May 2011
IMF Country Report No. 11/106

Haiti: First Review Under the Extended Credit Facility Arrangement—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Haiti.

In the context of the first review under the Extended Credit Facility arrangement, the following documents have been released and are included in this package:

- The staff report for the First Review Under the Extended Credit Facility Arrangement, prepared by a staff team of the IMF, following discussions that ended on March 4, 2011, 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 April 25, 2011. 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 statement of May 11, 2011 updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its May 11, 2011 discussion of the staff report that completed the request and/or review.
- A statement by the Executive Director for Haiti.

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

Letter of Intent sent to the IMF by the authorities of Haiti*
Memorandum of Economic and Financial Policies by the authorities of Haiti*
Technical Memorandum of Understanding*

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

HAITI

First Review Under the Extended Credit Facility

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

Approved by Gilbert Terrier (WHD) and Dominique Desruelle (SPR)

April 25, 2011

- **Extended Credit Facility (ECF)**. On July 21, 2010, the Executive Board approved a three-year arrangement under the ECF totaling SDR 40.95 million (50 percent of quota as of end-March 2011) and debt stock relief for an amount of SDR 178.13 million under the Post-Catastrophe Debt Relief Trust Fund (PCDR).
- **Discussions focused on program implementation and policies for FY 2011**. They were held in Port-au-Prince during November 8–13, 2010, and February 28-March 4, 2011. The missions met with the Minister of Economy and Finance, the Governor of the Central Bank, other senior economic and financial officials, and representatives of the diplomatic and donor communities. The March 2011 mission reached out to the two leading presidential candidates to inform them of the program and the reform agenda, to which they both agreed.
- **Program implementation**. The program is on track despite the difficult post-earthquake environment and delays in the electoral agenda. All performance criteria for the first review were met and all structural benchmarks were implemented, albeit with some delays. Staff recommends the completion of the first review under the ECF, in light of the good performance and the authorities' strong commitment to the program.
- **Policies for FY 2011**: Aim at consolidating the economic recovery while safeguarding macroeconomic stability. Fiscal policy seeks to strengthen revenue and restrain current expenditure to make space for much needed reconstruction and poverty-related spending. The pursuit of prudent monetary and flexible exchange rate policies will help keep inflation in the single digits and absorb external shocks.
- **Publication**. The authorities have consented to the publication of this staff report, and of their Letter of Intent and Memorandum of Economic and Financial Policies for FY 2011.
- **Staff.** The November 2010 mission comprised Mrs. Deléchat (head), Ms. Martin, Ms. Touré (all WHD), Mr. Gamba (FAD), and Ms. Riad (SPR). Mr. Terrier participated in the policy discussions. The March 2011 mission, headed by Mr. Loko comprised Mr. Bessaha, Ms. Touré (all WHD), Mr. Gamba (FAD) and Mr. Nielsen (SPR). Both missions were assisted by the resident representative, Mr. Bouhga-Hagbe. Ms. Florestal (OED) joined the policy discussions.

Contents Page

EXECUTIVE SUMMARY

The economy is recovering despite the challenging international and domestic environments. Essential state functions have been restored and prudent macroeconomic policies have helped support growth and contain inflation in the single digits. Fiscal developments so far are in line with the program, and the external position has strengthened, with end-January 2011 net international reserves exceeding 5 months of imports.

Program implementation is satisfactory. All performance criteria for the first review were met and all structural benchmarks were implemented, albeit with some delays. The indicative target on base money was exceeded and the execution of poverty-related spending was below the indicative floor. All end-December 2010 indicative targets are met, with the exception of the poverty-related spending and the base money targets. End-March 2011 performance criteria appear within reach.

The outlook for FY 2011 remains favorable. Real GDP is expected to grow by 8.6 percent, assuming concerted strong efforts by the authorities and the international community to speed up the reconstruction. International food prices would push up inflation to about 9 percent. The balance of risk is titled to the downside.

The FY 2011 budget appropriately supports the reconstruction objectives in a context of sustainable public financing. Higher public investment is expected to widen the fiscal deficit (excluding grants and externally-financed projects) to 7.4 percent of GDP, up from 5.2 percent in FY 2010. The authorities are committed to increasing domestic revenue, strengthening public procurement as well as administrative and absorptive capacity to improve budget preparation, and spending execution and quality.

Monetary policy remains geared toward keeping inflation in the single digits. The monetary policy stance remains appropriate, and the authorities stand ready to tighten it if signs of second round effects from higher international prices start developing.

Continued flexibility in the exchange rate will be critical to absorb external shocks. Reforms are needed to further improve the functioning of the foreign exchange market and give market operators a greater say in the day-to-day determination of the exchange rate.

The structural reform agenda continues to focus on improving the business climate and promoting private sector-led growth. Reforms are essential to enhance economic governance and improve the business climate. Bringing the public electricity company EDH to financial sustainability is high on the authorities' agenda.

Staff recommends the completion of the first review under the ECF arrangement, in light of the good performance and the authorities' strong commitment to the program.

I. Background

1. **International assistance is critical to recovering from the 2010 earthquake**. Donors at the March 2010 New York conference pledged about US$9.4 billion to help speed up the recovery and reconstruction process and boost long-term growth prospects (Box 1). The IMF provided emergency funds in the amount of US$110 million within two weeks after the earthquake. In support of the National Action Plan, the IMF also approved a three-year arrangement under the Extended Credit facility (ECF) in July 2010, together with debt stock relief under the Post Catastrophe Debt Relief Trust Fund (PCDR) in an amount of US$268 million. This financial support was accompanied by emergency technical assistance aimed at restoring essential state functions, including basic Treasury and revenue administration functions, and maintaining financial stability.

2. **Reconstruction is under way, albeit at a slower pace than envisaged**. Basic government functions are now operational. However, domestic rigidities, including delays in the electoral calendar, a hurricane, and the outbreak of cholera, as well as external shocks are hindering the pace of reconstruction activities and economic recovery. About 680,000 people[1] (about 7 percent of the population) are still leaving in temporary shelters, where sanitary and security conditions remain vastly inadequate.

3. **The political situation remained tense during the long electoral period**. After delays, the second rounds of both presidential and parliamentary elections were held on March 20.[2] The newly-elected president, Mr. Martelly, is expected to be sworn in on May 14 and to form a new government in the following weeks. Mr. Martelly has told staff that he supports the broad objectives of the ECF-supported program and has expressed a strong commitment to strengthen relations with the Fund. There are some risks of political instability and of a protracted process in the formation of a government as the new president does not have the majority in parliament.

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[1]About 1.5 million people were in temporary shelters in July 2010.

[2] The first round of the presidential and parliamentary elections took place on November 28, 2010. The original plan was to have the run-off on January 8, 2011 and the new President was supposed to have been sworn in on February 7, 2011.

Box 1. Haiti: External Support in the Aftermath of the January 2010 Earthquake

The humanitarian response from donors to the earthquake was quick and sizable. Donors committed US$2.3 billion for humanitarian relief to Haiti and, as of February 2011, US$1.5 billion of this total had been disbursed. Additional commitments were made to address the cholera epidemic that broke out in October 2010 (pledges amounted to US$125.3 million, of which US$55.4 million have been disbursed).

Donors committed to an extraordinary effort to help Haiti recover and develop, both in their March 2010 meeting in New York and more recently.

- Total development pledges (excluding humanitarian relief) toward the Government of Haiti's Action Plan for Recovery and Development amounted to US$5.5 billion for years 2010-11, with additional pledges for the outer years, for a global amount of US$9.4 billion. Of the US$5.5 billion pledged, nearly US$1 billion were in form of debt relief, and the balance in budget support funds, grants for projects executed through the Haiti Reconstruction Fund (HRF), other grants, and soft loans. Subsequent to the New York commitments, additional pledges have been made, raising the total by close to US$1 billion.

- As of February 2011, debt relief has been almost completely delivered but less than 31 percent of total programmable cash pledges for 2010 -11 have been disbursed, mainly as a result of the protracted electoral agenda. Cash disbursements were in the form of US$237.8 in budget support grants, US$241.1 million in grants to the Haiti Reconstruction Fund (HRF), and US$900 million in other grants and loans.

- Reconstruction activities through the HRF have been slow. As of February 2011, the HRF had disbursed only US$31.1 million (13 percent of available amount in the HRF), US$29.5 million of which for projects and US$1.6 million to cover the HRF fees. An additional amount of US$132 million has made available to the HRF, but not yet disbursed. Sectoral coverage includes disaster risk reduction, general reconstruction projects, strengthening of the administration, and financial and economic recovery. In addition, the HRF also disburses budget support grants that donors choose to channel through HRF.

Post-Earthquake Pledges, 2010-20
(as of February 2011, in million of U.S. dollars)

	2010-11			2012 and beyond	2010-20
	Pledges	Disbursements	Percentage Disbursed	Pledges	Total pledges
Post earthquake Humanitarian Relief [1/]	**2,305.2**	**1,508.8**	**65.5**		**2,305.2**
New York Conference (March 31, 2010)	**5,539.0**	**2,344.3**	**42.3**	**3,873.8**	**9,412.8**
Debt relief	1,015.2	965.2	95.1		
o/w IMF debt relief	268.0	268.0	100.0		
Programmable cash	4,523.7	1,379.1	30.5		
o/w Budget support		237.8			
o/w through HRF [2/]		241.1			
o/w direct grants and loans		900.3			
Other recovery funds [3/]	**993.5**	**552.4**	**55.6**		**993.5**
Total donor funding	**8,837.7**	**4,405.5**	**49.8**	**3,873.8**	**12,711.5**

Sources: Office of the Special Envoy for Haiti, February 2011 reports; Haiti Reconstruction Platform website; HRF Secretariat.
[1/] Additional humanitarian relief worth US$125.3 million was pledged to fight the cholera outbreak, of which 44.2 million has been disbursed.
[2/] Does not include US$45.3 million in budget support channeled through the HRF, recorded in the budget support line.
[3/] Includes US$6.8 million budget support not pledged at the New York Conference.

Contributions from private donors have also been very significant. The Office of the Special Envoy for Haiti reports that, in addition to official government and multilateral funding, private NGOs and the International Red Cross contributed over US$2.7 billion. These funds have been channeled both to humanitarian and development assistance.

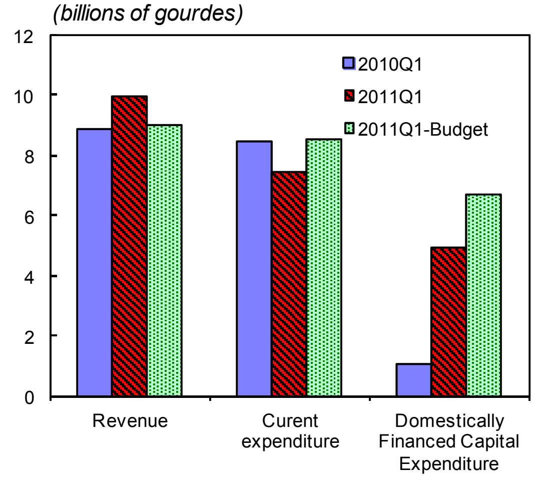
II. Recent Economic Developments and Program Implementation

4. **The macroeconomic situation has improved faster than anticipated.** This reflects the authorities' efforts to quickly restore state institutions while implementing prudent macroeconomic policies, and the sizeable donors' budget support.

- ***Growth and inflation***. The earthquake-triggered economic decline was less pronounced than anticipated in FY 2010 owing to a stable agricultural output, resilient manufacturing industries, and commerce. Real GDP growth is now estimated to have contracted by about 5 percent, compared with the initial projection of a decline of 8.5 percent. Available data suggest that the recovery is taking hold. Twelve month inflation remained in the single digit levels during most of 2010, but rose to 7.2 percent in March 2011, driven by higher international food and fuel prices.

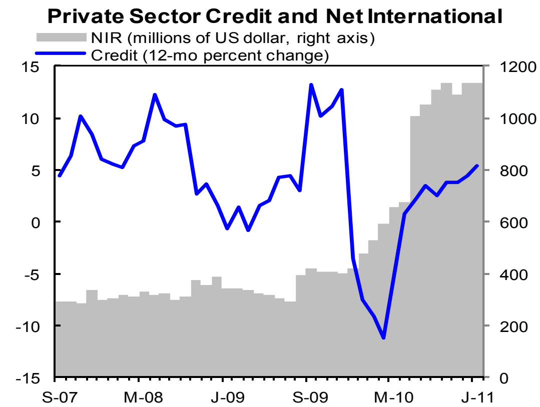
- ***Fiscal position***. The fiscal deficit for FY 2010 (excluding grants and externally-financed projects) was lower than programmed (5.2 percent of GDP compared with 6.8 percent), reflecting mainly higher domestic revenues (11.8 percent of GDP compared with a program objective of 10 percent). Current expenditures were kept broadly in line with program levels and domestically-financed investment rose to 5.5 percent of GDP, from 4.1 percent in FY 2009, on account of stepped-up disbursement of budget support (US$225 million). The overall balance including grants recorded a surplus of about 2 percent of GDP, against a 2.9 percent deficit under the program, reflecting higher grants, including the resources freed by the PCDR (4 percent of GDP). Budgetary developments so far in FY 2011 are broadly in line with program projections. Domestic revenue rose 11 percent during September-December 2010 compared with the same period a year earlier, despite lower oil-related tax collections.[3]

Domestic Revenue and Expenditure
(billions of gourdes)



[3] The authorities froze the price at the pump in March 2010, through an adjustment of the tax rates applied to the distribution chain accordingly. This generated a loss in revenue estimated at US$85 million in the first five months of FY 2011.

- ***External position***. The external current account deficit was 2.3 percent of GDP in FY 2010, slightly wider than under the program (2.1 percent) and 1 percent lower than the previous year. Net international reserves (NIRs) rose significantly, to about $1.1 billion, more than programmed, owing to capital inflows in support of the reconstruction activities. Debt relief, including by the IaDB, IMF, World Bank, and Venezuela following the earthquake also significantly helped lower the country's external indebtedness.



- ***Banking, money and exchange rate***. Banks remain liquid, and their profitability has improved. Credit to the private sector has picked-up since September; non-performing loans stood at 4.3 percent of total loans at end-December 2010. The real effective exchange rate has appreciated by 6 percent on average over the past twelve months.

