilities	2.5	49.7	5.9	126.5	7.6
Change in arrears	-45.0	0.0	0.0	0.0	0.0
Debt rescheduling	37.9	3.6	3.5	3.5	0.0
HIPC interim assistance	28.1	18.3	34.0	34.0	0.1
External financing to be committed	0.0	0.0	0.4	0.0	0.0
PRGF augmentation	0.0	0.0	0.0	0.0	104.5
Financing gap	0.0	0.0	**0.0**	0.0	100.0
Memorandum items:					
Current account balance (in percent of GDP)	-0.3	-4.5	-3.0	-3.2	-6.4
Current account balance, excl. grants (in percent of GDP)	-6.9	-11.7	-12.4	-10.6	-19.1
Goods exports (f.o.b) growth	5.7	-6.2	0.1	12.4	-29.7
Goods import (f.o.b) growth	4.5	30.2	-0.8	-3.3	12.3
Debt service as percent of exports	8.3	8.2	9.3	3.9	3.7
Gross liquid international reserves (in millions of U.S. dollars)	544.7	707.8	754.7	947.5	867.6
Gross liquid international reserves (in months of next year's imports of goods and services)	2.3	2.9	3.0	3.7	3.4

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

1/ Includes HIPC/MDRI debt relief beginning in 2010 (2009 HIPC/MDRI debt relief is reflected below-the-line).
2/ Includes NIR and commercial banks' foreign currency deposits with the BRH.
3/ Includes short-term capital and errors and omissions for historical period.
4/ Petrocaribe resources for 2009 are recorded as private capital inflows and outflows of banks' NFA.

Table 5. Haiti: Financial Soundess Indicators of the Banking System

(Fiscal year ending September 30; in percent unless otherwise indicated)

	2006	2007	2008	2009
Size and Growth				
Total assets (in millions of gourdes)	72,519	79,764	100,302	107,913
Of which: central bank bonds	7,684	9,008	9,397	9,552
Of which: total loans	22,750	24,670	31,187	35,405
Total assets (in millions of U.S. dollars) 1/	1,929	2,192	2,510	2,583
Total Deposits (in millions of gourdes)	61,311	66,031	84,725	92,460
Net Profits (loss) (in millions of gourdes)	414.4	202.3	483.7	359.8
Credit/GDP	10.2	10.9	10.8	13.3
Deposits/GDP	30.6	29.2	34.6	37.8
Credit growth (net) from year before 2/	13.7	9.9	29.3	14.2
Capital adequacy				
Regulatory capital to risk-weighted assets 3/	14.3	19.0	12.6	16.4
Capital (net worth) to assets	5.3	7.0	6.1	6.7
Asset quality and composition				
Loans (net) to assets	28.2	28.3	29.1	30.9
NPLs to gross loans	11.1	10.0	9.7	8.5
Provisions to gross loans	9.9	8.5	6.4	5.9
Provisions to gross NPLs	89.3	85.5	66.4	69.6
NPL less provisions to net worth	7.0	6.4	15.6	12.6
Earnings and profitability (annualized)				
Net Earnings/Assets (ROA)	1.8	1.0	2.0	1.4
Net Earnings/Equity (ROE)	34.2	14.7	30.9	20.5
Net interest income to gross interest income	72.2	67.1	80.0	87.3
Operating expenses to net profits	70.7	86.0	73.5	74.1
Efficiency				
Interest rate spread in gourdes 4/	11.7	10.2	12.4	19.5
Interest rate spread in U.S. dollar 4/	7.8	8.9	10.7	10.9
Liquidity				
Liquid assets to total assets 5/	45.3	46.5	35.4	46.9
Liquid assets to deposits 5/	54.5	56.1	41.9	44.4
Market Risk				
Foreign currency loans to total loans (net)	66.0	70.1	69.3	68.9
Foreign currency deposit to total deposits	53.6	52.4	58.2	56.9

Sources: Fund staff computations based on data from the Bank of the Republic of Haiti.

1/ Data for all years converted from gourdes.

2/ Net credit equal to gross loans less non performing loans.

3/ The prudential requirement is 12 percent.

4/ Defined as the difference betw een average lending rate and average fixed deposit rate in the banking system.

5/ Liquid assets include cash and central bank bonds.

Table 6. Haiti: Schedule of ECF Disbursements

Amount	Date	Conditions for Disbursement [1]
SDR 28,100,000	November 20, 2006	Executive Board approval of the three-year arrangement under the ECF. Includes 25% of quota in access for repayment of EPCA purchases
SDR 7,600,000	July 23, 2007	Observance of performance criteria for March 2007 and completion of the first review under the ECF arrangement.
SDR 7,600,000	February 20, 2008	Observance of performance criteria for September 2007 and completion of the second review under the ECF arrangement.
SDR 23,980,000	June 23, 2008	Observance of performance criteria for March 2008 and completion of the third review under the ECF arrangement.
SDR 23,980,000	February 11, 2009	Observance of performance criteria for September 2008 and completion of the fourth review under the ECF arrangement.
SDR 15,790,000	June 29, 2009	Observance of performance criteria for March 2009 and completion of the fifth review under the ECF arrangement.
SDR 73,130,000	January 27, 2010 [2]	Observance of performance criteria for September 2009 and completion of the sixth review under the ECF arrangement. Includes the seventh disbursement of the ECF of SDR 7,610,000 and an additional access of 80% of quota or SDR 65,520,000 for post earthquake emergency.

[1] Other than the generally applicable conditions for the Extended Credit Facility (ECF).

[2] An extension of the program beyond its expiration date (November 19, 2009) was approved until May 31, 2010.

Table 7. Haiti Indicators of Capacity to Repay the Fund, 2008-2020

(In fiscal year ending September 30)

	2008	2009	Projections 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fund obligations based on existing credit													
(in millions of SDRs)													
Principal	0.00	0.00	0.00	0.00	0.76	7.90	15.85	21.41	21.41	18.60	13.51	5.56	0.00
Charges and interest	0.19	0.27	0.03	0.03	0.16	0.28	0.26	0.22	0.17	0.11	0.07	0.04	0.03
Fund obligations based on existing and prospective credit 1/ 3/													
(in millions of SDRs)													
Principal	0.00	0.00	0.00	0.00	0.76	7.90	15.85	28.72	36.04	33.23	28.14	20.18	7.31
Charges and interest	0.19	0.27	0.03	0.03	0.25	0.47	0.44	0.40	0.32	0.23	0.16	0.09	0.04
Total obligations based on existing and prospective credit 1/													
In millions of SDRs	0.19	0.27	0.03	0.03	1.01	8.37	16.30	29.12	36.36	33.46	28.29	20.27	7.35
In millions of U.S. dollars	0.30	0.41	0.05	0.05	1.61	13.33	25.96	46.40	57.92	53.30	45.07	32.29	11.72
In percent of exports of goods and services	0.04	0.04	0.01	0.01	0.21	1.65	3.01	5.14	5.90	4.99	3.88	2.58	0.88
In percent of debt service 2/	0.6	2.9	0.2	0.1	3.1	21.0	34.0	51.0	54.4	47.7	38.8	28.5	10.5
In percent of government domestic revenues	0.0	0.1	0.0	0.0	0.2	1.6	2.8	4.4	5.0	4.2	3.3	2.2	0.7
In percent of quota	0.2	0.3	0.0	0.0	1.2	10.2	19.9	35.6	44.4	40.9	34.5	24.8	9.0
In percent of gross international reserves	0.0	0.0	0.0	0.0	0.2	1.2	2.1	3.6	4.3	3.8	3.0	2.1	0.7
Outstanding Fund credit													
In millions of SDRs	67.3	105.0	178.1	178.1	177.4	169.5	153.6	124.9	88.9	55.6	27.5	7.3	0.0
In millions of U.S. dollars	104.8	165.6	283.9	283.7	282.6	270.0	244.1	198.5	141.2	88.4	43.7	11.6	0.0
In percent of exports of goods and services	12.6	17.7	45.6	43.4	37.6	33.4	28.3	22.0	14.4	8.3	3.8	0.9	0.0
In percent of debt service 2/	225.1	1146.0	1239.6	725.3	535.7	424.7	319.7	218.2	132.6	79.1	37.6	10.3	0.0
In percent of government domestic revenues	14.9	22.5	73.1	45.5	40.3	32.9	26.5	18.8	12.3	7.0	3.2	0.8	0.0
In percent of quota	82.1	128.2	217.5	217.5	216.6	206.9	187.6	152.5	108.5	67.9	33.6	8.9	0.0
In percent of gross international reserves	13.8	16.3	30.3	28.8	26.6	23.6	19.9	15.4	10.5	6.2	2.9	0.7	0.0
Memorandum items:													
Exports of goods and services (millions of U.S. dollars)	833.0	933.1	622.5	653.8	751.3	808.3	863.2	901.8	981.1	1067.4	1161.3	1251.9	1337.0
Debt service (millions of U.S. dollars) 2/	46.5	14.4	22.9	39.1	52.7	63.6	76.4	91.0	106.5	111.8	116.2	113.2	111.7
Domestic Revenues (millions of U.S. dollars)	701.7	734.5	388.1	624.0	701.1	819.9	920.1	1,053.0	1,147.4	1,255.7	1,373.6	1,501.8	1,641.2
Quota (millions of SDRs)	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9
Gross international reserves (millions of U.S. dollars)	758.9	1,017.6	937.7	985.6	1,064.2	1,144.6	1,224.9	1,286.1	1,350.4	1,417.9	1,488.8	1,563.3	1,641.5
GDP (millions of U.S. dollars)	6,572.3	6,560.2	6,104.1	6,435.6	6,789.5	7,194.5	7,552.7	8,044.7	8,569.9	9,173.2	9,818.9	10,510.0	11,249.8

Sources: Haitian authorities; and Fund staff estimates and projections.

1/ Assumes disbursements of SDR 7.61 million in January 2010 and SDR 65.52 million augmentation under current ECF arrangement.
2/ Net of HIPC assistance.
3/ Obligations take into account the interest rate grace period and new interest rates which came into effect January 7, 2010.

Table 8. Haiti: Indicative Targets and Quantitative Performance Criteria, FY 2009

	Actual stock at end-	Cumulative Flows since September 2008								
		Mar 09	Jun 09				Sep 09			
	Sep 08	Test date PC	Indicative target	Prog. with adjustor 3/	Actual	Deviation from prog w/adjustor	Test date PC	Prog. with adjustor 3/	Actual	Deviation from prog w/adjustor
Performance criteria										
Net central bank credit to the NFPS (in millions of gourdes)	20,541	3,500	2,765	2,913	1,953	-960	2,395	4,274	1,008	-3,266
Central Government	20,607	3,500	2,765	2,913	2,717	-196	2,395	4,274	2,510	-1,764
Rest of NFPS [1/]	-67	0	0	0	-765	-765	0	0	-1,502	-1,502
Net domestic banking sector credit to the central government 2/	13,336	9,530	8,795	6,083	5,849	-234	8,425	6,762	4,863	-1,899
Net domestic assets of the central bank (in millions of gourdes) - ceiling 3/	16,579	3,690	4,367	4,517	2,059	-2,458	4,702	6,584	1,616	-4,968
Gross Credit from Commercial Banks to the Central Government (in millions of gourdes) - ceiling 4/	0	0	0	0	0	0	0	0	0	0
Domestic arrears accumulation of the central government 4/		0	0	0	0		0	0	0	
New contracting or guaranteeing by the central government or the BRH										
of nonconcessional external debt (In millions of U.S. dollars) 4/ 5/		0	0	0	0	0	0	0	0	0
Up to and including one year		0	0	0	0	0	0	0	0	0
Over one-year maturity		0	0	0	0	0	0	0	0	0
Net international reserves of central bank (in millions of U.S. dollars) - floor	288	-40	-40	-44	-9	34	-50	-96	26	122
External arrears accumulation (in millions of U.S. dollars) 4/		0	0	0	0	0	0	0	0	0
Indicative target:										
Change in base money (in millions of gourdes) - ceiling	28,392	2,050	2,727	2,727	1,682	-1,045	2,652	2,652	2,688	36
Memorandum items:										
Change in currency in circulation	13,030	950	1,098	1,098	142	-956	1,241	1,241	418	-823
Net domestic banking sector credit to the rest of the of the non-financial public sector	-112	0	0	0	-805	-805	0	0	-1,512	-1,512
Government total revenue, excl. grants (in millions of gourdes)	--	15,477	21,721	21,721	22,333	612	29,041	29,041	29,881	840
Government total expenditure, excl. ext-fin investment (in millions of gourdes)	--	27,043	31,476	31,476	30,489	-987	44,435	44,435	41,600	-2,835

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

1/ It includes non-budgetary autonomous organizations, local governments and public entities. It will be measured as the change, from September 2008, in *créances nettes sur le secteur public* (i.e, net credit to the non financial public sector) minus the change in *créances nettes sur l'état* (i.e. net credit to the central government), according to table 10R of the BRH.