5. **Program implementation remains satisfactory.**

- All end-September performance criteria were met (MEFP, Table 1). The indicative target on base money was exceeded due to higher commercial bank gourde deposits. The indicative target on poverty-related spending was not fully observed, reflecting a slower-than-expected policy response in the immediate aftermath of the earthquake. All end-December 2010 indicative targets are met, with the exception of the poverty-related spending and the base money targets. Achievement of the end-March 2011 program targets appears within reach.

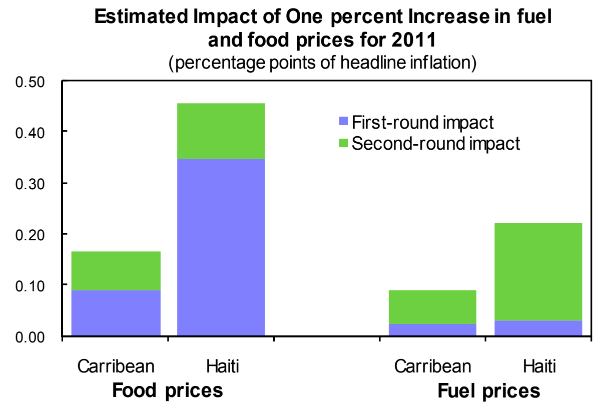
- All structural benchmarks for end-September 2010 have been implemented, albeit with some delays (MEFP, Table 2a). Implementation of structural reforms has continued, particularly in the areas of tax and customs administration, and cash management, to improve transparency and efficiency in the use of public resources.

III. POLICY DISCUSSIONS

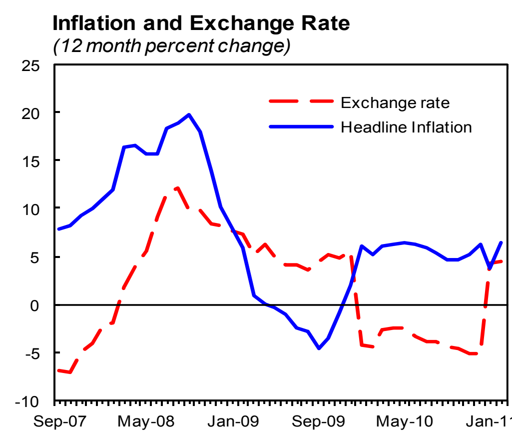
6. **The program for FY 2011 aims at consolidating macroeconomic stability and supporting the recovery and reconstruction efforts.** Over the medium-term, the challenge will be to switch from disaster recovery mode to policies aiming at ensuring high and sustained growth and reducing poverty and the country's vulnerability to external shocks. The authorities remain fully committed to the policies and objectives of the program. As noted, the president-elect has also expressed his support for the program and Fund involvement in Haiti.

A. Macroeconomic Outlook and Risks

7. **The macroeconomic framework for FY 2011 has been revised to reflect recent developments.** In view of the slippages in the electoral calendar and their impact on economic activity, staff and the authorities agreed to revise down the real GDP growth projection for FY 2011 to 8.6 percent, from 9.8 percent envisaged in the original program. This revised projection assumes a pickup in reconstruction activities in the second half of this fiscal year (March-September 2011). In contrast, the inflation target was revised slightly upward to 9 percent (from 8.6 percent in the original program) to take into account the surge in international food and fuel prices (MEFP, ¶9).[4] In late March 2011, the authorities raised the retail prices of petroleum products by 27 percent on average. The external current account deficit is forecast to reach 4.2 percent of GDP during this fiscal year, on account of higher reconstruction–related imports, to be financed by donor flows and some decline in net international reserves (NIRs).



8. **A continued rise in international fuel and food prices could seriously deteriorate economic and social conditions.** The recent increase in domestic petroleum prices did not lead to any significant social unrest. However, there is a risk that further increases in world oil prices could intensify inflationary pressures. Given Haiti's relatively strong exchange rate pass-through, this effect could be reinforced by the depreciation of the Gourde against the U.S. dollar since January, stemming from lower donor disbursements and higher food and oil imports. The rise in domestic fuel prices could also generate social unrest and exacerbate political instability, thereby negatively affecting growth.



9. **Uncertainties to the outlook are significant.** These include a slow pace of reconstruction activities, delays in the disbursements of international assistance, poor quality of capital spending, weak administrative and absorptive capacity, and natural disasters. Political instability could also hold reforms back.

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[4] Haiti's CPI basket has about 50 percent of food components and about 3 percent of fuel component.

B. Fiscal Policy and Reforms

10. **The FY 2011 budget appropriately supports the reconstruction objectives in the context of sustainable public financing**. Addressing pressing reconstruction-related needs are expected to widen the fiscal deficit (excluding grants and externally-financed projects) to 7.4 percent of GDP, from 5.2 percent in FY 2010. Domestically-financed investment spending is budgeted to increase by 2.7 percent of GDP, financed mainly by accumulated PetroCaribe resources and those freed up by the PCDR. Current expenditure would decline to 11 percent of GDP, or about ½ percentage points below the FY 2010 outcome. This will require holding the line on wages, despite new hires in priority sectors, and containing transfers and subsidies to public enterprises. Domestic revenue is budgeted to remain at 11.8 percent of GDP, notwithstanding a set of temporary policy measures in support of the reconstruction.[5] Total identified budget support commitments amount to US$169 million.

11. **Higher domestic revenue is critical for fiscal sustainability and increased spending on infrastructure and social programs.** Staff welcomed the authorities' reform agenda, prepared in coordination with donors, to broaden the tax base, and improve tax and customs administrations (MEFP, ¶13). Staff stressed the importance that the authorities limit to FY2011 the recently-adopted temporary tax relief measures aimed at promoting private sector-led reconstruction, as these measures would bring the authorities further away from their objective of rationalizing and gradually reducing exemptions.

12. **Efforts under the program are geared toward improving public financial management (PFM), economic governance, and the quality of public spending**. Steps are taken to address remaining weaknesses in budget preparation, monitoring and control, as well as in cash management, in line with recent IMF technical assistance recommendations (MEFP, ¶14). Progress in this area will also help enhance the government capability to undertake poverty-related spending. Efforts are also underway to put in place procedures to ensure the proper monitoring of investment spending in collaboration with the Ministry of Planning and External Cooperation (MPCE). In addition, the authorities have agreed to identify and consolidate all off-budget transfers to EDH, including from PetroCaribe resources, in monthly budget execution reports (MEFP, ¶11). As part of efforts to improve economic governance, the authorities are working on a revised legal framework for Public-Private Partnerships and decentralization.

13. **The efficient use of international aid flows remains a key priority to enhance the quality and effectiveness of reconstruction spending**. The government is bolstering expenditure management procedures to ensure that resources are used as intended. In this context, agreement was reached on the modalities of the use of the resources freed up by the PCDR (Box 2; and MEFP, ¶11).

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[5] These measures could impact revenue performance by about 0.2 percent of GDP. However, this will be offset by: (i) stepped up revenue collection efforts; and (ii) a car registration fee introduced in October 2010, expected to yield about 0.4 percent of GDP a year over the program period.

Box 2. Haiti: Enhancing Spending Quality through Post-Catastrophe Debt Relief Resources

PCDR resources. On July 21, 2010, the IMF Board approved debt stock relief in an amount equivalent to US$268 million (4 percent of GDP) under the Post-Catastrophe Debt Relief Trust Fund (PCDR). Haiti is the first recipient of the PCDR. The authorities have subsequently allocated the freed resources to essential projects to sustain the country's post earthquake reconstruction and economic recovery. These resources are lodged in an escrow account at the central bank from which spending will be executed.

Sectoral allocation. The resources have been allocated to finance key projects in infrastructure, social housing, the financial sector, and toward building institutional capacity. Only two major projects, including the Bowen Field and Fort National Housing projects, which aim at providing affordable social housing, have started.

Authorities' Allocation of PCDR Resources
(In million of US dollars)

Infrastructure projects	95
Social housing	50
Financial sector	110
Other	13
Total	268

Institutional framework. Staff and the authorities agreed on the main components of an action plan to build capacity, better monitor project execution, and ensure the appropriate and efficient use of the resources freed up by the PCDR. This plan includes the following elements:

- Strengthening the existing Project Coordination Unit (UCP) at the Ministry of Economy and Finance (MEF) through staffing with a multidisciplinary team of experts in project management;
- Selecting, in line with national procurement procedures, an international consulting agency that will assist UCP and other project implementation units in the government in executing projects;
- Associating the Procurement Commission (CNMP) closely to the management of these projects, in particular regarding procurement processes;
- Reinforcing the coordination mechanisms between the UCP, the CNMP, and the MPCE with a view to better defining responsibilities between institutions, speeding up project implementation while ensuring a continuous scrutiny of all phases of the project cycle, and adhering to national accounting and budget execution procedures; and
- Sharing information regularly with IMF staff on summary notes related to projects for which implementation is relatively advanced.

Quality of public spending. The establishment of this framework, accompanied with a comprehensive technical assistance program in capital spending and project management, will help enhance the effectiveness, efficiency, and quality of public investment, including projects financed with PetroCaribe resources. Other donors' projects are also expected to benefit from the framework.

C. Monetary and Exchange Rate Policies

14. **Monetary policy will remain geared toward containing inflation within single digit levels.** Staff and the authorities agreed on a monetary program for FY 2011 targeting a 15 percent increase in money growth and a 21½ percent increase in credit to the private sector. The Bank of the Republic of Haiti (BRH) stands ready to tighten monetary policy if

any signs of second round effects of the rising international food and oil prices materialize. (MEFP, ¶13). In support of a more active liquidity management, the authorities will gradually develop a market for government securities and rely on open-market operations based on T-bills rather than BRH bonds. The MEF and the BRH are expected to reach an agreement by May 2011 on the modalities for securitizing the outstanding government debt to the central bank. The regular publication of quarterly monetary policy notes is expected to raise understanding of monetary policy actions, boost transparency, and help guide inflation expectations.

15. **The authorities remain committed to maintaining flexibility in the exchange rate**.[6] They intend to further improve the functioning of the foreign exchange market (MEFP, ¶13) with Fund's technical assistance. In particular, the authorities plan to develop regular foreign exchange auctions to give the market a greater say in the day-to-day determination of the exchange rate (instead of sales in which both prices and quantity are fixed). BRH's interventions in the foreign exchange market will continue to aim at smoothing excessive volatility. Staff stressed the importance of closely coordinating monetary and exchange rate policy.

16. **Efforts have been significantly stepped up to enhance private credit growth**. The first pillar of the Private Credit Guarantee Fund (PCGF), which aims at restructuring viable bank loans impacted by the earthquake and financing business recovery, was launched in December 2010 and is now operational. The second pillar to support new lending to small and medium-sized enterprises has not been launched. Staff reaffirmed the need to ensure that the fee structure and coverage of the guarantee provides adequate incentives to banks and avoids moral hazard. In that area also, it will be important to ensure that the resources of the PCGF are fully ring-fenced and are separate from the central bank's own assets (MEFP, ¶16).

17. **Strengthening the financial sector remains high on the authorities' agenda.** Staff welcomed the authorities' plans to strengthen banking regulation and supervision, reinforce the insurance sector, and strengthen BRH's independence (MEFP, ¶ 17-19), in line with the 2008 FSAP recommendations. Staff concurs with these priorities and stressed the importance of carefully sequencing these reforms. The presentation of a new central bank law to parliament by December 2011, enshrining BHR's independence, should remain a priority.

18. **The 2010 update safeguards assessment mission found that BRH's safeguards framework are still in place despite the massive destruction of human and physical capital caused by the earthquake.** BRH was able to resume operations within a few days, and operational controls remained in place. However, while some progress has been made since the 2008 assessment, vulnerabilities remain, particularly in the area of external audits and foreign reserves management. Key recommendations of the safeguards assessment report

[6] Currently, the de facto exchange arrangement is classified "crawl like".

include (i) the appointment of an external audit firm other than the statutory auditor to conduct a review of NIRs as of September 30, 2009 and 2010; (ii) the rotation of external auditors through the appointment of a reputable international firm for the FY 2011 audit; the (iii) adoption of a global reserves management policy, covering all foreign exchange reserves (both internally and externally managed); (iv) the full oversight of the Audit Committee; and (v) the appointment of an independent compliance officer by the Investment Committee.

19. **The authorities are strongly committed to implementing the recommendations of the recent safeguards assessment report** (MEFP, ¶20). The NIRs review was conducted satisfactorily. They confirmed the level of reserves at end-September 2010, with only small discrepancies in the level of encumbered reserves. The complete NIRs review for end-September 2009 concluded that NIRs should be decreased by US$2.2 million due to the capacity constraints of the authorities and fragmentation of NIR compilation process. The end-September 2009 program targets would still be met. Steps are being taken to address these shortcomings, in line with the recommendations of the recent IMF STA mission.[7] Moreover, in order to address these safeguard vulnerabilities, the BRH should produce timely audited financial data and enhance communication and verification process during the NIRs compilation process. Consistent with the recommendations of the safeguards assessment, the authorities will select a reputable international firm by end-July 2011 to conduct an external audit of BRH for the term starting from FY 2011. They will also adopt a global reserves management policy, covering all foreign exchange reserves. The authorities have indicated that they will aim to publish annual audited financial statements within a period of six months after the end of each fiscal year.

D. Debt Management

20. **The government is committed to preserve external debt sustainability**. Given rising fuel prices and imports-related reconstruction activities, PetroCaribe-related concessional financing is projected to rise rapidly (projected at US$230-285 million a year). Thus, the ratio of debt-to-exports could exceed the threshold in the near future, as Haiti export capacity remains weak [8] (Box 3). Looking forward, the authorities intend to limit the use of PetroCaribe resources to growth-enhancing investment projects. Staff encouraged the authorities to explore avenues for investing future PetroCaribe resources in safe long-term financial assets and to spend only the difference between the present value of those assets and the debt owed to Venezuela (MEFP, ¶12).

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[7] The Statistics Department TA mission took place during February 21–24, 2011.

[8] The other two ratios are expected to remain below their thresholds. In line with the revised debt sustainability framework for Low Income Countries approved in August 2009, the next debt sustainability exercise will deepen the analysis and in particular will take into account the large remittances inflows.

21. **Debt management capacity needs to be rebuilt.** Staff and the authorities have reached understandings on a set of measures to rebuild the database that was destroyed by the earthquake. This would include strengthening the existing debt directorate capacity; drafting a public debt law establishing a sound legal and institutional framework for public debt management; and developing a medium-term debt management strategy (MEFP ¶21).

E. Other Structural Reforms

22. **The authorities recognized the need for structural reforms in the electricity sector.** They have signed a Memorandum of Understanding with IaDB and the U.S. government on the modernization of the energy sector.[9] This memorandum includes the implementation of an interim management contract to improve the financial management of the electricity company (EDH); the rehabilitation of the distribution network to reduce technical losses; and the construction of the new power plant for an industrial park in Northern Haiti.

23. **Reforms to improving the business climate are ongoing**. Key reforms seek to address the critical issue of land titles, and strengthen governance and the legal framework to improve Haiti's image as a country open for business and foreign investment (MEFP, ¶22-25). The authorities recognized that an acceleration of these reforms will be critical to develop regional economic hubs, connect local and foreign markets, and create jobs in the provinces.

[9] The World Bank is expected to join the group of donors.

Box 3. Haiti and the 2006 PetroCaribe Agreement

The agreement mechanism. Under the May 2006 PetroCaribe Agreement, Venezuela supplies fuel products to meet Haiti's domestic consumption, which is estimated at about 14,000 barrels a day. The oil import bill from Venezuela is divided into a "cash portion" and a "loan portion". The "cash portion" represents a normal supplier's credit that must be paid to Venezuela within ninety (90) days, with no interest charges for the first thirty days and a two percent annual interest thereafter. A portion of the proceeds received by the *Bureau de monetization* is used to service the "cash portion". The remainder of the oil import bill is converted into a concessional "loan portion" from Venezuela to Haiti. While the grace period remains fixed at two years, the amount of the loan portion, its interest rate, and its maturity vary with international prices. When the oil price exceeds US$40 a barrel, thirty percent of the value of fuel products is converted into a loan with a maturity of twenty three years (23), at an interest rate of one percent. When the oil price is below US$40 a barrel, the maturity of the loan is reduced to fifteen (15) years, and the interest rate is 2 percent.

Terms of Venezuelan's Loans under the Petrocaribe Agreement

International oil price (U.S.$/bbl, FOB, VZLA)	Share of value that is lent to Haiti (percent)	Loan maturity (in years)
≧ 15	5	15
≧ 20	10	15
≧ 22	15	15
≧ 24	20	15
≧ 30	25	15
≧ 40	30	23
≧ 50	40	23
≧ 100	50	23

Source. Petrocaribe Agreement between Haiti and Venezuela.

Import and financial flows. Since the PetroCaribe agreement went into force, Haiti has imported about 13.1 million barrels of fuel products (end-January 2011), amounting to about US$1.2 billion. The accumulated "loan portion" reached US$570.7 million at end-January 2011. In the aftermath of the January 2010 earthquake, Venezuela cancelled US$395 million of debt owed by Haiti. Thus, at end-January 2011, the PetroCaribe account was showing a balance of about US$180 million. Accounts receivable amounted to US$49.2 million.

Implications for debt sustainability. With oil imports slated to increase to meet rising demand, continued accumulation of PetroCaribe borrowing (projected at US$230-285 million a year) could pose some risk for external debt sustainability if PetroCaribe resources are not invested or spent in an efficient manner. Pressures on debt could also ease if Venezuela follows through its commitment expressed at the June 2, 2010 donor summit in the Dominican Republic to convert a large share of future PetroCaribe inflows into grants.

24. **The Poverty Reduction Strategy Paper (PRSP) update is under way**. The authorities have indicated that the updated version of the PRSP will be ready by September 2011, building upon progress made so far. In that context, they are also revisiting the appropriateness of the operational definition of poverty outlays. Fund and World Bank staff will work closely with the authorities on this update.

IV. Program Monitoring

25. **The program will continue to be monitored using quarterly quantitative benchmarks and semi-annual reviews based on semi-annual quantitative performance criteria and structural benchmarks**. New performance criteria have been agreed for end-September 2011 and end-March 2012. Quantitative targets are set on net international reserves, net domestic assets of the central bank, net central bank credit to the central

government and to the entire nonfinancial public sector, public sector external arrears accumulation, and non-concessional external loans contracted or guaranteed by the public sector (all performance criteria); base money, net domestic financing by the central government, domestic arrears accumulation of the central government, and a floor on poverty-reducing spending (indicative targets) (Table 1). The definitions of these quantitative targets and program adjustors are provided in the Technical Memorandum of Understanding (TMU), an update of which is attached. Structural conditionality (MEFP, Table 2) will be more parsimonious, acknowledging the need to focus limited capacity on implementation of the reconstruction activities. It is further defined in the TMU. Staff expects the second review to be completed by end-September 2011.

V. Staff Appraisal

26. **The program is on track and the economy is recovering despite the challenging international and domestic environments**. Growth has resumed, inflation remains in check, and the fiscal and external positions have strengthened. The authorities are also pressing ahead with their reform agenda.

27. **The outlook remains favorable, but downside risks could weigh on the economy.** Concerted strong efforts by the authorities and the international community are needed to speed up the reconstruction and facilitate the transition from disaster recovery to policies aimed at ensuring high and sustained growth and reducing poverty.

28. **Staff supports the broad thrust of fiscal policy** which aims to strengthen revenue and restrain current expenditure to make space for much needed reconstruction and poverty-related spending. In this context, the adjustment in domestic fuel prices to limit subsidies and current spending is welcome.

29. **The surge in domestically-financed investment is ambitious and challenging**. Steps need to be taken to increase domestic revenue, and strengthen public procurement as well as administrative and absorptive capacity to improve the quality of capital spending, including budgeting and execution.

30. **The monetary policy stance remains appropriate.** The recent increase in inflation was driven by the surge in international food and fuel prices. However, the authorities will need to remain alert and tighten the monetary policy stance if there were signs of second round effects from higher international prices. Staff welcomes the authorities' willingness to enhance BRH's independence and their plans to fully implement the safeguards assessment recommendations.

31. **Staff supports the authorities' flexible exchange rate policy**, which will help them manage capital inflows and sustain the reconstruction process. Staff encourages a timely implementation of the recommendations of the recent updated safeguards assessment.

32. **The authorities need to maintain the momentum on structural reforms to promote a sustainable broad-based private sector growth.** A robust financial sector,

better economic governance, together with a modern insurance sector will provide the pillars for attracting private investment and boosting economic opportunities. Bringing EDH to financial sustainability should be high on the authorities' agenda. Addressing longstanding structural weaknesses will help improve competitiveness and achieve high and sustained growth.

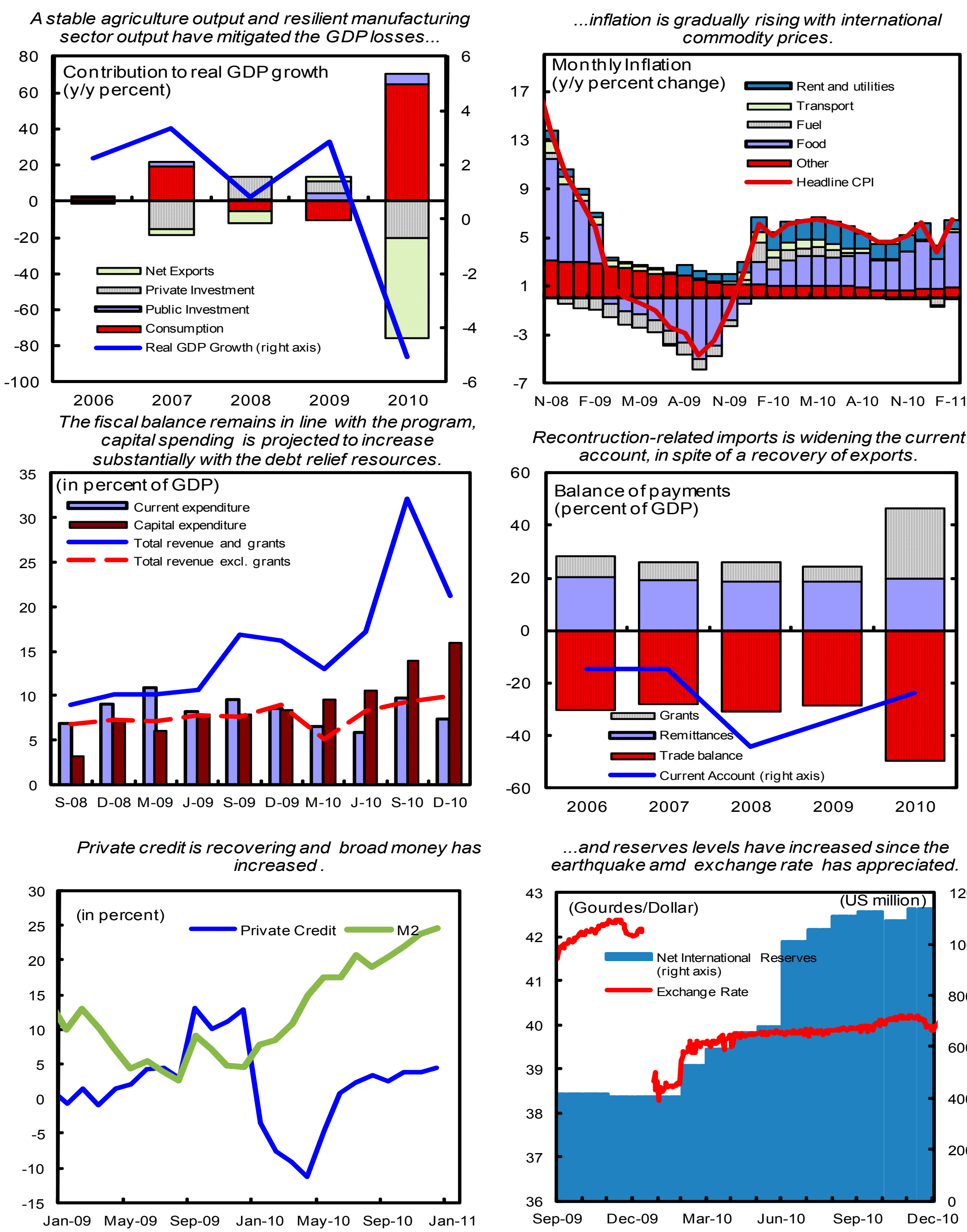
33. **Staff urges the authorities to work with the international community to develop comprehensive, well targeted, and sustainable social policies and safety nets**. Poverty remains pervasive, notably in rural areas and the country is highly vulnerable to natural disasters.

34. **Staff welcomes the authorities' commitment to increase poverty-related spending and improve access to basic social services.** The authorities should take advantage of current technical assistance on PFM to enhance capacity to meet poverty-related spending targets.

35. **Staff recommends the completion of the first ECF review**, in light of the good performance so far and the authorities' strong commitment to the program.

Figure 1. Haiti: Recent Economic Indicators

Haiti's post-earthquake economic recovery is gradually taking hold and macroeconomic developments are in line with the program.



Sources: Haitian authorities; and IMF staff calculations.

Table 1. Haiti: Selected Economic and Financial Indicators, 2008/09-2012/13

(Fiscal year ending September 30)

Nominal GDP (2009): US$6.63 billion
Population (2009): 9.9 million
Share of pop. living with less than $1 a day (2003): 54 percent

GDP per capita (2009): US$661
Adult literacy (2008): 53 percent
Unemployment rate (2003): 27 percent

	2008/09	2009/10		2010/11	2011/12	2012/13
	Est.	Prog. (EBS/10/139)	Prov.	Prog.	Proj.	
	(change over previous year unless otherwise stated)					
National income and prices						
GDP at constant prices	2.9	-8.5	-5.1	8.6	8.8	7.2
GDP deflator	4.1	8.0	4.3	6.2	7.5	6.3
Consumer prices (period average)	3.4	4.9	4.1	7.0	7.4	5.9
Consumer prices (end-of-period)	-4.7	8.5	4.7	9.1	6.5	5.4
External sector						
Exports (f.o.b.)	12.4	-12.1	2.6	10.7	10.5	10.3
Imports (f.o.b.)	-3.6	15.5	38.2	7.2	12.4	4.5
Real effective exchange rate (+ appreciation)	1.7	…	1.3			
Money and credit						
Credit to the nonfinancial public sector (net) 2/	25.3	-32.1	-125.6	-91.7	505.9	450.1
Credit to private sector	14.7	-7.7	-5.6	21.6	24.6	24.5
Base money	9.5	15.0	31.2	15.2	14.5	12.4
Broad money (incl. foreign currency deposits)	11.0	11.4	22.7	20.3	18.5	15.0
	(in percent of GDP, unless otherwise stated)					
Central government						
Overall balance	-4.4	-2.9	2.1	-6.2	-6.1	-4.0
Overall balance (excl. grants)	-11.0	-17.3	-15.5	-21.9	-20.0	-15.4
Overall balance (excl. grants and externally-financed projects)	-4.3	-6.8	-5.2	-7.4	-6.5	-4.0
Central bank net credit to the central government	0.2	0.1	-4.2	0.9	1.3	0.2
Savings and investment						
Gross investment	35.7	23.9	24.5	38.9	36.4	34.0
Gross national savings	32.3	21.7	22.2	34.6	30.1	27.5
Of which: Central government savings	1.2	2.2	3.7	3.0	2.4	2.7
External current account balance (incl. official grants)	-3.4	-2.1	-2.3	-4.2	-6.3	-6.6
External current account balance (excl. official grants)	-9.4	-28.7	-29.3	-23.3	-22.5	-19.9
Public Debt						
External public debt (end-of-period)	18.7	22.0	12.0	8.8	13.1	16.3
Total public debt (end-of-period) 3/	26.9	30.7	16.0	14.9	20.3	25.0
External public debt service (in percent of exports of goods and nonfactor services) 4/	6.1	3.1	2.3	0.9	1.8	3.2
	(in millions of U.S. dollars, unless otherwise stated)					
Overall balance of payments	-107.9	-17.3	1,042.3	-273.4	-16.1	-116.0
Net international reserves (program) 5/	416.9	568.8	1,109.7	772.2	829.2	793.2
Liquid gross reserves 5/6/	947.5	1,076.2	1,792.0	1,539.0	1,589.0	1,589.0
In months of imports of the following year	2.8	3.1	5.2	4.1	4.0	4.0
Exchange rate (gourdes per dollar, end-of-period)	41.8	…	39.9	…	…	…
Nominal GDP (millions of Gourdes)	269,906	263,736	267,286	308,335	360,505	410,907
Nominal GDP (millions of U.S. dollars)	6,634	6,495	6,632	7,620	8,771	9,998

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

1/ GDP ratios are calculated using nominal program figures for 2009 (numerator) and actual nominal GDP (denominator).