2/ It includes a reduction of government deposits in commercial banks, that were originated in Petrocaribe-related disbursements during FY2008. As of end-FY08, the balance of these deposits amounted to US$ 150 million. The program includes a zero ceiling on commercial banks' gross credit to the central government, on a continuous basis. The disaccumulation of deposits mainly finances hurricane-related reconstruction spending.

3/ For program monitoring purposes, NDA is defined as monetary base minus Program NIR in gourde terms. Program exchange rate of G41 per US$.

4/ On a continuous basis.

5/ Excludes guarantees granted to the electricity sector in the form of credit/guarantee letters.

Table 9. Haiti: Structural Benchmarks for the Sixth PRGF Review

Benchmarks	Test date	Status
Provide, along with normal monthly budget execution tables, execution of emergency spending, by normal budget classification.	Quarterly during the arrangement period, starting on March 31, 2009 and until all off-budget emergency spending is executed	Met with delay
Limit to 10 percent nonwage current spending through current accounts.	Quarterly (evaluated at end-March and end-September 2009)	Met
Legislative passage of new banking law.	End-September 2009	Not met
Implement first stage of BRH recapitalization plan.	End-September 2009	Not met
Set up and train debt management unit in MEF – both to use centralized external debt database, but also to manage domestic Treasury debt in context of BRH recapitalization.	End-September 2009	Not met
Legislative passage of customs code.	End-September 2009	Met with delay
Publish and implement a new electricity tariff structure that would increase and maintain electricity prices at cost-recovery levels.	End-September 2009	Met

Table 10. Haiti: Indicators of External Vulnerability [1/]

(Units as indicated)

	2008	2009 Est.	2010 Proj.
Debt indicators			
Total external public debt (in percent of GDP)	28.2	15.2	20.2
Total external public debt (in percent of exports [2/])	222.7	106.8	197.8
External debt service (in percent of GDP)	0.7	0.2	0.4
Amortization	0.4	0.0	0.2
Interest	0.3	0.2	0.2
External debt service (in percent of exports [2/])	8.2	3.9	3.7
Amortization	5.3	2.6	1.7
Interest	3.0	1.3	2.0
External debt service (in percent of current central govt. revenues)	6.8	2.0	5.9
Amortization	4.1	-0.2	2.7
Interest	2.6	2.2	3.2
Other indicators			
Exports (percent change, 12-month basis in U.S. dollars)	-6.2	12.4	-29.7
Imports (percent change, 12-month basis in U.S. dollars)	30.2	-3.3	12.3
Remittances and grants in percent of gross disposable income	20.8	20.8	25.5
Real effective exchange rate appreciation (+) (end of period)	2.9	1.0	...
Exchange rate (per U.S. dollar, period average)	38.3	40.7	...
Current account balance (in millions of U.S. dollars) [3/]	-295.3	-210.3	-392.1
Capital and financial account balance (in millions of U.S. dollars) [4/]	336.7	243.7	87.9
Public sector	319.7	263.8	143.3
Private sector	17.1	81.3	-55.4
Liquid gross reserves (in millions of U.S. dollars)	707.8	947.5	867.6
In months of imports of the following year [2/]	2.9	3.7	3.4
In percent of debt service due in the following year	4899	4138	3040
In percent of base money	99.6	127.4	128.1

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

[1/] Reflects HIPC/MDRI relief.

[2/] Goods and services.

[3/] Including grants.

[4/] Includes in the private sector FDI, short-term capital, and errors and omissions in addition to bank flows.

Table 11. Haiti: Millennium Development Goals

	1990	1995	2000	2005	2008
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	56.0	54.0	55.0	55.0	56.0
Employment to population ratio, ages 15-24, total (%)	37.0	39.0	44.0	46.0	48.0
GDP per person employed (annual % growth)	-10.0	-18.0	-1.0	-4.0	0.0
Income share held by lowest 20%	…	…	2.5	…	…
Malnutrition prevalence, weight for age (% of children under 5)	…	24.0	13.9	18.9	18.9
Poverty gap at $1.25 a day (PPP) (%)	…	…	28.0	…	…
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	…	…	55.0	…	…
Prevalence of undernourishment (% of population)	63.0	60.0	…	58.0	…
Vulnerable employment, total (% of total employment)	…	…	…	…	…
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	…	…	…	…	…
Literacy rate, youth male (% of males ages 15-24)	…	…	…	…	…
Persistence to last grade of primary, total (% of cohort)	…	…	…	…	…
Primary completion rate, total (% of relevant age group)	29.0	…	…	…	…
Total enrollment, primary (% net)	…	…	…	…	…
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	…	4.0	4.0	4.0	4.0
Ratio of female to male enrollments in tertiary education	…	…	…	…	…
Ratio of female to male primary enrollment	95.0	95.0	…	…	…
Ratio of female to male secondary enrollment	94.0	…	…	…	…
Share of women employed in the nonagricultural sector (% of total nonagricultura	44.2	…	…	…	…
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	31.0	49.0	55.0	58.0	58.0
Mortality rate, infant (per 1,000 live births)	105.0	98.0	78.0	62.0	57.0
Mortality rate, under-5 (per 1,000)	152.0	141.0	109.0	84.0	76.0
Goal 5: Improve maternal health					
Adolescent fertility rate (births per 1,000 women ages 15-19)	…	…	…	…	…
Births attended by skilled health staff (% of total)	23.0	20.0	24.0	26.0	26.0
Contraceptive prevalence (% of women ages 15-49)	10.0	18.0	28.0	32.0	32.0
Maternal mortality ratio (modeled estimate, per 100,000 live births)	…	…	…	670.0	…
Pregnant women receiving prenatal care (%)	71.0	68.0	79.0	85.0	85.0
Unmet need for contraception (% of married women ages 15-49)	…	45.0	40.0	38.0	…
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fe	…	…	12.0	5.0	5.0
Condom use, population ages 15-24, female (% of females ages 15-24)	…	…	13.0	37.0	37.0
Condom use, population ages 15-24, male (% of males ages 15-24)	…	…	28.0	42.0	42.0
Incidence of tuberculosis (per 100,000 people)	306.0	306.0	306.0	306.0	306.0
Prevalence of HIV, female (% ages 15-24)	…	…	…	1.4	1.4
Prevalence of HIV, male (% ages 15-24)	…	…	…	1.0	1.0
Prevalence of HIV, total (% of population ages 15-49)	1.2	2.1	2.2	2.2	2.2
Tuberculosis cases detected under DOTS (%)	…	2.0	19.0	44.0	49.0
Goal 7: Ensure environmental sustainability					
CO2 emissions (kg per PPP $ of GDP)	0.1	0.1	0.2	0.2	…
CO2 emissions (metric tons per capita)	0.1	0.1	0.2	0.2	…
Forest area (% of land area)	4.0	4.0	4.0	4.0	…
Improved sanitation facilities (% of population with access)	29.0	27.0	24.0	19.0	19.0
Improved water source (% of population with access)	52.0	54.0	56.0	58.0	58.0
Marine protected areas, (% of surface area)	…	…	…	…	…
Nationally protected areas (% of total land area)	…	…	…	0.3	0.3
Goal 8: Develop a global partnership for development					
Aid per capita (current US$)	24.0	92.0	24.0	54.0	73.0
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	9.0	50.0	8.0	17.0	6.0
Internet users (per 100 people)	0.0	0.0	0.2	6.5	10.4
Mobile cellular subscriptions (per 100 people)	0.0	0.0	1.0	5.0	33.0
Telephone lines (per 100 people)	1.0	1.0	1.0	2.0	1.0

Source: World Development Indicators.

Attachment I: Letter of Intent

Port-au-Prince
January 22, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. This letter describes the progress made under the PRGF-supported program and requests that the seventh and last disbursement under the arrangement, in the amount of SDR 7.61 million, be made available to Haiti, following the completion of the sixth review. In addition, given the unprecedented damage caused by the recent earthquake and its expected negative impact on Haiti's external position, we are requesting an immediate augmentation of access under the arrangement of SDR 65.52 million (80 percent of quota). We are also requesting that the full amount of this augmentation be made available immediately, upon completion of the sixth review.

2. Under the current PRGF-supported arrangement, Haiti has implemented macroeconomic and financial policies that have helped stabilize the economy and restore growth, despite successive shocks and the adverse impact of the global slowdown. However, standards of living are improving very slowly; and growth is insufficient to make significant inroads into poverty reduction. Progress with essential structural reforms allowed for the delivery of HIPC/MDRI debt relief in June 2009. Nonetheless, Haiti's institutional and physical infrastructure needs further development, the economy is highly vulnerable to changes in climatic conditions and commodity prices, and, with low domestic revenues, growth prospects heavily depend on external concessional support and private investment.

3. On January 12, 2010, Haiti was struck by a 7.0 magnitude earthquake, the worst disaster in over 200 years. The capital city and surrounding areas, home to more than one third of the country's population and key economic and government infrastructure, were the most affected. Surrounding cities were also destroyed. Damages to the transport and production infrastructures are expected to severely cripple exports and hold back economic growth. Pending a more comprehensive assessment of the losses and reconstruction needs, the United Nations estimate the immediate financing requirements to address the emergency at US$562 million, about half of which is needed in the form of food assistance. All

indications are that the damage caused by the earthquake is far worse than that associated with the 2008 hurricanes, which destroyed 15 percent of GDP.

4. Overall performance for the sixth and last PRGF review was satisfactory. All quantitative performance criteria evaluated at end-September 2009 have been met, and we have made good progress in implementing structural conditionality—most importantly a new electricity tariff structure aimed at cost recovery. We have recently contracted a loan for the rehabilitation of the Cap Haitian airport that is critical for the development of the north of the country. As a result of protracted negotiations on technical aspects of the loan, global financial conditions led to a decrease in the discount rate used for computation of the concessionality level, lowering the degree of concessionality of the loan to 30.2, short of the 35 percent grant element required by the program. Therefore, we are requesting a waiver for the non-observance of the continuous performance criterion on the contracting of external debt on nonconcessional terms. However, we remain committed to safeguarding debt sustainability by selecting high-quality projects and seeking financing on concessional terms, and have been in discussions with the Inter-American Development Bank (IDB) in order to improve the overall financing terms for this project.

5. The requested additional access under the current Extended Credit Facility arrangement will address the immediate balance-of-payment need associated with the emergency. We have already received additional emergency humanitarian support from our development partners, but much more financial and technical support will be needed to rebuild the country. The additional resources from the Fund will provide a strong signal that will help catalyze support from others. We have also requested assistance in order to rapidly restore basic public financial management functions, so as to ensure full accountability of the funds provided by the IMF and other donors and their effective use.

6. The government is committed to the design and implementation of measures and policies to address the immediate needs resulting from the earthquake and to support the subsequent economic recovery in a manner that restores and maintains macroeconomic stability and financial sustainability, in line with the broad objectives of the program. In developing these measures and policies, we will continue to work in close consultation with the IMF in accordance with the Fund's policies on such consultations and with the international community, and we have expressed our interest in a successor IMF-supported arrangement.

7. In line with our commitment to transparency in government operations, we agree to the publication of all ECF-related documents circulated to the IMF Executive Board.

Sincerely yours,

/s/	/s/
Ronald Baudin Minister of Economy and Finance Republic of Haiti	Charles Castel Governor Bank of the Republic of Haiti Republic of Haiti

INTERNATIONAL MONETARY FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION

HAITI

Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion and Augmentation of Access

Joint IMF/World Bank Debt Sustainability Analysis

Prepared by the Staffs of the International Monetary Fund and
The International Development Association

Approved by Gilbert Terrier and Dominique Desruelle (IMF)
Carlos Primo Braga and Rodrigo Chaven (IDA)

January 25, 2010

The updated LIC DSA shows that Haiti's risk of debt distress remains high due to the deterioration of the macroeconomic outlook and new borrowing. *Although HIPC and MDRI relief have substantially reduced Haiti's debt burden when the completion point was reached in June 2009, the updated DSA findings indicate that the present value (PV) of debt-to-exports ratio would breach the relevant policy-dependent threshold in the baseline scenario over a prolonged period.[1] The debt sustainability outlook has worsened since reaching completion point in June 2009 mainly due to new bilateral borrowing.[2] Staff will continue to closely monitor the evolution of external debt and the government's ability to secure highly concessional financing and mobilize domestic resources in the aftermath of the earthquake.*

I. Background

1. **Haiti's public debt as of end-September 2009 is estimated at about 24.8 percent of GDP**. Most of the debt is owed to external creditors (16.6 percent of GDP), while domestic debt (about 8.2 percent of GDP), corresponds to credit to the government from the central bank (BRH). These ratios reflect the HIPC and MDRI debt relief received at the completion point in June 2009, which reduced Haiti's debt stock in nominal terms by an estimated US$1.1 billion, with annual debt service savings of more than US$50 million in the first ten years following completion point.[3] The stock of debt reduction from MDRI was estimated to amount to US$841 million (US$446 million from IDA and US$395 million from the IADB).

2. **Haiti's debt sustainability outlook has worsened since reaching the HIPC Completion Point in June 2009, mainly due to new bilateral borrowing.** In particular, accumulated concessional trade financing from Venezuela under the PetroCaribe agreement of US$295 million raised the PV of external debt by more than 45 percentage points of exports in FY2010.[4] The deterioration in the debt sustainability outlook also results from the incorporation of preliminary post-earthquake medium-term macroeconomic assumptions. Compared to previous projections, the near-term growth and exports outlook have been revised downwards, although the extent of damage and impact on economic performance are subject to substantial uncertainty (Table A1). This DSA is based on the new lower discount rate of 4 percent (compared to 5 percent previously). This implies that, for a given set of

[1] The new debt limits came into force on December 10, 2009, based on which Haiti was rated as high risk of debt distress and weak institutional capacity. Haiti is classified as a weak performer based on its three-year average score of 2.83 on the World Bank's Country Policy and Institutional Assessment (CPIA). For a weak performer (defined as those with three-year average CPIA ratings below 3.25), the indicative thresholds for external debt sustainability are PV of debt-to-GDP ratio of 30 percent, PV of debt-to-exports ratio of 100 percent, PV of debt-to-revenue ratio of 200 percent, debt service-to-exports ratio of 15 percent, and debt service-to-revenue ratio of 25 percent.

[2] Country Report No. 09/288, Appendix II, June 16, 2009.

[3] Debt service savings from the HIPC Initiative (US$265 million) and the MDRI (US$972.7 million).

[4] In the previous LIC DSA (Country Report No. 09/288), resources accumulated under the PetroCaribe agreement (US$104 million) were treated as private debt based on staff's understanding that these resources were about to be transferred to a private binational company. However, the binational company is yet to be established, and the authorities have clarified that these amounts represent government liabilities.

medium-term assumptions and debt service profile, the PV of debt would be higher. A full LIC DSA will be provided in the context of a follow-up discussion on a possible new arrangement to incorporate: (i) revised medium-term projections based on firmer assessment of reconstruction needs; and (ii) the effect of remittances on Haiti's debt dynamics, in line with new guidelines on debt limits that came into force in December 2009.[5]

II. External Debt Sustainability Analysis

3. **Given the significantly weaker near-term macroeconomic outlook and higher borrowing in 2009, Haiti remains at high risk of debt distress even in the baseline scenario** (Figure 1). Haiti's present value (PV) of external debt relative to exports breaches the indicative threshold over a prolonged period (2010-2025), reaching a peak of about 155 percent in 2011 before declining steadily below 100 percent over the projection period. Compared to the completion point DSA, these dynamics are driven in part by the worsened near-term outlook, but also, to a greater extent, by the higher borrowing accumulated in 2009. Figure 2 presents the key differences in assumptions underlying both DSAs. Compared to the completion point DSA, exports as a percent of GDP are expected to drop sharply in 2010 and recover only gradually to their pre-earthquake level by 2020, while imports are expected to increase significantly in 2010 and decline only gradually to 2009 levels by 2015. As a result, the external current account deficit is expected to be significantly higher over the medium-term compared to the previous DSA. At the same time, GDP growth and government revenues are expected to be significantly lower, with GDP contracting by about 13 percentage points in 2010 and only recovering to its pre-earthquake level by 2015. Together, these factors account for about 15 percentage points of the increase in the PV of debt to exports ratio compared to the completion point.

4. **Higher borrowing in 2009 raised the risk of debt distress substantially**. Figure 3 presents comparative debt indicators with and without new bilateral debt contracted in 2009.[6] Compared to the completion point, the new debt raises the PV of debt-to-exports ratio by more than 45 percentage points, which peaks to 140 percent in 2011 before declining steadily.

5. **The Fund augmentation does not, by itself, materially impact Haiti's debt dynamics.** The DSA incorporates the borrowing under the proposed augmentation of access under the Extended Credit Facility (ECF) arrangement. This augmentation would raise the PV of debt-to-export ratio by about 12 percentage points in 2010 and would not affect the duration of the breach of this indicator above the policy-related threshold. More importantly, the Fund's support is a critical element of the broader international effort to limit the damage

[5] The full DSA will also incorporate a new airport loan in the amount of US$33 million contracted in December 2009, as well as the implications of the waiver on debt service payments announced by the World Bank on January 21, 2010.

[6] The analysis assumes a higher debt stock at end-2009 by the amount of new borrowing (US$295 million) and associated debt service projections. Financing under the PetroCaribe arrangement is provided on concessional terms. Based on the terms currently applicable—1 percent interest, 2 years grace, and 25 years maturity—the associated concessionality element is 44.5 percent.

resulting from the earthquake, which will set the foundation for the expected economic recovery. These efforts are essential to renewed medium-term economic growth, higher fiscal revenue and exports, and thus for debt sustainability. Indeed, while data limitations do not allow for a meaningful scenario analysis at this stage, staff considers that the counterfactual to Fund support would be a scenario with a more prolonged downturn and a higher risk of debt distress.

6. **Based on the sensitivity analysis, Haiti is most vulnerable to a combined shock to growth, exports, prices and non-debt creating flows.** Together these shocks could push the PV of debt-to-exports ratio up to 160 percent before declining in FY 2015, although the ratio would remain above the threshold for the projection period. Less favorable terms on new borrowing would also cause the debt-to-exports ratio to remain above 150 percent beyond 2020.

III. Public Debt Sustainability Analysis

7. **In the baseline scenario, public debt indicators rise somewhat over the projection period** Table A4. The PV of public debt-to-GDP rises from 25 percent in FY2009 to 41 percent in FY 2020, before declining to 39 in FY2030. The increase reflects primarily an increase in domestic borrowing, as external debt declines to 17 percent of GDP in 2030. The PV of the debt-to-revenue ratio starts at 242 percent in FY 2010, but declines rapidly below the threshold of 200 percent by 2014 and declines steadily over the projection period.

8. **Alternative and shock scenarios put public debt on a sharper rising trajectory over the projection period (Table A5).** If the primary balance is fixed at its relatively high level of FY 2009, the PV of public debt-to-GDP ratio would grow to 80 percent over the projection period as opposed to stabilizing at about 35 percent under the baseline. The most extreme shock (growth for the debt stock indicators and lower non-debt creating flows for the debt service measure) would also raise debt above the baseline scenario, although the deterioration would be less pronounced than seen when holding the FY 2009 primary balance constant.

IV. Debt Management

9. **As with other public financial management systems, the earthquake is likely to have severely disrupted existing debt management systems.** Based on an assessment of the damages, further technical and financial support will be needed to recover data, set up a working computer system, and rehabilitate other physical infrastructure.

10. **The earthquake is a major setback given recent steady progress.** Debt management capacity had improved in Haiti since the decision point was reached in December 2006. In the area of debt recording, the BRH and the MEF had completed the installation of the most recent version of UNCTAD DMFAS system, version 5.3, which allows for improvements in the availability, quality and security of debt data. In part resulting from the upgrade to the latest DMFAS system, debt reporting by the government had also improved.

11. **Prior to the earthquake, satisfactory progress had also been made in establishing the debt unit at the Ministry of Finance**, although the finalization of the draft operations manual, and the legal and institutional framework for debt management did depend on the results of the planned technical assistance by UNCTAD and CEMLA.

V. Conclusions

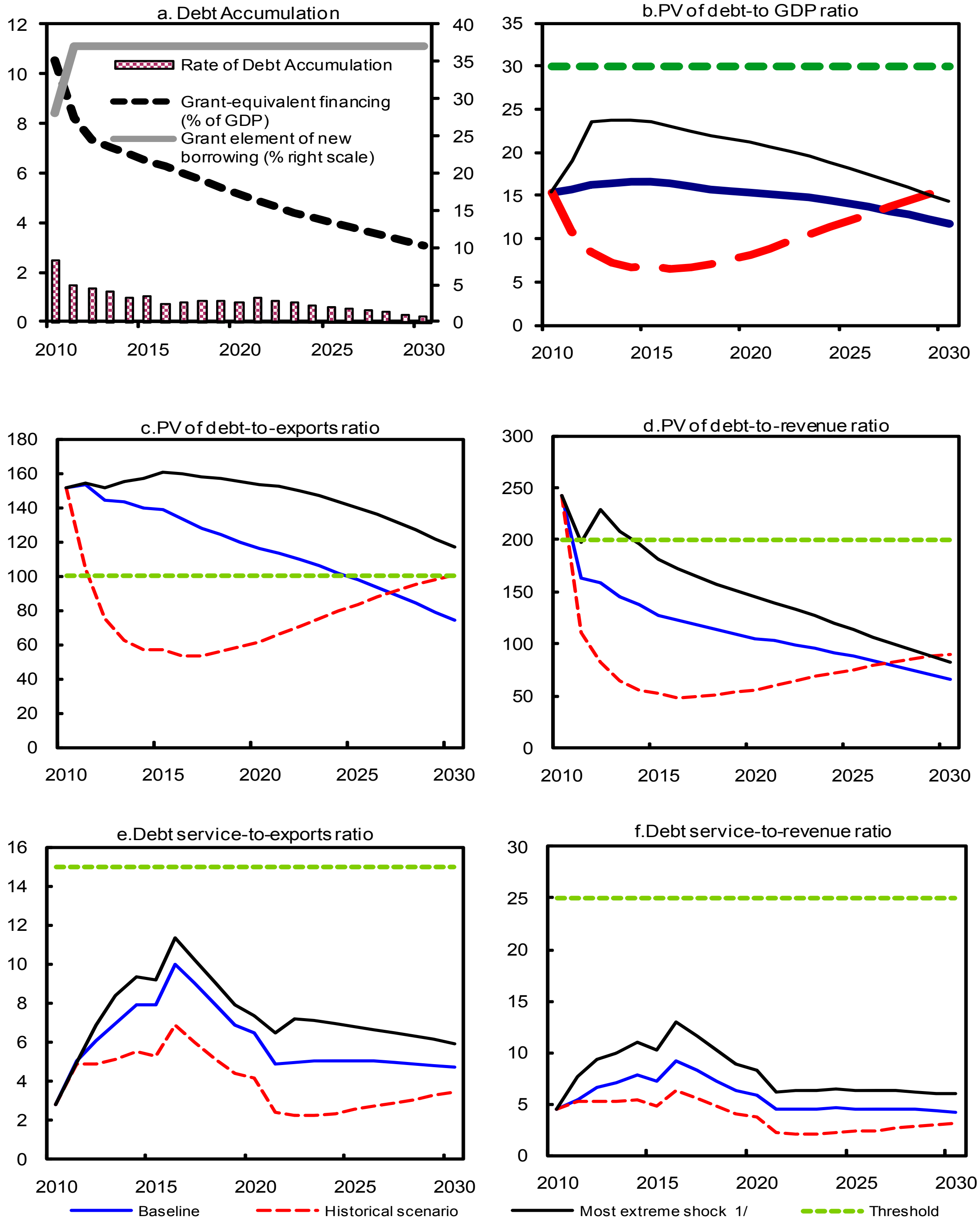
12. **Haiti's risk of external debt distress remains high even after HIPC and MDRI debt relief.** The PV of debt-to-exports ratio breaches the 100 percent threshold for a prolonged period, even though other debt indicators remain below their relevant thresholds. The Fund augmentation is a critical element in supporting a broader international effort to respond to the needs in the aftermath of the earthquake and lay the foundation for a subsequent economic recovery. The analysis, however, underscores the importance for donors to meet Haiti's large and immediate financing needs through grants and highly concessional loans.