2/ Starting in 2008, reflects accumulation of Petrocaribe-related resources and their use. In 2010-11, reflects the effect of the Fund debt relief resources freed under the Post-Catastrophe Debt Relief.

3/ Coverage has been modified since EBS/09/16. 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 2009.

4/ Includes HIPC/MDRI relief beginning in 2010.

5/ Excluding commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and U.S.dollar-denominated bank reserves. The program projections and revised projection for 2009/10 and 2011 reflects the IMF debt relief of SDR 178.1 million, or 268.3 million U.S. dollars.

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, 2008/09-2012/13

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

	2008/09	2009/10			2010/11			2011/12	2012/13
	Est.	Prog. (EBS/10/139)	Rev. Budget	Prov.	Prog	Budget	Rev. Prog.	Proj.	
Total revenue and grants	47,717	64,208	71,618	78,551	90,524	95,247	86,794	96,242	102,514
Domestic revenue	29,881	26,258	30,717	31,425	33,991	36,000	36,459	46,100	55,865
Domestic taxes	19,954	16,649	18,830	19,393	22,376	21,513	22,133	30,681	36,092
Customs duties	8,958	8,702	10,783	11,394	10,777	13,678	13,512	14,468	18,689
Other current revenue	970	907	1,105	638	838	809	814	952	1,085
Grants	17,836	37,950	40,901	47,125	56,532	48,528	50,335	50,142	46,648
Budget support	3,873	10,273	10,574	8,966	5,737	5,440	6,875	2,260	205
Project grants	13,962	27,677	30,328	27,471	50,795	43,087	43,460	47,881	46,443
PCDR related grants				10,719		10,719	0	0	0
Total expenditure [1/]	59,534	71,915	87,859	72,964	102,825	105,247	104,100	118,151	119,136
Current expenditure	30,640	30,660	29,238	30,562	36,007	33,979	33,997	39,699	44,987
Wages and salaries	13,396	14,344	14,059	14,563	16,511	16,996	16,590	18,746	21,367
Net Operations [2/]	7,159	6,618	7,363	7,753	9,744	8,411	10,237	12,618	14,382
Operations [2/]	7,655	6,618	7,363	7,040	9,744	8,411	8,559	12,618	14,382
Interest payments	2,242	1,698	1,174	1,569	1,751	1,142	1,394	1,249	1,484
External	1,106	507	56	452	429	4	154	341	532
Domestic	1,136	1,191	1,118	1,118	1,322	1,139	1,241	908	953
Transfers and subsidies	7,844	8,000	6,373	6,677	8,000	7,429	7,454	7,086	7,754
o/w energy sector	3,448	3,500	2,700	2,692	4,445		3,945	2,884	3,287
Capital expenditure	28,894	41,255	58,256	42,402	66,818	70,907	70,103	78,452	74,149
Domestically financed	10,959	13,579	19,637	14,689	16,023	26,571	25,335	29,695	27,295
Of which: Treasury	2,225	12,417	18,423	13,475	14,753	25,335	24,102	28,253	25,651
o/w not related to PetroCaribe spending	4,124	6,764	11,300	9,390	10,753	12,502	11,215	17,968	25,651
o/w related to PetroCaribe spending	6,836	4,368	7,123	2,991	4,000	10,045	9,874	6,165	0
o/w PCDR related	0			0		2,788	2,782	4,120	0
Of which: Counterpart funds [3/]	1,899	1,162	1,214	1,214	1,270	1,237	1,233	1,442	1,644
Foreign-financed	17,934	27,677	38,619	27,713	50,795	43,873	44,767	48,757	46,854
Overall balance	-11,817	-7,707	-16,241	5,587	-12,301	-10,000	-18,984	-21,909	-16,622
Excl. grants	-29,653	-45,657	-57,142	-41,538	-68,834	-69,247	-67,641	-72,051	-63,270
Excl. grants and externally financed projects	-11,718	-17,981	-48,850	-13,825	-18,039	-25,374	-22,873	-23,294	-16,417
Financing	11,749	7,707	16,241	-5,587	12,301	10,000	18,984	19,854	12,512
External net financing	8,141	9,859	8,232	9,050	9,530	10,792	13,867	19,075	19,495
Loans (net)	8,141	9,859	8,399	9,050	9,530	10,792	13,867	19,075	19,495
Disbursements	9,935	10,293	8,685	9,356	9,530	10,045	14,079	19,518	19,938
Budget support	5,963	10,293	8,399	9,114	9,530	10,045	12,772	18,643	19,527
Of which: Petrocaribe	5,963	10,293	8,685	9,114	9,530	10,045	12,747	18,643	19,527
Project loans	3,972	0	8,292	242	0	785	1,307	875	411
Amortization	-1,794	-434	-60	-306	0	-38	-212	-443	-443
Arrears (net)	0	0	0	0	0	0	0	0	0
Internal net financing	2,082	-2,152	8,009	-14,637	787	-792	5,117	779	-6,982
Banking system	644	-4,704	7,123	-16,945	-988	-1,029	3,884	-1,789	-9,642
BRH	644	171	0	-11,289	0	-5,029	2,782	4,862	742
excl. Petrocaribe	644	0	0	-11,385	0	0	0	0	0
Net T-bills for recap	0	0	0	0	4,000	2,902	4,000	4,000	4,000
From PCDR account	…	…	…	-10,719	…	-7,931	2,782	4,862	742
Commercial banks	0	-4,875	7,123	-5,656	-988	4,000	1,102	-6,650	-10,384
excl. Petrocaribe	0	957	0	300	4,542	4,000	4,000	5,828	9,143
Net purchase of T-bills	0	957	0	300	4,542	4000	4,000	5,828	9,143
Nonbank financing	1,439	2,552	0	2,308	1,775	1,237	1,233	2,567	2,660
Net purchase of T-bills						0	0		
Amortization	-460	-460	-328	-460	-106	-1,000	-300	0	-1,125
Counterpart funds [3/]	1,899	1,162	1,214	1,214	1,270	1,237	1,233	1,442	1,644
Net purchase of T-bills	0	106	…	0	505	0	0	1,125	1,016
Arrears (net)	0	0	-460	0	0	0	0	0	0
HIPC interim relief	1,383	0	0	0	0	0	0	0	0
Unidentified financing (in U.S. dollars)	2	0	0	0	48	0	0	50	100
Memorandum items:									
Balance of PCDR account (in U.S. dollars)	…	…	…	…	…	…	199	-37	0
Stock of T-bills at end of year (in M Gourdes)	…	…	…	300	…	6,902	8,300	…	…

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

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

[2/] Includes statistical discrepancy.

[3/] Proceeds from sales of grants received in kind.

Table 2b. Haiti: Central Government Operations, 2008/09-2012/13

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

	2008/09	2009/10			2010/11			2011/12	2012/13
	Est.	Prog. (EBS/10/139)	Rev. Budget	Prov.	Prog.	Budget	Rev. Prog.	Proj.	
Total revenue and grants	17.7	24.3	26.8	29.4	28.5	30.9	28.1	26.7	24.9
Domestic revenue	11.1	10.0	11.5	11.8	10.7	11.7	11.8	12.8	13.6
Domestic taxes	7.4	6.3	7.0	7.3	7.0	7.0	7.2	8.5	8.8
Customs duties	3.3	3.3	4.0	4.3	3.4	4.4	4.4	4.0	4.5
Other current revenue	0.4	0.3	0.4	0.2	0.3	0.3	0.3	0.3	0.3
Grants	6.6	14.4	15.3	17.6	17.8	15.7	16.3	13.9	11.4
Budget support	1.4	3.9	4.0	3.4	1.8	1.8	2.2	0.6	0.1
Project grants	5.2	10.5	11.3	10.3	16.0	14.0	14.1	13.3	11.3
PCDR related grants		0.0	0.0	4.0	0.0	3.5	0.0	0.0	0.0
Total expenditure [1/]	22.1	27.3	32.9	27.3	32.4	34.1	33.8	32.8	29.0
Current expenditure	11.4	11.6	10.9	11.4	11.3	11.0	11.0	11.0	10.9
Wages and salaries	5.0	5.4	5.3	5.4	5.2	5.5	5.4	5.2	5.2
Net Operations [2/]	2.7	2.5	2.8	2.9	3.1	2.7	3.3	3.5	3.5
Operations [2/]	2.8	2.5	2.8	2.6	3.1	2.7	2.8	3.5	3.5
Interest payments	0.8	0.6	0.4	0.6	0.6	0.4	0.5	0.3	0.4
External	0.4	0.2	0.0	0.2	0.1	0.0	0.0	0.1	0.1
Domestic	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.2
Transfers and subsidies	2.9	3.0	2.4	2.5	2.5	2.4	2.4	2.0	1.9
Of which: energy sector	1.3	1.3	1.0	1.0	1.4	0.0	1.3	0.8	0.8
Capital expenditure	10.7	15.6	21.8	15.9	21.0	23.0	22.7	21.8	18.0
Domestically financed	4.1	5.1	7.3	5.5	5.0	8.6	8.2	8.2	6.6
o.w. Treasury	0.8	4.7	6.9	5.0	4.6	8.2	7.8	7.8	6.2
o/w not related to PetroCaribe spending	1.5	2.6	4.2	3.5	3.4	4.1	3.6	5.0	6.2
o/w related to PetroCaribe spending	2.5	1.7	2.7	1.1	1.3	3.3	3.2	1.7	0.0
o/w PCDR related	0.0			0.0	0.0	0.9	0.9	1.1	0.0
o.w. Counterpart funds [3/]	0.7	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Foreign-financed	6.6	10.5	14.4	10.4	16.0	14.2	14.5	13.5	11.4
Overall balance	-4.4	-2.9	-6.1	2.1	-3.9	-3.2	-6.2	-6.1	-4.0
Excl. grants	-11.0	-17.3	-21.4	-15.5	-21.7	-22.5	-21.9	-20.0	-15.4
Excl. grants and externally financed projects	-4.3	-6.8	-18.3	-5.2	-5.7	-8.2	-7.4	-6.5	-4.0
Financing	4.4	2.9	6.1	-2.1	3.9	3.2	6.2	5.5	3.0
External net financing	3.0	3.7	3.1	3.4	3.0	3.5	4.5	5.3	4.7
Loans (net)	3.0	3.7	3.1	3.4	3.0	3.5	4.5	5.3	4.7
Disbursements	3.7	3.9	3.2	3.5	3.0	3.3	4.6	5.4	4.9
Budget support	2.2	3.9	3.1	3.4	3.0	3.3	4.1	5.2	4.8
Of which: Petrocaribe	2.2	3.9	3.2	3.4	3.0	3.3	4.1	5.2	4.8
Project loans	1.5	0.0	3.1	0.1	0.0	0.3	0.4	0.2	0.1
Amortization	-0.7	-0.2	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.1
Arrears (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal net financing	0.8	-0.8	3.0	-5.5	0.2	-0.3	1.7	0.2	-1.7
Banking system	0.2	-1.8	2.7	-6.3	-0.3	-0.3	1.3	-0.5	-2.3
BRH	0.2	0.1	0.0	-4.2	0.0	-1.6	0.9	1.3	0.2
excl. Petrocaribe	0.2	0.0	0.0	-4.3	0.0	0.0	0.0	0.0	0.0
Net T-bills for recap	0.0	0.0	0.0	0.0	1.3	0.9	1.3	1.1	1.0
From PCDR account	…	…	…	…	…	-2.6	0.9	1.3	…
Commercial banks	0.0	-1.8	2.7	-2.1	-0.3	1.3	0.4	-1.8	-2.5
excl. Petrocaribe	0.0	0.4	0.0	0.1	1.4	1.3	1.3	1.6	2.2
Net purchase of T-bills	0.0	0.4	0.0	0.1	1.4	0.9	1.3	1.6	2.2
Nonbank financing	0.5	1.0	0.0	0.9	0.6	0.4	0.4	0.7	0.6
Amortization	-0.2	-0.2	-0.1	-0.2	0.0	0.0	-0.1	0.0	-0.3
Counterpart funds [3/]	0.7	0.4	0.5	0.5	0.4	-0.3	0.4	0.4	0.4
Net purchase of T-bills	0.0	0.0	…	0.0	0.2	0.4	0.0	0.3	0.2
Arrears (net)	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
HIPC interim relief	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.0
Memorandum item:									
Balance of PCDR account	…	…	…	…	…	…	2.6	-0.4	0.0
Stock of T-bills at end of period	…	…	…	0.1	…	…	2.7	…	…