Table A1. Haiti: Long-Term Macroeconomic Assumptions, FY 2009-2030

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Averages 2010-19	Averages 2020-30
(Annual percentage change)																								
National income and prices																								
GDP at constant prices	2.89	-10.00	1.00	2.50	3.50	3.50	4.49	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	2.45	5.00
GDP deflator	3.16	11.60	13.60	9.10	7.50	6.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.33	5.00
Real GDP per capita (local currency)	1.21	-11.45	-0.61	0.88	1.88	1.90	2.89	2.93	3.44	3.47	3.49	3.52	3.55	3.58	3.60	3.63	3.65	3.72	3.72	3.72	3.72	3.72	0.88	3.65
Consumer prices (period average)	3.43	8.40	13.06	8.85	7.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	7.68	6.50
External sector (value in USD)																								
Exports of goods and non-factor services	12.02	-33.29	6.42	15.54	8.57	8.44	7.17	8.75	9.22	9.18	9.14	9.10	9.06	9.02	8.98	8.95	8.92	8.88	8.85	8.82	8.79	8.76	4.91	8.92
Imports of goods and non-factor services	0.38	6.58	0.28	1.08	1.31	1.21	1.44	6.00	6.50	6.50	6.50	6.50	6.49	6.49	6.49	6.48	6.48	6.48	6.90	6.90	6.90	6.90	3.74	6.64
Central government (value in Gourdes)																								
Total revenue and grants	25.90	-10.27	22.42	10.09	16.73	13.84	13.29	10.05	10.49	10.56	10.63	10.69	10.75	10.81	10.86	10.91	10.95	11.00	11.04	11.07	11.10	11.14	10.78	10.94
Central government revenue 1/	11.29	-42.96	74.20	19.10	22.81	17.84	17.90	12.25	12.73	12.68	12.62	12.57	12.52	12.48	12.43	12.39	12.35	12.31	12.27	12.24	12.20	12.17	15.92	12.36
Central government primary expenditure	30.33	4.69	13.29	13.92	14.24	12.63	8.62	10.51	10.09	10.03	10.00	9.98	10.40	10.38	10.36	10.35	10.34	10.33	10.32	10.32	10.30	8.98	10.80	10.19
(In percent of GDP, unless otherwise indicated)																								
National income																								
Nominal GDP (Gourdes, billions)	267	268	308	344	383	422	463	508	560	617	680	750	827	912	1,005	1,108	1,222	1,347	1,485	1,638	1,806	1,991	455	1,281
Nominal GDP (USD billions)	7	6	6	7	7	8	8	9	9	10	11	11	12	13	14	15	16	17	18	19	21	22	8	16
GDP per capita (US dollars)	661	605	628	652	680	703	737	774	816	860	908	958	1,011	1,068	1,128	1,191	1,259	1,331	1,407	1,488	1,573	1,664	736	1,280
External sector																								
Non-interest current account deficit 2/, 3/	-4.74	-3.62	-5.83	-7.07	-5.52	-4.21	-2.99	-2.29	-1.60	-1.43	-1.38	-1.31	-1.22	-1.12	-1.01	-0.89	-0.76	-0.61	-0.46	-0.43	-0.36	-0.29	-3.59	-0.77
Exports of goods and non-factor services	14.22	10.20	10.29	11.27	11.55	11.93	12.00	12.25	12.50	12.75	13.00	13.25	13.50	13.75	14.00	14.25	14.50	14.75	15.00	15.25	15.50	15.75	11.78	14.50
Imports of goods and non-factor services	43.93	50.31	47.86	45.85	43.84	42.26	40.25	40.05	39.85	39.65	39.45	39.25	39.05	38.85	38.65	38.45	38.25	38.05	38.00	37.95	37.90	37.85	42.94	38.39
External current account balance 1/	-10.64	-19.07	-16.99	-14.17	-12.33	-10.91	-9.59	-9.74	-8.84	-8.31	-7.93	-7.54	-7.16	-6.78	-6.39	-6.01	-5.63	-5.25	-4.88	-4.67	-4.43	-4.20	-11.79	-5.72
External current account balance 2/	-3.21	-6.23	-7.38	-5.28	-3.60	-2.38	-1.62	-2.08	-1.38	-1.20	-1.14	-1.06	-0.97	-0.87	-0.76	-0.64	-0.50	-0.35	-0.20	-0.17	-0.11	-0.04	-3.23	-0.52
Liquid gross reserves (in months of imports of G&S)	3.70	3.38	3.53	3.78	4.04	4.28	4.41	4.51	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.61	4.17	4.61
Central government																								
Central government overall balance 2/	-4.43	-7.28	-5.91	-6.61	-6.41	-6.36	-5.52	-5.64	-5.56	-5.46	-5.34	-5.20	-5.15	-5.08	-5.00	-4.90	-4.80	-4.69	-4.56	-4.43	-4.28	-3.84	-6.01	-4.72
Total revenue and grants	17.88	15.97	17.04	16.78	17.60	18.18	18.77	18.83	18.87	18.92	18.99	19.06	19.15	19.25	19.35	19.47	19.59	19.73	19.87	20.02	20.17	20.33	17.99	19.64
Central government revenue 1/	11.20	6.36	9.65	10.28	11.35	12.13	13.04	13.34	13.64	13.94	14.24	14.54	14.84	15.14	15.44	15.74	16.04	16.34	16.64	16.94	17.24	17.54	11.80	16.04
Central government primary expenditure	21.47	22.62	22.31	22.68	23.14	23.53	23.23	23.03	22.83	22.73	22.63	22.53	22.53	22.53	22.53	22.53	22.53	22.53	22.53	22.53	22.53	22.53	22.87	22.53

1/ Excluding grants
2/ Including grants
3/ Includes interest earned on foreign exchange reserves.

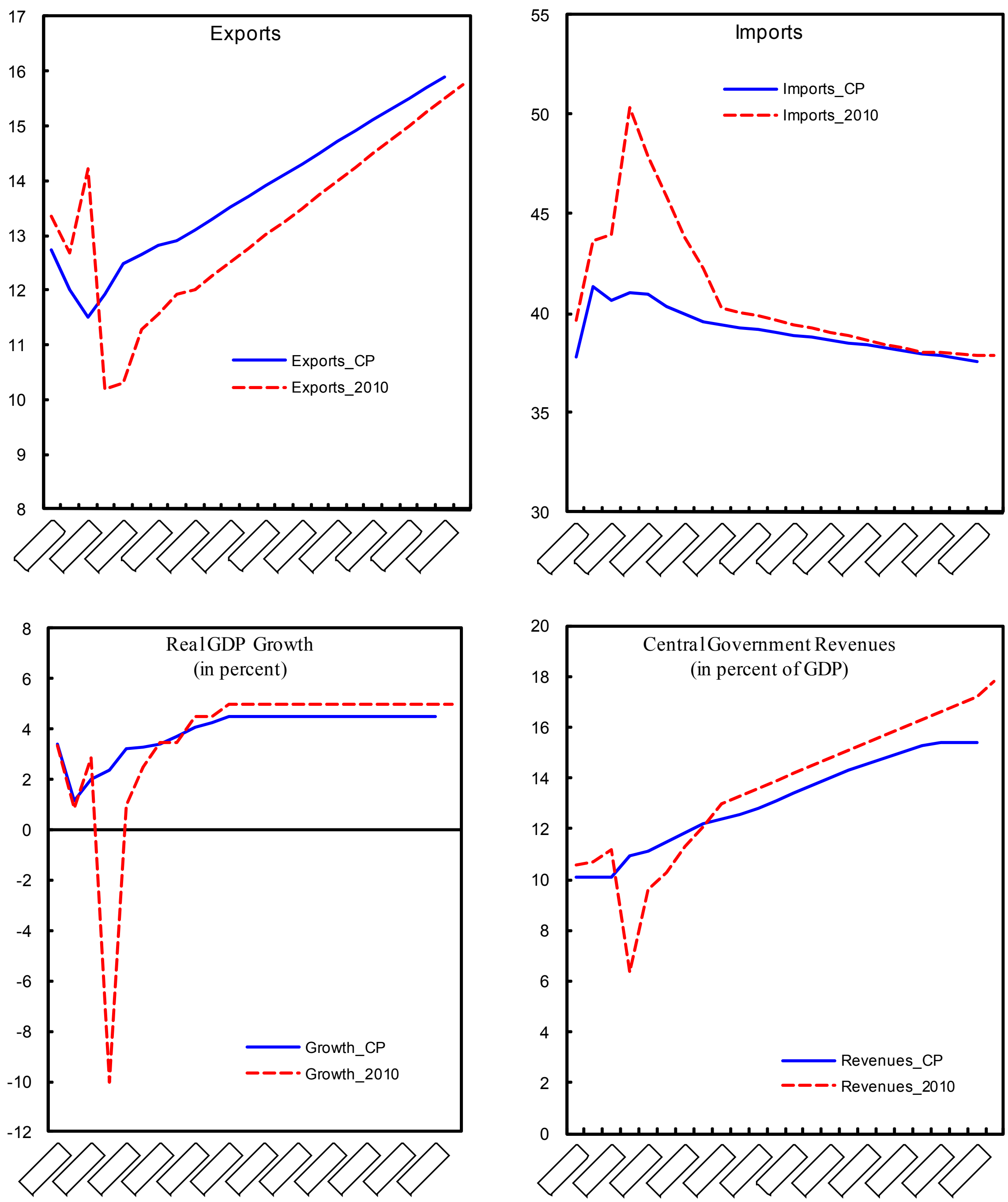
Figure 1. Haiti: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a Combination shock; in c. to a Terms shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a One-time depreciation shock

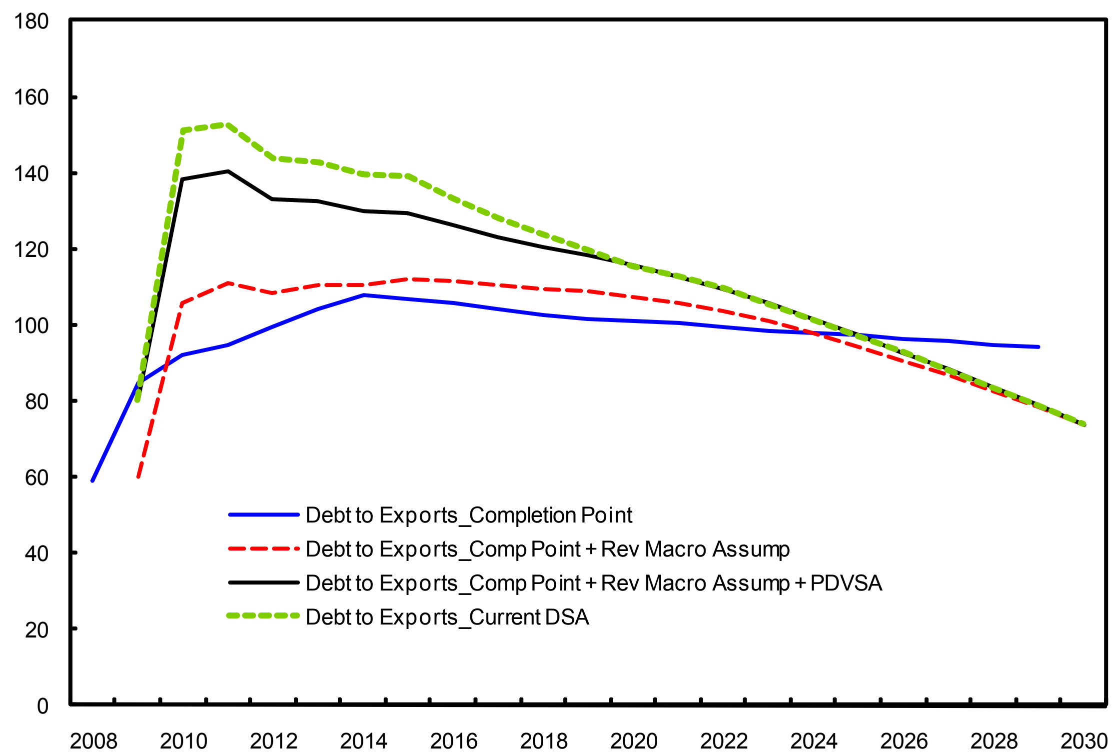
Figure 2. Haiti: Macroeconomic Assumptions, Completion Point DSA [1/] versus. 2010 DSA



Source: Fund staff estimates.

1/ Country Report No. 09/288

Figure 3. Haiti: Debit Indicators - Completion Point DSA [1] versus 2010 DSA



The chart presents debt indicators based on four scenarios. The first assumes debt service projections as implied at the Completion Point following HIPC and MDRI in June 2009 (Completion Point). The second scenario assumes the same debt stock and debt service profile as at the Completion Point but adjusts for revised weaker near-term outlook. The third scenario augments the second by the amount of new borrowing acumulated in FY2009. The fourth scenario reflects the working assumptions underlying the current DSA as indicated in the text.

Source: Fund staff estimates

[1] Country Report No. 09/288

Table 1a.Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	34.9	37.7	24.8			29.9	33.0	35.3	36.7	38.0	38.8		41.8	39.4	
o/w foreign-currency denominated	25.6	29.5	16.6			21.7	22.1	22.7	23.0	23.4	23.4		22.0	16.5	
Change in public sector debt	-4.4	2.7	-12.9			5.1	3.1	2.2	1.5	1.3	0.8		0.2	-0.6	
Identified debt-creating flows	-5.9	0.8	3.5			9.0	3.3	4.3	3.9	4.0	2.8		1.9	0.6	
Primary deficit	-1.1	2.5	3.8	2.2	1.7	6.7	5.3	5.9	5.5	5.4	4.5	5.5	3.5	2.0	3.2
Revenue and grants	15.8	15.1	17.9			16.0	17.0	16.8	17.6	18.2	18.8		19.1	20.3	
of which: grants	5.3	4.4	6.7			9.6	7.4	6.5	6.3	6.0	5.7		4.5	2.8	
Primary (noninterest) expenditure	14.7	17.6	21.7			22.6	22.4	22.7	23.1	23.5	23.2		22.6	22.3	
Automatic debt dynamics	-4.7	-1.7	-0.3			2.3	-2.1	-1.7	-1.7	-1.4	-1.7		-1.5	-1.4	
Contribution from interest rate/growth differential	-1.8	1.9	-1.0			2.2	-1.0	-1.4	-1.6	-1.5	-1.7		-1.5	-1.8	
of which: contribution from average real interest rate	-0.5	2.2	0.0			-0.6	-0.7	-0.6	-0.4	-0.2	0.0		0.4	0.1	
of which: contribution from real GDP growth	-1.3	-0.3	-1.1			2.8	-0.3	-0.8	-1.2	-1.2	-1.6		-2.0	-1.9	
Contribution from real exchange rate depreciation	-2.9	-3.6	0.7			0.1	-1.1	-0.2	-0.1	0.1	0.0		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.5	1.9	-16.4			-3.9	-0.1	-2.0	-2.4	-2.7	-2.0		-1.8	-1.2	
Other Sustainability Indicators															
PV of public sector debt	9.4	8.2	19.6			23.6	26.7	28.8	30.2	31.3	32.1		35.2	34.5	
o/w foreign-currency denominated	0.0	0.0	11.4			15.4	15.7	16.2	16.5	16.7	16.7		15.3	11.7	
o/w external	...	...	11.4			15.4	15.7	16.2	16.5	16.7	16.7		15.3	11.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	10.3	11.7	12.5			15.6	13.4	16.9	18.3	19.4	19.5		23.3	24.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	59.0	54.4	109.9			147.7	156.9	171.7	171.4	172.4	170.9		184.4	169.9	
PV of public sector debt-to-revenue ratio (in percent)	88.3	76.8	175.5			371.1	276.9	280.1	265.8	258.3	246.1		241.8	196.9	
o/w external 3/	…	…	102.2			242.6	163.1	157.9	145.3	137.5	127.8		105.4	66.5	
Debt service-to-revenue and grants ratio (in percent) 4/	10.6	7.1	5.4			4.4	5.3	6.7	8.1	9.2	9.2		11.8	11.7	
Debt service-to-revenue ratio (in percent) 4/	15.8	10.1	8.5			11.2	9.4	11.0	12.5	13.8	13.2		15.5	13.6	
Primary deficit that stabilizes the debt-to-GDP ratio	3.2	-0.2	16.7			1.5	2.2	3.7	4.1	4.1	3.7		3.3	2.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.3	0.8	2.9	0.8	2.0	-10.0	1.0	2.5	3.5	3.5	4.5	0.8	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	0.5	1.0	0.7	-0.4	1.4	1.0	1.0	1.1	1.2	1.3	1.4	1.2	1.5	1.5	1.5
Average real interest rate on domestic debt (in percent)	0.7	-8.5	2.3	-8.9	7.9	-5.7	-7.2	-4.1	-1.9	-0.6	0.8	-3.1	2.9	2.9	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	-12.6	2.6	-7.0	13.9	0.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	7.2	13.8	3.2	15.0	8.1	11.6	13.6	9.1	7.5	6.5	5.0	8.9	5.0	5.0	5.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.2	0.3	0.1	0.2	-0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	28.2	37.0	37.0	37.0	37.0	37.0	35.5	37.0	37.0	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table A2. Haiti: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average	Standard 0 Deviation	Projections									
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average	2020	2030	2016-203(Average
External debt (nominal) 1/	**25.6**	**29.5**	**16.6**			**21.7**	**22.1**	**22.7**	**23.0**	**23.4**	**23.4**		**22.0**	**16.5**	
o/w public and publicly guaranteed (PPG)	25.6	29.5	16.6			21.7	22.1	22.7	23.0	23.4	23.4		22.0	16.5	
Change in external debt	-2.9	3.9	-12.9			5.2	0.3	0.6	0.3	0.3	0.0		-0.3	-0.8	
Identified net debt-creating flows	-6.3	1.3	2.7			7.9	6.7	4.2	2.3	1.0	0.0		-1.0	-2.3	
Non-interest current account deficit	**0.1**	**4.2**	**3.0**	**1.5**	**1.8**	**6.1**	**7.2**	**5.1**	**3.3**	**2.1**	**1.3**		**0.8**	**-0.2**	0.5
Deficit in balance of goods and services	26.3	31.0	29.7			40.1	37.6	34.6	32.3	30.3	28.2		26.0	22.1	
Exports	13.4	12.7	14.2			10.2	10.3	11.3	11.5	11.9	12.0		13.3	15.8	
Imports	39.6	43.7	43.9			50.3	47.9	45.9	43.8	42.3	40.3		39.3	37.9	
Net current transfers (negative = inflow)	-25.9	-26.3	-26.3	-27.4	2.7	-34.0	-30.1	-28.7	-27.9	-27.1	-25.8		-24.7	-21.9	-23.8
o/w official	-6.7	-7.2	-7.4			-12.8	-9.6	-8.9	-8.7	-8.5	-8.0		-6.5	-4.2	
Other current account flows (negative = net inflow)	-0.2	-0.5	-0.3			-0.1	-0.3	-0.8	-1.1	-1.1	-1.1		-0.6	-0.4	
Net FDI (negative = inflow)	**-1.3**	**-0.5**	**-0.6**	**-0.9**	**1.1**	**-0.2**	**-0.5**	**-0.6**	**-0.6**	**-0.6**	**-0.6**		**-1.1**	**-1.6**	-1.2
Endogenous debt dynamics 2/	**-5.2**	**-2.5**	**0.2**			**2.0**	**0.0**	**-0.3**	**-0.5**	**-0.5**	**-0.7**		**-0.7**	**-0.6**	
Contribution from nominal interest rate	0.1	0.2	0.2			0.2	0.2	0.2	0.3	0.3	0.3		0.3	0.2	
Contribution from real GDP growth	-0.8	-0.2	-0.9			1.8	-0.2	-0.5	-0.7	-0.8	-1.0		-1.0	-0.8	
Contribution from price and exchange rate changes	-4.5	-2.6	0.9			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**3.4**	**2.6**	**-15.6**			**-2.7**	**-6.4**	**-3.5**	**-2.0**	**-0.7**	**0.0**		**0.7**	**1.5**	
o/w exceptional financing	-0.4	-0.3	-0.6			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	11.4			15.4	15.7	16.2	16.5	16.7	16.7		15.3	11.7	
In percent of exports	...	...	80.4			151.2	152.9	144.0	142.8	139.8	138.8		115.6	74.0	
PV of PPG external debt	**...**	**...**	**11.4**			**15.4**	**15.7**	**16.2**	**16.5**	**16.7**	**16.7**		**15.3**	**11.7**	
In percent of exports	**...**	**...**	**80.4**			**151.2**	**152.9**	**144.0**	**142.8**	**139.8**	**138.8**		**115.6**	**74.0**	
In percent of government revenues	**...**	**...**	**102.2**			**242.6**	**163.1**	**157.9**	**145.3**	**137.5**	**127.8**		**105.4**	**66.5**	
Debt service-to-exports ratio (in percent)	**6.8**	**5.8**	**3.7**			**2.8**	**5.1**	**6.1**	**7.0**	**7.9**	**7.9**		**6.4**	**4.7**	
PPG debt service-to-exports ratio (in percent)	**6.8**	**5.8**	**3.7**			**2.8**	**5.1**	**6.1**	**7.0**	**7.9**	**7.9**		**6.4**	**4.7**	
PPG debt service-to-revenue ratio (in percent)	**8.5**	**6.9**	**4.7**			**4.5**	**5.4**	**6.6**	**7.1**	**7.8**	**7.3**		**5.9**	**4.2**	
Total gross financing need (Billions of U.S. dollars)	0.0	0.3	0.2			0.4	0.5	0.3	0.3	0.2	0.1		0.1	-0.2	
Non-interest current account deficit that stabilizes debt ratio	3.0	0.4	15.9			0.9	6.8	4.4	3.0	1.8	1.3		1.1	0.6	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.3	0.8	2.9	0.8	2.0	-10.0	1.0	2.5	3.5	3.5	4.5	0.8	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	18.8	11.2	-3.0	9.1	13.9	3.4	4.4	2.9	2.4	1.4	1.9	2.7	1.9	1.9	1.9
Effective interest rate (percent) 5/	0.5	1.0	0.7	-0.4	1.4	1.0	1.0	1.1	1.2	1.3	1.4	1.2	1.5	1.5	1.5
Growth of exports of G&S (US dollar terms, in percent)	12.1	6.5	12.0	11.5	4.4	-33.3	6.4	15.5	8.6	8.4	7.2	2.1	9.1	8.8	9.0
Growth of imports of G&S (US dollar terms, in percent)	8.7	23.6	0.4	13.0	7.7	6.6	0.3	1.1	1.3	1.2	1.4	2.0	6.5	6.9	6.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	28.2	37.0	37.0	37.0	37.0	37.0	35.5	37.0	37.0	37.0
Government revenues (excluding grants, in percent of GDP)	10.6	10.7	11.2			6.4	9.7	10.3	11.3	12.1	13.0		14.5	17.5	15.4
Aid flows (in Billions of US dollars) 7/	0.3	0.3	0.4			0.6	0.5	0.5	0.5	0.5	0.5		0.6	0.7	
o/w Grants	0.3	0.3	0.4			0.6	0.5	0.4	0.4	0.5	0.5		0.5	0.6	
o/w Concessional loans	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.1		0.1	0.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			10.6	8.2	7.3	7.0	6.8	6.5		5.1	3.1	4.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			81.4	85.5	83.9	83.9	84.1	83.2		83.1	85.4	83.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.9	6.6	6.6			6.1	6.4	6.8	7.2	7.6	8.0		11.2	22.2	
Nominal dollar GDP growth	22.8	12.2	-0.2			-7.0	5.4	5.5	6.0	5.0	6.5	3.6	7.0	7.0	7.0
PV of PPG external debt (in Billions of US dollars)			0.7			0.9	1.0	1.1	1.2	1.2	1.3		1.7	2.5	
(PVt-PVt-1)/GDPt-1 (in percent)						2.5	1.5	1.4	1.2	1.0	1.0	1.4	0.8	0.3	0.7
Gross remittances (Billions of US dollars)	1.2	1.4	1.4			1.4	1.4	1.5	1.5	1.5	1.5		2.2	4.2	
PV of PPG external debt (in percent of GDP + remittances)	...	...	9.5			12.5	12.9	13.3	13.6	13.8	14.0		12.8	9.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	32.5			46.4	48.1	49.2	50.6	51.5	53.4		46.2	33.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	1.5			0.9	1.6	2.1	2.5	2.9	3.0		2.6	2.1	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