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

Table 3. Haiti: Summary Accounts of the Banking System, 2008/09-2012/13

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

	2008/09	Prog.	Rev. Proj.	Rev. Prog.	Proj.	
	Act.	2009/10		2010/11	2011/12	2012/13
			I. Central Bank			
Net foreign assets	24,047	24,304	64,727	55,236	56,904	56,246
(In millions of U.S. dollars)	576	583	1,621	1,347	1,381	1,365
Net international reserves (program) 1/	413	301	1,106	772	829	793
Commercial bank forex deposits	268	395	621	689	666	686
Net domestic assets	7,032	11,447	-23,944	-8,254	-3,100	4,248
Net credit to the nonfinancial public sector	21,549	21,918	9,029	11,811	16,672	17,414
Of which: Net credit to the central government	23,118	23,289	11,870	14,652	19,513	20,255
Of which: t-bills				4,000	8,000	12,000
Of which: IMF PCDR Debt Relief			-10,704	-8,200	-2,637	-1,895
Liabilities to commercial banks (excl gourde deposits)	-20,711	-25,958	-33,907	-36,756	-32,443	-34,267
BRH bonds/Open market operations	-9,552	-9,500	-9,210	-8,500	-5,000	-6,000
Counterpart of commercial bank forex deposits	-11,159	-16,458	-24,697	-28,256	-27,443	-28,267
Other	6,195	15,486	934	16,691	12,671	21,102
Base Money	31,080	35,751	40,783	46,982	53,804	60,494
Currency in circulation	13,448	15,590	17,282	19,671	22,733	25,880
Commercial bank gourde deposits	17,632	20,161	23,501	27,311	31,071	34,614
			II. Consolidated Banking System			
Net foreign assets	40,584	45,406	92,809	86,810	89,868	90,446
(In millions of U.S. dollars)	972	1,088	2,324	2,117	2,181	2,195
Of which: Commercial banks NFA	396	506	703	770	800	830
Net domestic assets	62,209	69,121	33,342	64,954	90,043	116,385
Credit to the nonfinancial public sector	16,575	11,253	-4,236	-352	-2,141	-11,783
Credit to the private sector	43,002	11,253	40,585	49,370	61,512	76,569
In gourdes	19,206	21,128	21,708	25,472	31,482	39,473
In foreign currency	23,796	18,569	18,877	23,898	30,030	37,096
In millions of U.S. dollars	570	445	473	583	729	900
Other	2,633	18,171	-3,007	15,935	30,671	51,598
Broad money	102,794	114,528	126,151	151,763	179,910	206,831
Currency in circulation	13,448	15,590	17,282	19,671	22,733	25,880
Gourde deposits	41,182	44,583	48,513	57,221	66,903	76,256
Foreign currency deposits	48,165	54,354	60,355	74,871	90,274	104,694
In millions of U.S. dollars	1,153	1,303	1,511	1,826	2,191	2,541
			(12-month percentage change)			
Currency in circulation	3.2	15.9	28.5	13.8	15.6	13.8
Base money	9.5	15.0	31.2	15.2	14.5	12.4
Gourde money (M2)	9.1	10.1	20.4	16.9	16.6	13.9
Broad money (M3)	11.0	11.4	22.7	20.3	18.5	15.0
Gourde deposits	11.2	8.3	11.2	25.0	16.9	14.0
Foreign currency deposits (U.S. dollars)	13.3	12.9	25.3	24.1	20.6	16.0
Credit to the nonfinancial public sector	25.3	-32.1	-125.6	-91.7	508.3	450.4
Credit to the private sector	14.7	-7.7	-5.6	21.6	24.6	24.5
Credit in gourdes	19.2	10.0	13.0	17.3	23.6	25.4
Credit in foreign currency (U.S. dollars)	11.3	-22.0	-20.7	26.6	25.7	23.5
Memorandum items:						
Foreign currency bank deposits (percent of total)	53.9	54.9	55.4	56.7	57.4	57.9
Foreign curr. credit to priv. sector (percent of total)	55.3	46.8	46.5	48.4	48.8	48.4
Commercial Banks' Credit to Private Sector (percent of GDP) 2/	15.2	14.3	14.4	15.2	16.3	17.8

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

1/ Excluding commercial banks forex deposits, letters of credit, guarantees, earmarked project accounts and U.S.dollar-denominated bank reserves. The NIR definition has been changed relative to that of the previous program, with the SDR allocation no longer netted out as a liability. This table reports NIR under the new definition. The revised projection for 2009/10 reflects the IMF debt relief of SDR 178.1 million approved on July 2010, 21.

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

Table 4. Haiti: Balance of Payments, 2008/09-2012/13

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

	2008/09	Prog.	Rev. Proj.	Prog.	2011/12	2012/13
	Est.	2009/10		2010/11	Proj.	
Current account	-226	-139	-155	-323	-553	-658
Current account (excluding official transfers)	-621	-1,865	-1,945	-1,773	-1,974	-1,992
Trade balance	-1,481	-1,869	-2,243	-2,384	-2,691	-2,772
Exports of goods	551	485	565	626	691	763
Of which: Assembly industry	511	437	528	583	645	713
Imports of goods	-2,032	-2,353	-2,809	-3,010	-3,382	-3,534
Of which: Petroleum products	-385	-434	-544	-630	-756	-792
Services (net)	-394	-1,365	-1,030	-793	-755	-767
Receipts	379	266	237	340	372	411
Payments	-772	-1,631	-1,267	-1,133	-1,127	-1,178
Income (net)	13	-5	21	29	24	22
Of which: Interest payments 1/	-18	-13	-11	-4	-8	-13
Current transfers (net)	1,635	3,099	3,097	2,826	2,869	2,858
Official transfers (net)	395	1,726	1,790	1,450	1,421	1,334
Of which: budget support	…	255	225	169	55	5
Private transfers (net)	1,241	1,373	1,307	1,376	1,448	1,524
Capital and financial accounts	501	122	877	50	537	543
Capital transfers 2/	1,069	0	1,360	486	…	…
Debt stock reduction 2/	-1,092	0	-434	-486	…	…
Public sector capital flows (net) 3/	288	151	132	342	464	461
Loan disbursements	225	161	140	347	475	485
Amortization 1/	-38	-11	-8	-5	-11	-24
Foreign direct investment (net)	38	81	150	107	103	112
Banks (net) 4/	57	-110	-307	-67	-30	-30
Other items (net)	142	0	-24	-333	0	0
Errors and omissions	-383	0	320	0	0	0
Overall balance	-108	-17	1,042	-273	-16	-116
Financing	108	17	-1,042	273	-34	16
Change in net foreign assets	-49	15	-1,045	273	-34	16
Change in gross reserves	-259	-129	-828	253	-50	0
Liabilities	210	143	-217	20	16	16
Use of Fund credits (net) 5/	61	123	-146	21	15	15
Other liabilities	148	20	-71	0	1	1
Debt rescheduling and debt relief	157	3	3	…	…	…
Financing gap	…	…	…	…	50	100
Memorandum items:						
Current account (in percent of GDP)	-3	-2	-2	-4	-6	-7
Excluding official transfers	-9	-29	-29	-23	-23	-20
Exports of goods, f.o.b (percent change)	12	-12	3	11	10	10
Imports of goods, f.o.b (percent change)	-4	16	38	7	12	4
Debt service (in percent of exports of goods and services)	6	3	2	1	2	3
Gross liquid international reserves (in millions of U.S. dollars) /5	948	1,076	1,792	1,539	1,589	1,589
(in months of next year's imports of goods and services)	2.8	3.1	5.2	4.1	4.0	4.0

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

1/ Includes HIPC/MDRI debt relief beginning in 2010. HIPC/MDRI interim debt relief in 2009 is reflected below the line.
2/ Includes operations under the HIPC/MDRI in 2009, PCDR in 2010, and debt cancellations by IDB, World Bank, and Venezuela in 2010-11.
3/ In 2009, including an SDR allocation of $101 million.
4/ Includes NIR and commercial banks' foreign currency deposits with the BRH.
5/ In 2010, the difference between program and actual is the PCDR.

Table 5. Haiti: Financial Soundness Indicators of the Banking System, 2008/09-2010/11

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

	2008/09 End-Sept.	2009/10 End-Dec.	2009/10 End-March	2009/10 End-June	2009/10 End-Sept.	2010/11 End-Dec.
Size and Growth						
Total assets (in millions of gourdes)	107,913	114,183	120,512	127,514	137,937	140,814
Of which: central bank bonds	9,552	6,552	8,339	8,591	9,249	9,099
Of which: total loans	35,405	35,880	31,264	31,370	30,901	32,457
Total assets (in millions of U.S. dollars) 1/	2,583	2,674	3,042	3,204	3,454	3,531
Total Deposits (in millions of gourdes)	92,460	98,351	104,073	110,839	119,253	122,261
Net Profits (loss) (in millions of gourdes)	359.8	274.6	39.6	285.8	862.7	465.8
Credit/GDP	13.3	13.7	11.9	11.9	11.8	12.4
Deposits/GDP	37.8	36.9	39.0	41.5	44.7	45.8
Credit growth (net) from year before 2/	14.2	15.2	0.9	(2.6)	(12.7)	(9.5)
Capital adequacy						
Regulatory capital to risk-weighted assets 3/	16.4	11.7	10.7	11.3	13.4	16.4
Capital (net worth) to assets	6.7	6.9	6.5	6.2	6.2	6.5
Asset quality and composition						
Loans (net) to assets	30.9	29.6	24.0	22.6	21.3	22.1
NPLs to gross loans	8.5	8.6	12.3	11.7	5.7	5.4
Provisions to gross loans	5.9	5.8				
Provisions to gross NPLs	69.6	66.7	59.8	69.8	84.1	77.5
NPL less provisions to net worth	12.6	13.0	15.4	15.3	3.2	4.3
Earnings and profitability (annualized)						
Net Earnings/Assets (ROA)	1.4	1.0	0.1	0.9	2.6	1.3
Net Earnings/Equity (ROE)	20.5	14.5	2.0	14.6	41.9	21.0
Net interest income to gross interest income	87.3	86.6	87.9	88.5	86.6	90.9
Operating expenses to net profits	74.1	76.2	75.4	72.8	57.7	68.0
Efficiency						
Interest rate spread in gourdes 4/	19.5	19.1	20.5	20.0	20.0	20.0
Interest rate spread in U.S. dollar 4/	10.9	11.4	9.9	11.5	11.4	11.4
Liquidity						
Liquid assets to total assets 5/	46.9	54.4	48.4	48.4	51.0	51.1
Liquid assets to deposits 5/	44.4	49.5	49.5	49.5	51.3	51.5
Market Risk						
Foreign currency loans to total loans (net)	68.9	64.4	66.7	62.5	60.1	59.7
Foreign currency deposit to total deposits	56.9	60.1	59.8	59.5	60.3	60.5

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 between average lending rate and average fixed deposit rate in the banking system.
5/ Liquid assets include cash and central bank bonds.

Table 6. Haiti: Indicators of External Vulnerability, 2007/08-2012/13 [1]

(Units as indicated)

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
					Proj.	
Debt indicators						
Total external public debt (in percent of GDP)	28.1	18.7	12.0	8.8	13.1	16.3
Total external public debt (in percent of exports [2])	222.7	133.7	99.0	69.4	108.1	138.5
External debt service (in percent of GDP)	0.7	0.4	0.1	0.1	0.1	0.2
External debt service (in percent of exports [2])	8.2	3.9	2.3	0.9	1.8	3.2
External debt service (in percent of current central govt. revenues)	10.2	5.1	2.4	1.0	1.7	2.8
Other indicators						
Exports (percent change, 12-month basis in U.S. dollars)	6.8	11.6	-13.7	20.4	10.1	10.3
Imports (percent change, 12-month basis in U.S. dollars)	19.7	-1.7	45.3	1.7	8.8	4.5
Remittances and grants in percent of gross disposable income	20.7	19.7	31.8	27.0	24.6	22.2
Real effective exchange rate appreciation (+) (end of period)	2.7	1.7	1.3	…	…	…
Exchange rate (per U.S. dollar, period average)	38.3	40.7	40.3	…	…	…
Current account balance (US$ million) [3]	-289.1	-226.4	-155.2	-322.9	-553.1	-658.5
Capital and financial account balance (US$ million) [4]	306.9	501.2	877.2	49.5	537.1	542.6
Public sector	284.1	287.9	132.4	342.1	464.1	460.6
Private sector	22.8	213.3	744.8	-292.5	73.0	82.0
Liquid gross reserves (US$ million)	707.8	947.5	1792.0	1539.0	1589.0	1589.0
In months of imports of the following year [2]	3.0	2.8	5.2	4.1	4.0	4.0
In percent of debt service due in the following year	1958	5043	19823	8069	4247	2558
In percent of base money	99.6	127.4	175.5	134.3	121.7	108.2

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

[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 7. 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.

Table 8. Haiti: Proposed Schedule of Disbursements

Amount	Availability Date	Conditions for Disbursement [1/]
SDR 8,190,000	July 15, 2010	Executive Board approval of the three-year arrangement under the ECF.
SDR 8,190,000	January 15, 2011	Observance of performance criteria for September 2010 and completion of the first review under the ECF arrangement.
SDR 4,914,000	July 15, 2011	Observance of performance criteria for March 2011 and completion of the second review under the ECF arrangement.
SDR 4,914,000	January 15, 2012	Observance of performance criteria for September 2011 and completion of the third review under the ECF arrangement.
SDR 4,914,000	July 15, 2012	Observance of performance criteria for March 2012 and completion of the fourth review under the ECF arrangement.
SDR 4,914,000	January 15, 2013	Observance of performance criteria for September 2012 and completion of the fifth review under the ECF arrangement.
SDR 4,914,000	July 15, 2013	Observance of performance criteria for March 2013 and completion of the sixth review under the ECF arrangement.

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

Table 9. Haiti: Indicators of Capacity to Repay the Fund, 2011-2023

(In millions of SDRs; unless otherwise noted)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund obligations based on existing credit													
Principal	0.0	0.0	0.0	0.0	0.0	1.6	1.6	1.6	1.6	1.6	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit													
Principal	0.0	0.0	0.0	0.0	0.0	2.5	4.8	6.7	8.2	8.2	5.7	3.4	1.5
Charges and interest	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Total obligations based on existing and prospective credit													
In millions of SDRs	0.1	0.2	0.2	0.2	0.2	4.3	6.6	8.5	10.0	10.0	5.8	3.5	1.6
In millions of U.S. dollars	0.1	0.2	0.3	0.3	0.3	6.7	10.2	13.2	15.5	15.5	9.1	5.5	2.4
In percent of exports of goods and services	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.8	0.8	0.8	0.4	0.2	0.1
In percent of debt service	1.4	1.2	0.8	0.5	0.3	5.5	7.9	9.6	10.5	9.8	5.4	3.0	1.2
In percent of government domestic revenues	0.2	0.1	0.1	0.0	0.0	0.3	0.4	0.4	0.5	0.4	0.2	0.1	0.0
In percent of quota	0.1	0.2	0.2	0.2	0.2	5.2	8.0	10.4	12.2	12.1	7.1	4.3	1.9
In percent of gross international reserves	0.0	0.0	0.0	0.0	0.0	0.4	0.6	0.8	0.9	0.9	0.5	0.3	0.1
Outstanding Fund credit (end of period)													
In millions of SDRs	21.3	31.1	41.0	41.0	41.0	38.5	33.7	27.0	18.8	10.6	4.9	1.5	0.0
In millions of U.S. dollars	33.3	48.6	63.9	63.8	63.7	59.8	52.4	42.0	29.3	16.5	7.6	2.3	0.0
In percent of exports of goods and services	3.5	4.6	5.4	4.9	4.5	3.9	3.2	2.4	1.6	0.8	0.4	0.1	0.0
In percent of debt service	368.7	254.9	170.8	102.7	72.2	49.9	40.9	30.6	19.9	10.5	4.5	1.3	0.0
In percent of government domestic revenues	3.7	4.3	4.7	4.2	3.7	3.2	2.6	1.9	1.3	0.7	0.3	0.1	0.0
In percent of quota	26.0	38.0	50.0	50.0	50.0	47.0	41.2	33.0	23.0	13.0	6.0	1.8	0.0
In percent of gross international reserves	2.1	3.0	3.9	3.9	3.9	3.6	3.2	2.6	1.8	1.0	0.4	0.1	0.0
Memorandum items:													
Exports of goods and services [1/]	966	1,064	1,174	1,293	1,421	1,535	1,643	1,759	1,883	2,015	2,157	2,309	2,472
Debt service [1/]	9.0	19.1	37.4	62.1	88.2	119.9	128.3	137.4	147.0	157.4	168.5	180.3	193.0
Government domestic revenues [1/]	901	1,122	1,359	1,536	1,728	1,889	2,021	2,164	2,316	2,479	2,654	2,840	3,040
Quota as of end-March 2011	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, end of period [1/]	1,593	1,643	1,643	1,643	1,643	1,643	1,643	1,643	1,643	1,643	1,744	1,867	1,998
Gross Domestic Product [1/]	7,620	8,771	9,998	11,286	12,267	13,130	14,054	15,044	16,103	17,236	18,449	19,748	21,138

Sources: Haitian authorities; and Fund staff projections.

[1/] In millions of U.S. dollars.

APPENDIX I. LETTER OF INTENT

April 25, 2011

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

Dear Mr. Strauss-Kahn:

1. The Government of Haiti continues to make good progress in achieving key objectives under its national action plan, which is supported by the IMF under an ECF arrangement. Basic government functions are now restored and the reconstruction is under way. The macroeconomic situation has improved significantly on account of prudent policies and donor support. Despite some delays or postponements in donor disbursements, the outlook for 2011 is favorable, although we are well aware of the risks stemming from domestic factors as well as uncertainties surrounding the global economic outlook and the corresponding need to maintain a cautious macroeconomic policy stance.

2. We are pleased to report that implementation of the program is on track despite the challenging domestic and international environments. All quantitative performance criteria for end-September 2010 were met. However, the indicative target on poverty-related spending was not fully observed, reflecting a slower-than-expected response in the immediate aftermath of the earthquake. All end-December 2010 indicative targets and end-March 2011 performance criteria are expected to be met.

3. Key challenges for FY 2011 are to accelerate the reconstruction, improve public services, and strengthen economic governance to support the recovery while maintaining macroeconomic stability. Facilitating the transition from disaster recovery to policies aimed at ensuring high and sustained growth and reducing poverty and the country's vulnerability to external and natural shocks are also important challenges. We believe that the policies set forth in the attached Memorandum of Economic and Financial Policies, which supplements the July 2010 MEFP, are adequate to achieve these objectives.

4. In support of its policies and in view of the progress made in implementing the program supported by the ECF arrangement, the government requests the completion of the first review and the approval of the second disbursement of an amount equivalent to SDR 8.19 million. The second program review, assessing performance based on end-March 2011 performance criteria and structural benchmarks will be conducted in July 2011. The third review, assessing performance at end-September 2011, is envisaged for November 2011.

5. We will regularly update the IMF on economic and policy developments and will provide the data needed for adequate monitoring of the program. The government will continue its policy dialogue with the IMF and is prepared to take any further measures as appropriate to meet its program objectives. We will consult with the Fund ahead of any revisions to the measures outlined in the MEFP, in accordance with the Fund's policies on such consultation. We have no objection to publication of this letter of intent, the attached MEFP, and the staff report on the first ECF review.

Sincerely yours,

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

APPENDIX II. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. Introduction

1. Against the back of a difficult post-earthquake environment, including slow aid disbursements, low capacity, the outbreak in the cholera epidemic, and delays in the electoral agenda, we have been able to keep the ECF-supported program on track. The daunting challenges that lie ahead will continue to require a concerted effort by the government and our development partners.

2. On the political front, the president-elect, Mr. MARTELLY, is to be sworn in on May 14. The new government is expected to be seated in June.

3. This Memorandum of Economic and Financial Policies (MEFP) supplements and updates that of July 2010. It outlines and revises policy objectives and commitments and the macroeconomic framework for the second half of FY 2011 (March-September 2011). Unless explicitly noted, policy intentions from the July 2010 MEFP remain appropriate.

II. Recent Economic Developments

4. **One year after the devastating earthquake, economic recovery is gradually taking hold.** GDP growth is estimated to have contracted by about 5 percent in FY 2010, about 3.5 percentage points less than anticipated in the program. Inflation has remained in the single digits although it rose to 7.2 percent (y/y) in March 2011, driven by higher international food and fuel prices.

5. **The fiscal deficit (excluding grants and foreign-financed projects) in FY 2010 was lower than programmed** (5.2 percent of GDP compared to 6.8 percent). Revenue exceeded the program target by about 20 percent, and current spending remained in line with program levels despite the wage bonus of G 1.2 billion (0.5 percent of GDP) granted in August to help civil servants face additional and unanticipated expenses caused by the earthquake. Domestically-financed investment increased from 4.1 percent of GDP in FY 2009 to 5.5 percent of GDP on account of higher revenue and stepped-up disbursement of budget support (US$225 million). We did not resort to new net central bank financing and our first issuance of T-bills was conducted successfully on September 28. Our decision to freeze the fuel price at the pump in March 2010, in the aftermath of the earthquake, implied foregoing revenues of some US$26 million (0.3 percent of GDP) from March to September 2010 and US$85 million (1.1 percent of GDP) from October 2010 to February 2011. Strong performance in other domestic taxes has helped offset these losses. However, recognizing the lack of fiscal space to continue the price freeze without severely worsening the fiscal position, we raised domestic fuel prices (27 percent on average) on March 22, 2011.

6. **The external position has improved, with relatively high reserves and low public debt**. The external account deficit (including official grants) was somewhat wider than envisaged at 2.3 percent of GDP. The rapid growth of reconstruction-related imports and

lower net private transfers more than offset a strong recovery of exports, and higher official transfers. Private capital inflows and capital transfers from the IDB, IMF, World Bank, Canada, France, Italy, and Venezuela[1] contributed to a significant improvement in the capital account as well as the overall balance. Net international reserves increased markedly to US$1.1 billion at end-January 2011, from US$0.4 billion at end-September 2009.

7. **Monetary and financial developments have been favorable.** Credit to the private sector has picked-up in the first quarter of FY 2011. As a result of a large write-off of Socabank-related non performing loans (NPLs) at BNC in September, system-wide NPLs fell to 5.6 percent of total loans, and financial sector profitability increased. The first pillar of the Partial Credit Guarantee Fund (PCGF) was launched in December 2010 and has started operations to help restructure small loans that were performing well but that had been adversely affected by the earthquake. A comprehensive assessment of the health of the insurance sector is under way, and we have taken initiatives to strengthen its legal and monitoring framework.

III. Performance under the Program

8. **Program implementation has been satisfactory**:

- End-September data indicate that all quantitative performance criteria were met. The net central bank credit to the non-financial public sector stood at G1.3 billion, compared with a ceiling of G0.4 billion of positive financing.[2] The indicative target on base money was exceeded due to increased bank deposits. Base money grew by 31.2 percent at end-September 2010 (y/y), of which 12.1 percent were due to higher growth in currency in circulation and 19.2 percent to higher growth in gourde deposits. The execution of poverty-reducing expenditures was below the indicative floor because of a slower-than-expected response in the immediate aftermath of the earthquake.

- All end-September 2010 structural benchmarks were implemented, albeit some with delays. While the benchmarks on publication of poverty-related spending, government transfers, fiscal expenditures, and externally-audited financial statements of the BRH were met on time, the structural benchmark related to the publication of investment spending by project was observed on October 20. The benchmarks on the publication of monthly consolidated Treasury balances, on the list of government and donor accounts at the BRH and BNC, and on the composition and work program of

[1] IFAD's initiative to provide debt relief to Haiti is ongoing (to be financed by member country contributions and, if necessary, IFAD's own resources). Debt owed to Canada, France (only part of the stock), and Italy was cancelled in June 2009, in the HIPC/MDRI context.

[2] The Ministry of Economy and Finance acknowledged and recorded in its fiscal accounts the losses associated with past liabilities arisen from debts to Teleco, the public telecommunication company, and from guarantees to BNC, a large commercial bank, which had both been covered by the BRH.

the working group in charge of the reform of the revenue administration and the tax system were observed in March 2011.

- All end-December 2010 indicative targets are met, with the exception of the poverty-related spending, albeit with a lower margin and the base money targets. We believe that compliance with end-March 2011 PCs is within reach.

IV. Government Program for the Second Half of FY 2011

9. **Our policies aim at consolidating the economic recovery while safeguarding macroeconomic stability**. In this connection, we will continue to implement a coherent set of macroeconomic policies aimed at managing large aid inflows, international food and fuel price shocks and carefully coordinate fiscal, monetary, and exchange rate policies. The main macroeconomic objectives for FY 2011 are: (i) a real GDP growth rate of about 8.6 percent, supported by strong investment in agriculture, and the take-off of reconstruction activities; (ii) an inflation target of about 9 percent, taking into account rising international food and fuel prices; (iii) a current account deficit of 4 percent of GDP; (iv) a fiscal deficit, excluding grants and externally-financed projects, of 7.4 percent of GDP; and (v) a level of reserves equivalent to about 4.1 months of imports.

10. **Downside risks remain.** These risks include possible delays in the establishment of the new government team at the Parliament level; further increases in international fuel and food prices; delays in disbursements of international assistance; sanitary challenges, notably those associated with the cholera epidemic; and continued weaknesses in administrative capacity that tend to hamper program implementation.

A. Macroeconomic Policies

Fiscal policy

11. **The FY 2011 budget appropriately supports our reconstruction objectives while providing sufficient room for poverty-related spending within the context of sustainable public financing**. The fiscal deficit (excluding grants and externally-financed projects) is projected to widen to 7.4 percent of GDP (up from 5.2 percent in FY 2010), reflecting further current expenditure containment, and a significant increase in public investment.

- Revenue is projected to remain at 11.8 percent of GDP despite the introduction of temporary measures (limited to FY 2011) to facilitate the reconstruction,[3] including:

[3] The estimated revenue losses from these measures, which came in effect in January 2011 is equivalent to about G 0.8 billion. To limit fraud and an erosion of the tax base, the fiscal cost of these measures will be subject to an ongoing assessment. However, this will be offset by (i) stepped up revenue collection efforts; and (ii) the car registration fee which was introduced in October 2010, and is expected to yield about 0.4 percent of GDP a year over the program period.

(i) a reduction by half in the registration fees for mortgage registration; (ii) an exemption of capital goods for the productive sector from custom duties; (iii) an exemption of insurance payments from taxes if the proceeds are invested; (iv) a 10 percent tax rebate on revenues from real estate to promote investment in housing; (v) an exemption on imports of prefabricated housing of up to G 0.5 million from customs duties; (vi) a deduction by landlords of higher expenses from their taxable income, up to the amount of rent declared before the earthquake; and (vii) the subtraction by private firms of their donations to non-profits organizations from their tax payments. Budget support from international donors is expected to reach G 6.9 billion or 2.2 percent of GDP.

- Current expenditure budget will be limited to 11 percent of GDP, down from 11.4 percent in FY 2010.

  - The wage bill will remain unchanged at 5.4 percent of GDP despite provisions to: (i) regularize past appointments that had not been added to the regular payroll; (ii) pay salaries for new recruitments, in particular in the justice, education, and health ministries; and (iii) adjust low and intermediate salaries to bring the lowest salaries to the legally-prescribed minimum level, and eliminate disparities among similar categories of civil servants.

  - Transfers will be reduced by 0.1 percentage points of GDP to 2.4 percent of GDP. To achieve this target, we will closely monitor all transfers, especially those to the electricity company (EDH) which gets additional support through counterpart funds and off-budget transfers from PetroCaribe resources.[4] All transfers for EDH will be consolidated in monthly reports by June 2011 (*structural benchmark*). We have signed a Memorandum of Understanding (MoU) with partners, including the IDB, the USAID, and the U.S. State Department, to outline a strategy for the overall energy sector. In the short-run, we will sign an interim management contract with an international private firm for the management of EDH.

  - Operations are projected to be lower by 0.2 percentage points of GDP, amounting to 2.8 percent of GDP.

12. **We are determined to improve access to basic social services and strengthen the resilience against natural disasters.** We will raise priority social expenditures by at least 30 percent in FY 2011 compared with FY 2010. We will focus on the delivery of public services, social safety nets, educational and health care systems, as well as transportation and

[4] Preliminary data suggest that total transfers to EDH could amount to as much as 3 percent of GDP in FY 2011.

communication infrastructure. In that context, we will take advantage of current technical assistance on PFM to enhance our capacity to meet poverty-related spending targets.

- The partial use of resources freed up by the PCDR debt relief (US$68 million), the use of PetroCaribe-related resources (US$245 million), and an increase in Treasury-financed investment projects (US$275 million) will allow us to increase domestically-financed investment from 5.5 percent of GDP in FY 2010 to 8.2 percent in FY 2011. The expanded public investment program will incorporate projects reflecting the priorities identified in our national action plan for reconstruction and development.