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

Table A3.Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	**2020**	2030
PV of debt-to GDP ratio								
Baseline	15	16	16	16	17	17	**15**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	15	11	8	7	7	7	**8**	16
A2. New public sector loans on less favorable terms in 2010-2030 2	15	16	17	18	19	19	**20**	18
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	15	16	17	17	17	17	**16**	12
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	15	15	16	16	17	17	**15**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	15	17	19	19	19	19	**18**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	15	19	23	23	23	23	**20**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	15	19	24	24	24	24	**21**	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	15	21	22	22	23	23	**21**	16
PV of debt-to-exports ratio								
Baseline	151	153	144	143	140	139	**116**	74
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	151	104	75	63	57	57	**61**	100
A2. New public sector loans on less favorable terms in 2010-2030 2	151	154	151	155	157	161	**153**	117
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	151	148	140	139	136	135	**112**	71
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	151	147	154	153	149	148	**123**	78
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	151	148	140	139	136	135	**112**	71
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	151	187	202	197	192	189	**153**	86
B5. Combination of B1-B4 using one-half standard deviation shocks	151	174	201	197	191	188	**153**	87
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	151	148	140	139	136	135	**112**	71
PV of debt-to-revenue ratio								
Baseline	243	163	158	145	138	128	**105**	66
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	243	111	82	64	56	52	**56**	90
A2. New public sector loans on less favorable terms in 2010-2030 2	243	164	166	158	154	148	**140**	105
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	243	162	163	150	142	132	**109**	68
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	243	158	158	145	137	127	**105**	65
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	243	173	182	167	158	147	**121**	76
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	243	199	221	201	188	174	**139**	78
B5. Combination of B1-B4 using one-half standard deviation shocks	243	197	229	209	196	181	**145**	82
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	243	222	215	198	187	174	**143**	90

Table A3.Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030 (continued)
(In percent)

Debt service-to-exports ratio

Baseline	3	5	6	7	8	8	**6**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	3	5	5	5	5	5	**4**	3
A2. New public sector loans on less favorable terms in 2010-2030 2	3	5	6	7	9	9	**7**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	3	5	6	7	8	8	**6**	5
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	3	5	6	8	9	9	**7**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	3	5	6	7	8	8	**6**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	3	5	7	8	9	9	**7**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	3	5	7	8	9	9	**7**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	3	5	6	7	8	8	**6**	5

Debt service-to-revenue ratio

Baseline	4	5	7	7	8	7	**6**	4
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	4	5	5	5	5	5	**4**	3
A2. New public sector loans on less favorable terms in 2010-2030 2	4	5	7	7	8	8	**7**	6
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	4	6	7	8	8	8	**6**	4
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	4	5	7	7	8	7	**6**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	4	6	8	8	9	9	**7**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	4	5	7	8	9	8	**7**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	4	6	8	9	10	9	**7**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	4	8	9	10	11	10	**8**	6
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	35	35	35	35	35	35	**35**	35

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicity assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table A4. Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	34.9	37.7	24.8			29.9	33.0	35.3	36.7	38.0	38.8		41.8	39.4	
o/w foreign-currency denominated	25.6	29.5	16.6			21.7	22.1	22.7	23.0	23.4	23.4		22.0	16.5	
Change in public sector debt	-4.4	2.7	-12.9			5.1	3.1	2.2	1.5	1.3	0.8		0.2	-0.6	
Identified debt-creating flows	-5.9	0.8	3.5			9.0	3.3	4.3	3.9	4.0	2.8		1.9	0.6	
Primary deficit	-1.1	2.5	3.8	2.2	1.7	6.7	5.3	5.9	5.5	5.4	4.5	5.5	3.5	2.0	3.2
Revenue and grants	15.8	15.1	17.9			16.0	17.0	16.8	17.6	18.2	18.8		19.1	20.3	
of which: grants	5.3	4.4	6.7			9.6	7.4	6.5	6.3	6.0	5.7		4.5	2.8	
Primary (noninterest) expenditure	14.7	17.6	21.7			22.6	22.4	22.7	23.1	23.5	23.2		22.6	22.3	
Automatic debt dynamics	-4.7	-1.7	-0.3			2.3	-2.1	-1.7	-1.7	-1.4	-1.7		-1.5	-1.4	
Contribution from interest rate/growth differential	-1.8	1.9	-1.0			2.2	-1.0	-1.4	-1.6	-1.5	-1.7		-1.5	-1.8	
of which: contribution from average real interest rate	-0.5	2.2	0.0			-0.6	-0.7	-0.6	-0.4	-0.2	0.0		0.4	0.1	
of which: contribution from real GDP growth	-1.3	-0.3	-1.1			2.8	-0.3	-0.8	-1.2	-1.2	-1.6		-2.0	-1.9	
Contribution from real exchange rate depreciation	-2.9	-3.6	0.7			0.1	-1.1	-0.2	-0.1	0.1	0.0		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.5	1.9	-16.4			-3.9	-0.1	-2.0	-2.4	-2.7	-2.0		-1.8	-1.2	
Other Sustainability Indicators															
PV of public sector debt	9.4	8.2	19.6			23.6	26.7	28.8	30.2	31.3	32.1		35.2	34.5	
o/w foreign-currency denominated	0.0	0.0	11.4			15.4	15.7	16.2	16.5	16.7	16.7		15.3	11.7	
o/w external	...	...	11.4			15.4	15.7	16.2	16.5	16.7	16.7		15.3	11.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	10.3	11.7	12.5			15.6	13.4	16.9	18.3	19.4	19.5		23.3	24.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	59.0	54.4	109.9			147.7	156.9	171.7	171.4	172.4	170.9		184.4	169.9	
PV of public sector debt-to-revenue ratio (in percent)	88.3	76.8	175.5			371.1	276.9	280.1	265.8	258.3	246.1		241.8	196.9	
o/w external 3/	…	…	102.2			242.6	163.1	157.9	145.3	137.5	127.8		105.4	66.5	
Debt service-to-revenue and grants ratio (in percent) 4/	10.6	7.1	5.4			4.4	5.3	6.7	8.1	9.2	9.2		11.8	11.7	
Debt service-to-revenue ratio (in percent) 4/	15.8	10.1	8.5			11.2	9.4	11.0	12.5	13.8	13.2		15.5	13.6	
Primary deficit that stabilizes the debt-to-GDP ratio	3.2	-0.2	16.7			1.5	2.2	3.7	4.1	4.1	3.7		3.3	2.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.3	0.8	2.9	0.8	2.0	-10.0	1.0	2.5	3.5	3.5	4.5	0.8	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	0.5	1.0	0.7	-0.4	1.4	1.0	1.0	1.1	1.2	1.3	1.4	1.2	1.5	1.5	1.5
Average real interest rate on domestic debt (in percent)	0.7	-8.5	2.3	-8.9	7.9	-5.7	-7.2	-4.1	-1.9	-0.6	0.8	-3.1	2.9	2.9	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.9	-12.6	2.6	-7.0	13.9	0.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	7.2	13.8	3.2	15.0	8.1	11.6	13.6	9.1	7.5	6.5	5.0	8.9	5.0	5.0	5.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.2	0.3	0.1	0.2	-0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	28.2	37.0	37.0	37.0	37.0	37.0	35.5	37.0	37.0	...

Sources: Country authorities; and staff estimates and projections.
1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table A5. Haiti: Sensitivity Analysis for Key Indicators of Public Debt 2010-2030

		Projections						
	2010	2011	2012	2013	2014	2015	2020	2030
PV of Debt-to-GDP Ratio								
Baseline	24	27	29	30	31	32	35	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	24	24	22	21	19	18	15	6
A2. Primary balance is unchanged from 2010	24	28	31	33	36	39	54	83
A3. Permanently lower GDP growth 1/	24	27	29	31	32	34	40	50
A4. Alternative Scenario :[Costumize, enter title]	24	26	28	29	30	31	32	25
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	24	28	31	34	36	37	44	51
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	24	25	25	27	28	29	32	32
B3. Combination of B1-B2 using one half standard deviation shocks	24	25	24	26	28	29	36	41
B4. One-time 30 percent real depreciation in 2011	24	33	35	36	37	37	40	40
B5. 10 percent of GDP increase in other debt-creating flows in 2011	24	37	39	40	41	42	43	41
PV of Debt-to-Revenue Ratio 2/								
Baseline	148	157	172	171	172	171	184	170
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	148	138	132	116	103	94	75	26
A2. Primary balance is unchanged from 2010	148	165	184	189	197	206	285	409
A3. Permanently lower GDP growth 1/	148	158	173	174	177	178	206	244
A4. Alternative Scenario :[Costumize, enter title]	151	137	138	141	144	146	148	106
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	148	160	183	187	192	194	228	248
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	148	148	150	151	153	153	169	159
B3. Combination of B1-B2 using one half standard deviation shocks	148	144	143	147	152	155	186	202
B4. One-time 30 percent real depreciation in 2011	148	196	209	205	204	200	209	197
B5. 10 percent of GDP increase in other debt-creating flows in 2011	148	216	230	227	225	221	228	200
Debt Service-to-Revenue Ratio 2/								
Baseline	4	5	7	8	9	9	12	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	4	5	6	7	7	7	9	1
A2. Primary balance is unchanged from 2010	4	5	7	9	10	10	15	24
A3. Permanently lower GDP growth 1/	4	5	7	8	9	9	13	15
A4. Alternative Scenario :[Costumize, enter title]	4	5	6	7	8	8	11	11
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	4	5	7	9	10	10	14	16
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	4	5	6	7	8	8	11	11
B3. Combination of B1-B2 using one half standard deviation shocks	4	5	6	7	8	9	12	13
B4. One-time 30 percent real depreciation in 2011	4	6	9	10	12	12	15	15
B5. 10 percent of GDP increase in other debt-creating flows in 2011	4	5	9	11	11	11	13	15

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

HAITI

Sixth Review Under the Extended Credit Facility, Request for Waiver of Performance Criterion and Augmentation of Access

Informational Annex

Prepared by the Western Hemisphere Department
(In collaboration with other departments)

January 22, 2010

Contents Page

Annexes

Annex I. Fund Relations

(As of December 31, 2009)

I. Membership Status:

Joined: September 08, 1953; Article VIII member

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	81.90	100.00
Fund holdings of currency	81.83	99.92
Reserve Position	0.07	0.08
Holdings Exchange Rate		

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	78.51	100.00
Holdings	68.92	87.79

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	105.00	128.21

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov 20, 2006	Jan 31, 2010	114.66	107.05
PRGF	Oct 18, 1996	Oct 17, 1999	91.05	15.18
Stand-By	Mar 08, 1995	Mar 07, 1996	20.00	16.40

VI. Projected Payments to Fund (without HIPC Assistance)[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2010	2011	2012	2013	2014
Principal			3.57	10.30	15.85
Charges/Interest	0.55	0.55	0.55	0.52	0.45
Total	0.55	0.55	4.12	10.82	16.31

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Nov 2006
Assistance committed by all creditors (US$ Million) [1/]	140.30
Of which: IMF assistance (US$ million)	3.12
(SDR equivalent in millions)	2.10
Completion point date	June 2009
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	2.10
Interim assistance	0.29
Completion point balance	1.81
Additional disbursement of interest income [2/]	0.23
Total disbursements	2.34

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

IX. Exchange Arrangement

Although the de jure exchange regime remains a managed float with no predetermined path for the exchange rate, Haiti has been reclassified as a “crawl-like” arrangement as the Gourde has remained within a narrow band relative to an identifiable depreciation trend against the U.S. dollar since April 1, 2008. The previous change in classification from a fixed to managed floating regime took place in January 1990. Haiti's exchange system is free of restrictions on the making of payments and transfers for current international transactions. Since September 1991, all transactions have taken place at the free (interbank) market rate.