- We are committed to enhancing the quality of spending through a close monitoring of investment projects, including projects financed with PetroCaribe resources and PCDR debt relief. In the particular case of projects financed with resources freed up by the PCDR, and as a first step we have: (i) created an escrow account at the central bank from which spending will be executed; (ii) prepared the roadmap guiding the management of these projects; (iii) designated the existing Project Coordination Unit (UCP), a unit of the Ministry of Economy and Finance which is already in charge of World Bank and IDB projects to oversee implementation of those projects; (iv) drafted terms of references to hire a reputable international firm of consultants to assist UCP in executing projects financed with freed up resources by the PCDR; and (v) shared with IMF staff the project summaries as well as those related to the two projects (Bowen Field and Fort National housing projects).

- Looking further, by end-June 2011 we will select, in line with national procurement procedures, the international consulting agency that will assist UCP (*structural benchmark*). Meanwhile, we will start to: (i) strengthen the UCP, including through staffing with a multidisciplinary team of experts in project management and responsibility for ordering payments for project work orders; (ii) closely associate the Procurement Commission (CNMP) to the management of these projects, in particular on procurement processes; (iii) reinforce coordination mechanisms between the UCP, the Procurement Commission (CNMP) and the Ministry of Planning and External Cooperation (MPCE) with a view to better defining responsibility between institutions, speeding up project implementation while ensuring a continuous scrutiny of all phases of the project cycle, and adherence to national accounting and budget execution procedures.

- In addition, we will prepare by end-September 2011 a manual of operations (*structural benchmark*) and a procurement plan. The manual of operations will include procedures and internal controls mechanisms to be implemented in order to ensure that the goods and services purchased are effectively delivered according to the terms and specifications agreed with the providers. We will continue to share with IMF staff the summaries of projects financed with resources freed up by the PCDR and publish on a regular basis reports on their implementation. Future steps will be based on the roadmap we have shared with IMF staff.

- We will also: (i) adopt by end-March 2012 a comprehensive action plan to improve the quality of the overall public investment spending (*structural benchmark)* with technical assistance from donors; and (ii) explore ways to consolidate the various multi-sectoral project management units under the authority of the MEF to ensure consistency between all projects and further strengthen the overall quality of public investment.

- We will use PetroCaribe resources prudently to preserve debt sustainability. The projected increase in demand for reconstruction-related oil imports combined with higher international fuel prices are expected to increase PetroCaribe-related concessional financing, which will likely put upward pressure on debt ratios. In this connection, PetroCaribe-related spending will be directed to growth-enhancing investment projects within the limits of the envelope programmed after the earthquake (a total of 4.3 percent of GDP over FY 2010 and FY 2011). In addition, we will explore avenues for investing future PetroCaribe resources in safe long-term assets.

Monetary and exchange rate policies

13. **The monetary authorities will continue to implement a sound monetary policy, consistent with the inflation objective**.

- The monetary program for FY 2011 targets a 15.2 percent increase in money growth and 21.6 percent increase in credit to the private sector. BRH stands ready to tighten the monetary policy stance to pre-empt monetary-driven inflationary pressures and second round effects that could arise from rising international food and oil prices. In support of a more active liquidity management, we will gradually develop a market for government securities and rely on open-market operations based on T-bills rather than BRH bonds.

- We are committed to maintaining flexibility in the exchange rate in the context of large capital inflows. By end-December 2011, we will develop an exchange rate management strategy encompassing a reform of the foreign exchange market (*structural benchmark)*. With technical assistance from the Fund, we will design a system of weekly two-way FX auctions, where market participants can buy and sell foreign exchange. Such a system would help introduce more flexibility in the exchange rate while providing banks with a market in which they can trade positions.

- To enhance visibility of our monetary policy actions, we will first publish a six-month monetary note covering April through September 2010, and we will restart thereafter the publication of our quarterly monetary policy notes.

B. Structural Reforms

Revenue measures and tax administration

14. **We will continue our efforts to broaden the tax base and simplify the tax system, in line with best practices.** Consistent with our medium-term strategy to boost revenue collections to 13.6 percent of GDP by FY 2013, we have introduced car registration fees in October 2010, expected to yield about 0.4 percent of GDP a year over the program period. We intend to implement a set of measures in FY 2011 aimed at strengthening our management and accountability frameworks, including: (i) the development and adoption of a set of internal performance indicators for DGI and AGD by end-December 2011 (*structural benchmark)*; and (ii) the implementation of the new customs code after it has been approved by Parliament. We will also finalize our action plan for both tax policy and administration, which will be presented to donors in the near future to elicit their financial and technical support.

Public financial management (PFM) and economic governance

15. **Improvements in PFM and economic governance remain at the core of our strategy.** We will continue to work together with our main development partners, and have identified key measures to further strengthen PFM and economic governance. These measures are summarized in the common conditionality matrix which presents the set of reforms that we will implement in the short-term and our objectives. To that effect, we will strengthen:

- ***The framework of annual budget preparation***. To enhance our ability to prepare medium-term macroeconomic and expenditure frameworks, we will establish a new direction/office in charge of economic promotion. It will oversee both the direction of economic studies (DEE) and the already-established macro-fiscal unit at the Ministry of Economy and Finance, which has benefited from the assistance of an external consultant. The unit will model economic and fiscal developments and provide inputs to shape active fiscal policy and budgeting in a changing and complex environment.

- ***Budget execution and reporting***. We will continue our efforts toward accurate and transparent reporting of budget execution, including through online publication of various reports, to help inform budget preparation and improve Treasury management, while enhancing overall accountability and governance. In particular:

    - We are committed to finalizing the implementation of the computerized management system SYSGEP. We plan to publish reports from that system by end-September 2011.

    - Starting in September 2011 we will eliminate discrepancies between the accounts provided by BRH, Treasury, revenue agencies, and the TOFE.

- ***Treasury management***. The preparation and publication of a monthly cash plans including PetroCaribe spending and financing needs will help better align the timing of donor support to the country's needs, and enhance transparency and prioritization in spending execution

- ***Government financing framework***. Building on our successful issuances of T-bills in September 2010 and January 2011, we will gradually step up our issuance of government securities to smooth out cash management. This should also have a catalyst effect on the development of financial markets. Our goal is to finalize by end-June 2011 preparation of the reform to expand the primary T-bill market and allow for the issuance of government bonds. In this process, we will take full advantage of the recommendations of the Consultative Committee for the Implementation of the T-bill program. A predetermined public auction calendar for T-bills will also be established, based on an assessment of the government's quarterly financing requirements and domestic market absorption capacity. This calendar will also specify the amounts of T-bills to be issued for government financing and those for the securitization of the debt to BRH.

Financial sector

16. **A robust banking sector is essential to sustain a private sector-led growth**. In order to help restart private credit, and after the successful launch of the first pillar of the PCGF which guarantees existing loans, we are planning to launch the second pillar to guarantee new loans. We will use up to US$70 million of the resources freed up by the PCGF to support both pillars as needed, beginning immediately with support to pillar 1 and then to pillar 2 as soon as it is launched. We will ensure that the fee structure and coverage of the guarantee provide adequate incentives to banks and avoids moral hazard; that the resources of the PCGF are fully ring-fenced and kept separate from the central bank's own capital; and the proposed management structure avoids conflicts of interests.

17. **We will continue to strengthen banking supervision in FY 2011**. In particular, we will: (i) inspect all banks in order to assess their situation after the earthquake; (ii) enhance and update the prudential legislation, to ensure consistency with the banking law, once approved by the Senate, and the Basel rules; and (iii) establish a credit information bureau.

18. **We will take measures to reinforce the insurance sector, which has been severely weakened by the earthquake**. Some insurance companies suffered significant losses from the earthquake because they were not adequately reinsured. With the help of our international partners, we will audit and assess the health of all insurance companies. We will also set up a regulatory and supervisory framework for insurance companies during FY 2011.

19. **During FY 2010–11, we will take further steps to enhance BRH independence**. We will sign a memorandum on the partial securitization of the government's debt to the

BRH by end-May 2011, as part of the T-bill implementation project. This memorandum will allow the government to issue T-bills to BRH for a period of three years in exchange of a reduction of other BRH claims with the government. Securitization of remaining debt will be considered over the next two years. A new central bank law will be prepared and submitted to parliament by December 2011. This law would also enshrine central bank independence and further strengthen external audit and reserves management.

20. **Implementation of the pending recommendations from the 2010 safeguards assessment update will be completed before the end of FY 2011**. The NIR audit has been completed confirming the level of reserves for end-September 2009 and end-September 2010. By end-July 2011, we will select an international firm to conduct ISA compliant external audits of the BRH for the next 3–6 years, starting from the 2011 audit (*structural benchmark*). We will strive to publish annual audited financial statements within a period of six months after the end of each fiscal year. Before end-June 2011, the investment committee of the BRH will also adopt a global reserves management policy, covering all foreign exchange reserves (*structural benchmark*).

External debt management

21. **Steps will be taken to rebuild our debt management capacity, which was adversely affected by the earthquake.** To that effect, we will introduce a set of measures, including: (i) strengthening the existing debt directorate capacity, including the conduct of debt sustainability analysis by end-March 2012 with fully operational middle and back office functions, clear assignments of functional responsibilities and the drafting of memoranda of understanding between the MEF and other ministries and the BRH to clearly establish responsibilities and avoid overlapping (*structural benchmark)*; (ii) submitting to Parliament by end-March 2012 a public debt law that establishes a sound legal and institutional framework for public debt management (*structural benchmark)*; and (iii) developing a medium-term debt management strategy, based on a comprehensive analysis of the sustainability of total public debt in FY 2012. This will help us make informed choices on how to meet the government's financing requirements and better manage contingent liabilities, while taking due account of constraints and potential risks.

Other structural reforms to promote private sector activity and investment

22. **Our economic development and decentralization strategy is anchored on large transportation and energy infrastructure projects to improve networks, connect local markets, and create jobs in the provinces**. We are working to establish a robust legal framework for Public-Private Partnerships to help promote investment in specific sectors with the assistance from technical partners. This will help sustain the development of export industries, including textiles, agribusiness, and tourism.

23. **We are actively strengthening the framework for business and investment.** Our reform program seeks to significantly improve Haiti's image as a country open for business

and foreign investment, through improvements in governance and in the legal framework for investment, financial market deepening, and increased private investment. An improved investment climate will also be important to enable Haiti's textile sector to fully benefit from the US HELP Act and an expanded access to that market.

24. **We are simplifying the legal and regulatory framework for investments in export-processing zones**. As part of these efforts, we intend to revamp the investment promotion office as an effective one-stop shop for potential investors.

25. **As part of its efforts to promote financial sector development and encourage investment, the government attaches high priority to the development of a cadastre**. These plans will initially focus on development zones and include a timetable for the surveying and establishment of specialized cadastres to encourage investment in these zones. We have published new construction guidelines for residential buildings based on international best practices, and are in the process of establishing and enforcing a new building code for commercial buildings. This will be critical for increasing foreign direct investment in the textile and tourism sectors and in developing new industrial zones. To address the current land title issues facing investors, we have identified specific pieces of land that will be purchased by the government to build government buildings and implement specific private-sector projects. Other key measures will be the reform of the legal regime for collateral, the establishment of a registry for the use of movable assets as collateral and the adoption of a new law for microfinance institutions.

PRSP

26. **We are preparing a PRSP update, which should be ready ahead of time of the second review.** In this connection, we will broaden the definition of poverty outlays to better reflect our anti-poverty spending efforts.

C. Program Monitoring

27. **The program will continue to be monitored using quarterly quantitative benchmarks and semi-annual quantitative performance criteria and structural benchmarks**. New PCs are set for end-September 2011 and end-March 2012. Quantitative targets are set on net international reserves, net domestic assets of the central bank, net central bank credit to the central government and to the entire nonfinancial public sector, public sector external arrears accumulation, and non-concessional external loans contracted or guaranteed by the public sector (all performance criteria); base money, net domestic financing by the central government, domestic arrears accumulation of the central government, and a floor on poverty-reducing spending (indicative targets) (Table 1). The definitions of these quantitative targets and program adjustors are provided in the Technical Memorandum of Understanding (TMU) of which an update is attached. Structural benchmarks are set for end-September 2011 and listed in Table 2. They are further defined in the TMU. We expect the second review to be completed by end-September, 2011, and the

third and fourth reviews to be completed by end-February 2012, and by end-September 2012 respectively.

28. In accordance with the terms of the ECF arrangement, we will refrain from imposing restrictions on payments and transfers for international transactions, introducing new nor intensify trade restrictions for balance of payments purposes, resorting to multiple currency practices, or entering into bilateral payments agreements incorporating restrictive practices with other IMF members.

Table 1. Haiti: Indicative Targets and Quantitative Performance Criteria

	Actual stock at end-Sept. 09	Cumulative Flows from September 2009								
		Sept. 2010		Dec. 2010		March 2011	June 2011	Sept. 2011	Dec. 2011	Mar. 2012
		Test date PC /1	Actual	Indicative target (EBS/10/186) /1	Prel.	PC (EBS/10/186) /1	Indicative target	New Proposed PC	Indicative target	New Proposed PC
	(In millions of gourdes, unless otherwise indicated)									
I. Quantitative performance criteria										
Net central bank credit to the non-financial public sector - ceiling	21,549	370	-12,522	370	-10,161	370	-11,608	-9,740	-8,525	-7,309
Central Government 2/	23,118	171	-11,289	171	-8,636	171	-10,375	-8,507	-7,291	-6,076
Rest of non-financial public sector	-1,569	198	-1,233	198	-1,525	198	-1,233	-1,233	-1,233	-1,233
Net domestic assets of the central bank - ceiling 3/	13,987	-493	-18,008	2,003	-14,619	2,437	-30,807	-20,894	-15,784	-17,448
Net international reserves of central bank (in millions of U.S. dollars) - floor	417	129	693	139	718	148	550	355	370	384
II. Continuous performance criteria										
Domestic arrears accumulation of the central government	0	0	0	0	0	0	0	0	0	0
New contracting or guaranteeing by the public sector										
of nonconcessional external or foreign currency debt (In millions of U.S. dollars) 4/	0	33	33	33	33	33	33	33	33	33
Up to and including one year	0	0	0	0	0	0	0	0	0	0
Over one-year maturity	0	33	33	33	33	33	33	33	33	33
Public sector external arrears accumulation (in millions of U.S. dollars)	0	0	0	0	0	0	0	0	0	0
III. Indicative targets										
Change in base money - ceiling	31,080	4,671	9,703	7,551	14,113	8,371	11,966	15,902	21,352	20,027
Net domestic credit to the central government - ceiling 5/	18,199	-2,909	-17,214	-684	-17,455	-433	-14,282	-10,937	-6,067	-6,585
Poverty reducing expenditures - floor 6/		9,597	8,094	12,716	11,213	15,835	17,451	20,570	23,689	26,808
Memorandum items										
Change in currency in circulation	13,448	2,142	3,835	4,768	6,900	5,039	5,713	6,223	12,117	9,728
Net domestic credit to the rest of the non-financial public sector	-1,624	145	-1,291	145	-1,630	145	-29,196	-1,338	-17,582	-20,539
Government total revenue, excluding grants	7,549	26,258	31,425	34,168	41,329	42,469	58,439	67,520	78,402	89,649
Government total expenditure, excluding ext-fin investment	9,523	44,239	45,251	57,950	57,597	70,391	82,061	99,388	117,637	134,584

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

1/ Reflecting modified targets for NIR and NFA, as per EBS/10/186.