X. Safeguards Assessment

The update assessment of the Banque de la République d'Haiti (BRH) was concluded in September 2008. The authorities have made progress in implementing safeguards recommendations, but improvements are still needed in a number of areas. The qualitative analysis of the main differences between currently used accounting principles and IFRS did not reveal major differences and suggests that a gradual adoption of IFRS by the BRH is feasible. Another significant step was the adoption of the Audit Committee Charter in March 2007, followed by its constitution in February 2008. However, the capacity of this Committee needs to be strengthened. Vulnerabilities remain in the areas of foreign reserves management, the timely conduct of external audits, and timely production of audited financial statements. Since the update assessment in the context of the second augmentation was recently concluded, the conclusions of that assessment continue to be valid for the third augmentation of access.

XI. Article IV Consultation

The last Article IV consultation was concluded by the Executive Board on July 9, 2007. Haiti is on a 24-month cycle. Conclusion of the 2009 Article IV is being postponed in the wake of the January 12, 2010 earthquake until estimates of damages and balance of payment needs are firmed up.

XII. Technical Assistance

Haiti has benefited from the following IMF technical assistance missions since 2005:

Department	Dates	Purpose
FAD	April 2005	Public expenditure management
	May 2005	Tax policy and revenue administration
	November 2006	Public expenditure management
	September 2009	Public financial management
	November 2009	Tax and Customs administrations
CARTAC	April 2008	Customs administration
	November 2009	National accounts statistics
MCM	March 2005	Monetary operations
	November 2005	Implementation of a bond auction mechanism
	May 2006	Accounting of the central bank
	March 2007	Banking law (jointly with LEG)
	November 2007	BRH recapitalization plan
	March 2008	FSAP and ROSC on Banking Supervision
	November 2009	Insurance sector

	December 2009	Development of domestic debt market
STA	November 2005 and May 2006	Multisector statistics
	May, October and December 2006, April-May and	Monetary and financial statistics, Government Finance statistics
	November 2007	GDDS workshop
LEG	March 2007	Banking law

XIII. Resident Representative

Mr. Graeme Justice has been the Fund's Resident Representative since July 1, 2009.

ANNEX II. RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK

(As of January 15, 2010)

The IDB is Haiti's largest multilateral donor. It has an uninterrupted presence of 50 years in Haiti and remained strongly committed to the Government of Haiti (GOH) and its people. In light of this, the IDB is mobilizing financial and human resources to address the multiple needs of the country after the earthquake of January 12, 2010. The Bank intends to be an important contributor to the humanitarian relief efforts, reconstruction and rehabilitation activities, and delivery of basic social services in the aftermath of the shock.

The IDB, in collaboration with the WB, UN, and ECLAC, has started to work on the strategic plan for a Post-Disaster Needs Assessments (PDNA). The Bank's priority is to analyze ways of securing maximum resources for basic infrastructure reconstruction and rehabilitation. Undisbursed resources of existing commitments will be redirected to urgent works, particularly in the areas of housing, water and sanitation, electricity, social infrastructure reconstruction, and transport. The resources readily available from the existing portfolio are about US$90 million. The 2010 grant allocation for Haiti, of US$128 million will be made available to finance reconstruction activities in line with the PDNA. In addition, the Bank is seeking to leverage additional resources from other donors' fund that it manages in agreement with the co financiers to utilize already committed funds for vital activities.

Given its experience in infrastructure and its extensive exposure and presence in that sector in Haiti, the IDB is prepared to play a key role in establishing a reconstruction fund channeling both private and public resources to finance priority reconstruction works. This fund could become an integral part of a framework for long-term disaster risk management in Haiti.

Beyond the approval of grant resources for emergency assistance, the IDB is ready to provide substantial technical support to the GOH including experts in project management. This would help to support the reduced capacity of public sector managers in the short term and to advance on post-disaster work as well as ensure funded investment projects continue outside Port au Prince while leveraging the multitude of offers of assistance including from Latin American and Caribbean countries.

Key Developments in 2009

In the first quarter of 2009, the Board of Governors increased grants for Haiti to US$250 million for 2009-10, almost tripling the original amount established in the Country Strategy. After a careful examination of the most critical issue-areas for which Haiti required support and after several consultations with Government, it was agreed that the additional grants would be used to finance reconstruction works and investment projects in key programmatic areas such as social infrastructure, urban drainage and sanitation, access to potable water in urban areas, and nutrition.

In 2009, the IDB approved six major operations for a total of US$122 million from the Grant Facility, including US$25 million in budget support. Similarly, the Bank maximized the use of technical cooperation to support the operational program. Resources in the order of US$2 million were approved during the year, bringing the total size of the active technical cooperation portfolio to roughly US$22 million.

The close collaboration of the IDB's enhanced field presence with Haitian executing agencies has improved absorptive capacity. In 2009, disbursements reached US$127 million, doubling the levels of 2005-06.

The IDB has active investment projects in four key areas: a total of US$105 million or 15 percent of its active portfolio for state modernization, governance, and local development; US$302 million or 42 percent for infrastructure (energy and transport); and US$145 million or 19 percent for agriculture and the environment, and US$224 million or 29 per cent for access to basic services (water, urban rehabilitation, nutrition and education).

As part of the Enhanced HIPC and MDRI initiatives, in 2009 the IDB granted some US$511 million in debt relief, clearing the way for the Government to undertake vital public investments. The total nominal reduction in Haiti's debt stock totaled US$1 billion with annual savings from debt service of US$50 million through 2019. Annual savings on debt servicing payments to the IDB are estimated to be over US$20 million through 2022.

The IDB facilitated the renewal of Haiti's partnership with the international donor community by hosting the Donors Conference in April. The event brought together Haiti's major development partners in an effort to align existing and future aid with the Haitian government's two-year program launched during the Conference. The meeting also helped to enhance coordination between major stakeholders, including NGOs, in order to increase the efficiency and effectiveness of foreign assistance to Haiti. Donors pledged to provide US$353 million in additional aid to Haiti over the next two years. Supplementary commitments in the order of US$ 70 million subsequently followed.

Portfolio Indicators

As of December 31st, 2009, the IDB's active portfolio consisted of 27 investment operations for a total of US$797 million. The available balance, US$341 million, represents 42 percent of the total portfolio amount.

IDB Main Portfolio Indicators as of December 31st, 2010

	Projects	MIF	Co-financing/Donor-funded Operations	Technical Cooperation Operations in Execution
Number	27	21	12	44
Approved Amount (US $million)	797	8.3	140	22
Available Balance (US $million)	341	3.8	112	11

Note: Approved amount includes a budget support allocation of US$25 million.

The IDB administers a total of US$140 million from other donors. This figure includes over US$20 million in soft loans from OFID for different projects in the education, transport and water and sanitation sectors. An US$8 million grant from the EU for vocational training and agricultural health initiatives, and over US$80 million from CIDA for primary road construction and rehabilitation projects. In 2010 the IDB will continue to leverage funds from its main partners to support existing and programmed operations, particularly electricity, vocational training, and budget support. Agreements in the order of US$45 million have already been sealed with OFID, KFW, and the CDB and should operationalize in the course of the year.

ANNEX III. RELATIONS WITH THE WORLD BANK GROUP
(As of January 2010)

The World Bank stepped up its engagement in Haiti in March 2004, as part of a broader partnership between the transitional government and donors to address Haiti's social, economic and institutional needs under the Interim Cooperation Framework (ICF).

For FY 2009-12, the World Bank and the IFC have jointly prepared a Country Assistance Strategy (CAS) to align their assistance with the country's National Growth and Poverty Reduction Strategy Paper (the DSNCRP). The CAS was approved by the Bank's Board on June 2, 2009. The strategy has three main pillars: (i) promoting growth and local development; (ii) investing in human capital; and (iii) reducing vulnerability to disasters. Cutting across the CAS is an emphasis on longer-term institution building and support for the Government in the delivery of quick, visible results. The CAS also reflects the strategic imperatives of recovery, reconstruction, and risk mitigation, in the aftermath of the devastating 2008 hurricane season.

Since 2005 the Bank has approved US$283 million of IDA resources for Haiti, and more than US$55 million from trust funds (US$22 million from the Education for All Fast-Track Initiative Catalytic Fund). The total envelope of International Development Association (IDA) resources for the new four-year CAS period is around US$121 million. Normal IDA allocations were supplemented by US$40 million of post-disaster assistance following the catastrophic 2008 hurricane season. The Bank will provide an additional $US100 million as part of the response to the earthquake that devastated Haiti. In addition to new initiatives, the Bank expects to utilize the capacity of existing projects, including those that focus on education and community-driven development, to provide assistance quickly and effectively. The Bank is sending experts to work with the Government and its international partners to assess needs and losses and plan for recovery and reconstruction. Going forward, the World Bank plans to provide seed resources to establish a multi-donor trust fund, the Haiti Reconstruction Fund, to mobilize international support for recovery and reconstruction process. All current IDA and trust fund assistance is in the form of grant.

The World Bank has 14 active IDA projects, focusing on infrastructure, disaster risk management, education, economic governance, community-driven development (CDD), agriculture and avian flu. From mid-FY10 onwards, new IDA projects are envisioned in just three areas in which the Bank already has a strong program: CDD, education, and institutional strengthening (including budget support). With the limited IDA envelope, the Bank does not expect to directly finance large-scale infrastructure or agricultural investments, but will focus resources on strategic areas that tap areas of comparative advantage (such as institutional strengthening), build on the progress made by projects underway, and leverage funding from other sources. The Bank already has a close partnership in the electricity and water sectors with the Inter-American Development Bank

(IDB), in education with the Canadian International Development Agency (CIDA) and the Caribbean Development Bank, and in transport with the EU, IDB, and Agence Française de Développement (AFD). Together with IFC, the Bank will also aim for key infrastructure investments that promote private sector growth and WBG synergies. The most recent Board approvals (December. 8, 2010) were: (i) a $12.5 million Development Policy Operation (the Third Economic Governance Reform Operation); and (ii) US$12 million of Additional Financing for the Transport and Territorial Development project, to cover cost overruns and post-hurricane repairs.

The Bank has completed seven major analytical works, including a Country Economic Memorandum (CEM), a Country Social Analysis, and a Social Protection Strategy, and a joint World Bank-IADB Public Expenditure Management and Financial Accountability Review (PEMFAR). The PEMFAR provides an analytical basis in support of the government's medium and longer-term public finance reform program. The PEMFAR examines the linkages between public finance, growth and poverty with a view to helping policymakers in Haiti design the new generation of public finance reforms centered on policy actions to promote sustained and equitable growth and reduce poverty. Following the PEMFAR findings and policy recommendations, the government prepared in November 2007 its action plan, which includes priorities to advancing public finance reforms in the short and medium terms. The action plan served as a basis for the policy matrix underpinning the government's public finance reforms. The Bank has also undertaken a Financial Sector Assessment Program (FSAP) jointly with the IMF in FY 2008.

A Poverty Reduction Strategy Paper (*Rapport Annuel de la Mise en Oeuvre du Document de Stratégie Nationale pour la Croissance et la Réduction de la Pauvreté*, RA-DSNCRP) was prepared by the Government of Haiti, through a participatory process consisting of consultations with civil society, government officials, and development partners. The DSNCRP was approved by the government and submitted to the International Development Association (IDA) and the International Monetary Fund (IMF) on November 30, 2007. An annual progress report was submitted to IDA and the IMF on April 27, 2009. With the HIPC completion point attainment in June 2009, the World Bank and the IMF discussed at their respective Board the Joint Staff Advisory Note (JSAN) of one year implementation of the DSNCRP.

The International Finance Corporation (IFC) has supported the government's priorities of promoting economic growth and improving access to quality basic services, particularly for the most vulnerable groups. IFC has expanded its activities in Haiti over the past two years and established a full-time presence in the country, with three staff in its office, co-located in the World Bank office. IFC activities in Haiti have focused on four key areas: the financial sector, infrastructure, textiles, and investment climate. IFC has worked closely with IDA and the donor community to identify targeted and concrete actions that: (i) support the development of a sustainable private sector and resulting in income generating activities; and ii) help improve the business climate in infrastructure, access to finance, and SMEs.

In the financial sector, IFC addresses challenges including banks' risk aversion through investment and advisory activities, strengthening financial institutions and improving access to finance, particularly for micro entrepreneurs and SMEs. For example, IFC is providing advisory services to Haiti's largest bank, Sogebank, S.A., to create a dedicated SME unit. It is also providing ongoing advisory support to the central bank to establish a credit bureau.

To improve Haiti's inadequate infrastructure, IFC focused on enhancing private sector participation, attracting foreign direct investment and "know-how," and assisting the Government in improving capacity. IFC has two advisory mandates to: (i) assist in developing a private sector participation solution for the main airports; and (ii) structure and implement the privatization of the state-owned fixed line telecom operator TELECO. In addition, IFC has started training and capacity building for SMEs.

In FY 2006 and FY 2007, IFC provided two loans of US$15 million each to support the establishment and expansion of mobile telephone operator Digicel in the country. In FY 2009, IFC financed two financial sector projects (US$0.3million loan to Capital Bank, and $4 million equity contribution to Sogebank). In FY10, IFC committed US$16 million toward the establishment of a new private power plant by the E-Power consortium. Furthermore during 2000-10, IFC completed three advisory projects (EDH, textile companies, and Sogebank phase I), and is currently implementing six advisory operations (Business Edge training, privatization of fixed line operator TELECO, special economic zones, investment promotion, Sogebank phase II, Better Work, and Doing Business Reform).

Press Release No.xx
FOR IMMEDIATE RELEASE
January 27, 2010

International Monetary Fund
Washington, D.C. 20431 USA

Sixth Review Under the Extended Credit Facility Arrangement, Request for Waiver of Performance Criteria and Augmentation of Access Haiti

The Executive Board of the International Monetary Fund today completed the sixth and final review under Haiti's Extended Credit Facility and approved an SDR 65.5 million (equivalent to about US$102 million) augmentation to the facility, that will help Haiti cope with the aftermath of the massive and disastrous earthquake that struck the country on January 12, 2010. With the approval of this additional financing, a total of US$114 million will be disbursed by the end of this week, constituting the largest amount made available so far to the Haitian authorities after the earthquake.

Following the Executive Board discussion of Haiti, Mr. Dominique Strauss-Kahn, Managing Director and Chairman of the Board, issued the following statement:

"The powerful earthquake that struck Haiti on January 12 caused unprecedented human and economic losses to the capital and neighboring cities, home to 3 million people or about one-third of the country's population. Casualties number in the tens of thousands, and key economic and government infrastructure has been destroyed. Aside from the human tragedy, this disaster represents a major setback for the Haitian economy, following several years of progress in maintaining macroeconomic stability, resuming growth, and implementing essential structural reforms. Last year Haiti's economy grew by almost 3 percent, the second highest growth rate in the Western Hemisphere. In June 2009, Haiti received US$1.2 billion in HIPC/MDRI debt relief.

"Haiti's needs are massive and pressing. The international community has responded fast and has already mobilized substantial resources for the relief and recovery effort. The Fund's augmentation under the Extended Credit Facility provides urgently needed cash resources to the government, which will allow the authorities to acquire emergency imports without depleting Haiti's reserves.

“The Fund is participating in the coordinated international effort to assess the economic impact of the earthquake, and will assist the authorities in preparing and implementing a plan for medium-term reconstruction and economic recovery. In the short-run, the Fund, together with other development partners, is providing immediate technical support to the Haitian authorities in the area of economic management,” Mr. Strauss-Kahn said.

The emergency augmentation will provide urgently needed financing for essential imports, and make cash available to banks and transfer houses. It will also enable the authorities to maintain an adequate reserves cushion in the face of very large import needs linked to reconstruction. The emergency IMF assistance carries highly concessional terms. It is interest-free and repayments of principal are only due after a 5.5 years grace period. The financing is not subject to any additional policy conditions.

Completion of the review and the augmentation will bring total disbursements under the IMF program with Haiti to SDR 180 million (about US$281 million). The ECF has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund’s main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality (see Factsheet).

Haiti’s original three-year PRGF arrangement was approved in November 2006 in an amount equivalent to SDR 73.71 million (about US$115 million; see Press Release No. 06/258). In June 2008, the Executive Board approved the first augmentation under the PRGF arrangement amounting to SDR 16.38 million (about US$25.6 million; see Press Release No. 08/145) to help Haiti cope with the impact of high international food and fuel prices. A second increase in financial assistance amounting to SDR 24.57 million (about US$38.4 million) was approved by the Executive Board in February 2009 to help mitigate the negative effects caused by a series of hurricanes in 2008, as well as the global downturn (see Press Release No. 09/34).

Statement by Paulo Nogueira Batista, Executive Director for Haiti and Renato Perez, Senior Advisor to Executive Director
January 27, 2010

On behalf of our Haitian authorities, we would like to thank Board members and the governments they represent for their expressions of sympathy, their rapid relief efforts and offers of support for the recovery and reconstruction of the country. We would also like to thank the team working on Haiti for their diligent response to the present emergency. The Managing Director struck the right note when he called for a major multilateral aid plan to rebuild Haiti. We also welcome his decision to work with donors to try to cancel all the country's debt, including the augmentation that is now being submitted to Board consideration.

Casualties from the earthquake could reach 200,000 people, according to staff. In Hiroshima, some 70,000 people probably died as a result of the explosion of the atomic bomb and, because of radioactive fallout and other after effects, the death toll was probably over 100,000 by the end of 1945. In Nagasaki, it is estimated that 40,000 people died initially, and that the total number of deaths probably approached 70,000 by January 1946. The staff report presents a preliminary evaluation of the damages ahead of a more detailed assessment. In 2008, four successive hurricanes left Haiti with a material loss estimated at close to 15 percent of its GDP. This time, the damage in terms of GDP loss is much larger. Significant human capital has also been lost, including the death of numerous experts from both the private and public sectors, as well as prominent figures of Haiti's intelligentsia.

The current disaster is very different from the external shocks of 2008, not only for its unprecedented magnitude but above all because the earthquake struck the most central part of the government's infrastructure and the country's economic activity, including its second tourist destination (Jacmel). All three branches of government lost their main headquarters. Vital business infrastructures, such as the port, airports, banks, transports and communication, were severely damaged.

But this disaster is also unique because of the speed with which the international community pledged more than a billion dollars for relief and recovery. Our authorities welcome the rapid convening of a donors' conference and the fact that more than half of the UN's initial flash appeal of $575 million has already been contributed and pledged**.** The Executive Board of the IMF can play a role in helping to ensure that the commitments made materialize into fast disbursements aimed at financing the authorities' defined priorities.

Despite the overwhelming personal suffering – officials have lost close relatives, friends and collaborators – the government has demonstrated an enormous ability to rapidly react to the crisis. The authorities have made their own needs assessment. An emergency plan has been put together for the immediate resumption of economic and financial activities. A crisis committee composed of ministers is working under the leadership of the Prime Minister. The government has also issued a public bulletin with a preliminary evaluation of damages and casualties, as well as information on the temporary measures taken to address the emergency. These include the rationing of electricity and fuel and the reestablishment of traffic at Port-au-Prince's port and airport.

The emergency plan aims at (i) making the payment system function again; (ii) mitigating the banking sector's losses; (iii) getting the credit market rolling; (iv) ensuring that the customs office and internal revenue service use exceptional procedures to facilitate trade and economic activity; and (v) making the port partially operational. Security and public safety have been given the utmost priority. This has already allowed a gradual resumption of some vital commercial activities such as the distribution of water, the reopening of certain supermarkets and the sale of food products. Several transfer houses reopened their cashiers on the 20th and 21st of January to deliver remittances in the Port-au-Prince metropolitan area. Remittances are a key element of the relief and recovery efforts.

The earthquake struck at a time when economic performance was strong. Before the disaster, Haiti was in a good position to overcome long-standing difficulties and begin fulfilling its potential as a country.

The country had been registering considerable progress in terms of macroeconomic stabilization. Growth had restarted, albeit at a modest rate. The government was moving forward in the implementation of structural reforms. It should be noted that these considerable achievements were made in spite of exogenous shocks (notably the food and fuel price shocks and the 2008 hurricanes) and what staff calls "volatile external support". As mentioned in the staff report, that budget support fell short by US$ 50 million in FY 2009. Moreover, 90 percent of disbursements occurred during the last week of the fiscal year. Nevertheless, Haiti met all quantitative performance criteria for end-September.

During fiscal year 2009, ending September, GDP growth accelerated to almost 3 percent, the highest in the Caribbean, according to staff. The current account deficit fell from almost US$ 300 million in FY 2008 to US$210 million in FY 2009. International reserves rose from 2.9 to 3.7 months of imports, due in part to the SDR allocation. Inflation was minus 0.8 percent in the 12 months to November.

Haiti proved to be more resilient to the international crisis than might have been expected. It is noteworthy that in a crisis period exports increased by 12 percent. More importantly, remittances held up remarkably well.

The country has now suffered what amounts to a massive supply shock. Staff's very preliminary calculations indicate that GDP will fall by as much as 10 percent and inflation will shoot up to 15 percent in FY 2100. Exports are expected to decline by about 30 percent. The current account deficit (excluding official grants) will rise to almost 20 percent of GDP. Since as much as 85 percent of revenues were collected in the capital area, staff estimates that revenues (excluding grants) will collapse, falling by 43 percent in FY2010. The central government's deficit (excluding grants and externally financed projects) will almost double as a proportion of GDP.

The good track record that the Haitian authorities have established during the past five years should encourage donors to use the budget as a means to channel their assistance. It is essential that disbursements match pledges this year. The authorities should not have to resort to monetary financing because of shortfalls in committed external budget support.

The authorities are requesting an augmentation equivalent to US$100 million under the Extended Credit Facility. These resources, together with the last disbursement under the current arrangement, will help the country face immediate balance of payments needs, as explained in the staff report.

Haiti is requesting a waiver for the non-observance of the performance criterion on external debt on non-concessional terms. After protracted negotiations, the government has recently contracted a loan for the rehabilitation of the Cap Haitian that is crucial for the development of the northern part of the country. The loan has very favorable terms, but changes in international financial conditions led to a reduction in the discount rate used by staff to calculate the element of concessionality. As a result, the degree of concessionality of this loan (30.2 percent) falls somewhat short of the 35 percent benchmark established in the program. However, the difference is not large and Haiti remains committed to seeking financing on concessional terms. Before the earthquake, the authorities had been in discussions with the IDB in order to improve the financing terms for the Cap Haitian project.

There is an ongoing discussion about different types of recovery and reconstruction plans. Some have rightly noted that this crisis could be turned into an opportunity “to build better”, decentralize, modernize and give the rest of the country and the agricultural sector a chance to flourish. But the key to success in the upcoming months will be national ownership. The Haitian government has designed its short-term relief strategy and is developing its recovery plans. We should stand ready to support Haiti’s home grown plan.