2/ Excluding spending of resources freed by PCDR.

3/ For program monitoring purposes, NDA is defined as monetary base minus program NIR in gourde terms. Program exchange rate of G40 per US$.

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

5/This includes central bank, commercial bank, and non-bank financing to the government. It includes net T-bill issuance for government financing.

6/ Poverty reducing expenditures consist of domestically-financed spending in health, education, and agriculture.

Table 2a. Haiti: Structural Reform Measures

Macro-criticality	Objective		Structural Benchmarks	Status
Prior Actions				
Safeguards assessment	Improve reliability of program data		Completion of the audit of foreign reserves to confirm the levels of end-September 2009 and end-September 2010 level of unencumbered reserves.	Completed
End-September 2010				
1-Improve the tracking of poverty-reducing expenditures	Publish regular reports on poverty-reducing spending on the MEF website.	1a	Continue publishing quarterly reports on poverty-reducing expenditures on the MEF website, including domestically-financed health, education and agriculture	Met
2-Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Strengthen the transparency of expenditure policy.	2a	Start publishing central government monthly transfers to investment project accounts, project by project, including PetroCaribe projects.	Met with delay
		2b	Start publishing central government monthly transfers by beneficiary entity.	Met
	Improve control of budget execution and fiscal reporting.	2c	Start preparing monthly consolidated Treasury balances (TMU ¶38).	Met with delay
	Improve cash management.	2d	Prepare an inventory of all government and donor accounts at the BRH and BNC (TMU ¶39).	Met with delay
3-Raise government revenue	Strengthen operation of tax and customs administrations.	3a	Prepare quarterly reports with monthly data on the performances of the tax system and the tax administration, including the cost of exemptions and revenue collected in the provinces (TMU ¶40).	Met
	Enhance the transparency of the tax exemption policy.	3b	Start publishing a quarterly report that identifies all fiscal expenditure by beneficiary sectors.	Met
	Introduce a new tax code that would increase revenue and rationalize the tax system.	3c	Set up a working group that would be tasked to prepare a study to simplify the tax system, increase revenue, improve tax productivity, custom and fiscal administration, establish a work program with specific deadlines (TMU ¶37).	Met with delay
4-Improve the monetary policy framework and its effectiveness	Improve timeliness of external audits of the BRH; enforce rotation of external auditors.	4a	Completion and publication of externally audited financial statements for 2008/09.	Met

Table 2b. Haiti: Structural Reform Objectives Measures

Macro-criticality	Objective		Structural Benchmarks	Timing
End-March 2011				
1-Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 3a, 3b	End-March 2011
2-Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Improve cash management.	2f	Start preparing and publishing monthly cash plans including PetroCaribe spending and financing needs.	End-March 2011
	Improve the tracking of investment spending and improve ability to make multi-year investment projections.	2g	Start producing quarterly reports with monthly data of investment expenditure based on SYSGEP and publish them on the MEF website.	End-March 2011
Through end-September 2011				
Improve the monetary policy framework and its effectiveness	Enforce rotation of external auditors to audit BRH accounts.		Select an international firm to conduct ISA compliant external audit for the FY 2011 audit, for a period of 3 to 6 years.	End-July 2011
	Strengthen foreign exchange reserves management.		Adoption of a global reserves management policy by the investment committee, covering all foreign exchange reserves.	End-June 2011
2-Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Improve the transparency of government transfers to the energy sector	2h	Identify and consolidate all sources of transfers to EDH in regular monthly reports.	End-June 2011
	Enhance the quality of spending of investment projects, including those financed with PetroCaribe resources and PCDR debt relief.	2i	Launch the bids for the selection and hiring of the international consulting agency that will assist UCP and other project implementation units in the government	End-June 2011
		2j	Prepare a plan of action / operational manual describing: a. Modalities to recruit staff with project management skills and responsibility for ordering payments for project work orders b. A defined set of information, project lists and accounts to be regularly published online to ensure full transparency on project execution and planning c. Clear practices to ensure the coordination between the UCP, the Procurement Commission (CNMP) and the Ministry of External Cooperation and Planning (MPCE), in full compliance with national budget execution rules.	End- September 2011
Through end-March 2012				
Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 2f, 2g, 2h, 3a, 3b	End-Sept. 2011
Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and	Enhance the quality of spending of investment projects, including those financed with PetroCaribe resources and PCDR debt relief.		Adopt a comprehensive action plan to improve the quality of the overall public investment spending.	End-Mar. 2012
Improve tax administration	Raise government revenue		Design and implement monitorable performance indicators for DGI and AGD.	End-Dec. 2011
Improve the monetary policy framework and its effectiveness	Strengthen exchange rate management.		Develop an exchange rate management strategy encompassing also reform of the foreign exchange market.	End-Dec. 2011
Debt management	Complete the setting-up of the debt unit at the MEF and build capacity to prepare a medium-term debt strategy.		Strengthen the debt unit with fully operational middle and back office functions; Preparation of annual debt sustainability analyses.	End-March 2012
	Strengthen the legal framework for debt management.		Submit to Parliament a public debt law that would establish a sound legal and institutional framework for public debt management.	End-March 2012

APPENDIX III. TECHNICAL MEMORANDUM OF UNDERSTANDING—UPDATE

Monitoring of the ECF-supported program continues to be guided by the Technical Memorandum of Understanding with the following changes.

1. Paragraph 1 is replaced with the following:

"Haiti's performance under the program supported by the Extended Credit Facility (ECF) will be assessed on the basis of the observance of quantitative performance criteria as well as compliance with structural benchmarks. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, specification of certain structural benchmarks, and indicative targets for the period July 1, 2010-June 30, 2012, specified in Tables 1 and 2 of the Memorandum on Economic and Financial Policies (MEFP). It also lays down the monitoring and reporting requirements. New quantitative indicative targets for end-June 2011, and end-December 2011; and performance criteria for end-September 2011 and March 2012 have been set."

2. Section 7.e is meant to be a stand-alone paragraph; it should be paragraph 8 and subsequent paragraphs should be renumbered accordingly.

3. Paragraph 15 is replaced with the following:

"The program definition of net domestic assets of the BRH will use a program exchange rate of G40.0 per U.S. dollar for the period June 2010 – March 2012."

4. The heading of Section III.B is replaced with the following:

"**B. Adjustment for PetroCaribe-related inflows**"

5. The table in paragraph 34 is replaced with the following table:

Haiti. PetroCaribe Deposits

	September 2010	December 2010	March 2011	June 2011	September 2011	December 2011	March 2012	June 2012	September 2012
Total deposits in government accounts in the banking system									
Cumulative flows (G mlns)	3204.9	4057.5	4292.1	5883.6	6102.8	-222.5	3268.2	6758.8	10249.5
in US dollars (US$ mlns)	84.3	106.0	108.9	146.7	150.5	-3.9	81.0	165.6	250.0
Stocks (G mlns)	6918.1	7770.7	8005.3	9596.8	9815.9	3490.7	6981.4	10472.0	13962.7
in US dollars (US$ mlns)	173.2	194.8	197.8	235.6	239.4	85.0	169.9	254.5	338.9
Deposits in government accounts at the BRH									
Cumulative flows (G mlns)	-96.0	-96.0	-96.0	-96.0	-96.0	-171.0	-171.0	-171.0	-171.0
in US dollars (US$ mlns)	-2.2	-2.2	-2.2	-2.3	-2.3	-4.1	-4.1	-4.1	-4.1
Stocks (G mlns)	75.0	75.0	75.0	75.0	75.0	0.0	0.0	0.0	0.0
in US dollars (US$mlns)	1.9	1.9	1.9	1.8	1.8	0.0	0.0	0.0	0.0
Deposits in government accounts in commercial banks									
Cumulative flows (G mlns)	3300.9	4153.5	4388.1	5979.6	6198.7	-51.5	3439.2	6929.9	10420.5
in US dollars (US$ mlns)	86.5	108.2	111.2	149.0	152.8	0.2	85.1	169.7	254.1
Stocks (G mlns)	6843.1	7695.7	7930.3	9521.7	9740.9	3490.7	6981.4	10472.0	13962.7
in US dollars (US$ mlns)	171.3	193.0	196.0	233.8	237.6	85.0	169.9	254.5	338.9

Sources: Haitian Authorities and IMF Staff estimates and projections

6. Section III.C is replaced with the following:

C. Adjustment for Budgetary Cash Grants in Second Half of FY2011

7. The performance criteria ceilings on BRH net credit to the central government, net domestic financing to the government, and on BRH net domestic assets, and the floor on NIR reflect expected budgetary donor grants of the equivalent of G 5,928 million (about US$148 million) in the second half of FY 2011 (EU €26 million, France €20 million, Norway $5 million, USA $12.5 million, Canada Can$15 million, World Bank US$20 million, and IDB US$35 million).

8. If actual grant inflows are lower (higher) than programmed, these performance criteria ceilings will be adjusted upward (downward), and the performance criterion floor will be adjusted downward (upward), by the amount of the difference between actual and programmed inflows."

Structural area:

1. To ensure continuous publications of some benchmarks and incorporate new structural conditionality into the program the section IV on "Clarification of Structural Conditionality" is augmented as follows:

A. Fiscal Sector

a. As specified on tables [1a and 1b], the publications of the following items related to benchmarks will continue over the program period: 1a, 2a, 2b, 2c, 3a, 3b, and 2h

b. New structural conditionality:

   i. The structural benchmark on improving the transparency of government transfers to the energy sector involves identifying and consolidating all sources of transfers to the electricity company (EDH) in regular monthly reports through a monitoring all transfers to EDH which gets additional support through counterpart funds and off-budget transfers from PetroCaribe resources. It will be set for end-June 2011, and the monthly publication of this report should continue over the program period.

   ii. The structural benchmark on enhancing the quality of investment projects, including those financed with PetroCaribe resources and with freed up resources by the PCDR debt relief are:

      1. Launch the bids for the selection and hiring of the international consulting agency that will assist UCP (by end-June 2011).

      2. Prepare an action plan or operational manual describing: (a) Modalities to recruit staff with project management skills and responsibility for ordering payments for project work orders; (b) A defined set of information, project lists and accounts to be regularly published online to ensure full transparency on project execution and planning; (c) Clear practices to ensure the coordination between the UCP, the Procurement Commission (CNMP) and the Ministry of Economic Cooperation and Planning (MPCE), in full compliance with national budget execution rules (by end-September 2011).

      3. Adopt a comprehensive action plan to improve the quality of overall public investment spending (by end-March 2012).

   iii. The structural benchmark on raising government revenue will involve designing and implementing monitorable performance indicators for DGI and AGD (by end-December 2011).

B. Monetary Policy and Financial Sector

New structural conditionality:

i. The benchmark on enforcing the rotation of external auditors to auditing BRH accounts will involve selecting a new reputable international firm to conduct SIA compliant external audit for the FY 2011 for a period of 3 to 6 years. This will be set for end-July 2011.

ii. The benchmark on strengthening foreign exchange reserves management will involve the adoption of a global reserves management policy by the investment committee, covering all foreign exchanges reserves. This will be set for end-June 2011.

iii. The benchmark on strengthening exchange rate management will involve the development of an exchange rate management strategy also encompassing reform of the foreign exchange market. This will be set for end-December 2011.

Statement by the IMF Staff Representative on Haiti
Executive Board Meeting 11/46
May 11, 2011

This statement provides additional information on developments since the issuance of the staff report for the First Review Under the Extended Credit Facility arrangement for Haiti (EBS/11/63). This additional information does not change the thrust of the staff report.

- ***Presidential elections***. The final results of the second round presidential election were released on April 21, confirming Mr. Michel Martelly as the winner. His inauguration ceremony is scheduled to take place on May 14.

- ***Legislative elections***. The composition of Parliament has not been finalized, as the results of the second round legislative elections were contested for 19 candidates (17 deputies in the 99-seat Chamber of Deputies and two senators in the 30-seat Senate). At the request of President-elect Martelly, the Organization of American States (OAS) reviewed the final results. OAS found that the final count was incorrect and recommended reinstatement of the preliminary results. Although this issue may not be promptly resolved, it will not prevent Parliament from being in session, given that the remaining parliamentarians were sworn in on April 27.

- ***Constitution***. Parliament is expected to adopt amendments to the Constitution by May 9. These amendments aim at reducing the number of elections and ensuring that presidential, senatorial, congressional, and local elections are held at the same time. Constitutional amendments also aim at strengthening the judiciary, promoting gender equality, allowing for dual citizenship, and helping better protect the environment.

- ***Foreign reserves audit.*** The final audit report of the net international reserves (NIRs) review, released on May 6, indicates that NIRs for end-September 2009 should be lower than reported by the central bank by US$2.2 million instead of the initial estimate of US$64 million mentioned in the staff report (paragraph 19). The discrepancies in the reported NIR were due to the capacity constraints of the authorities.

Press Release No. 11/171
FOR IMMEDIATE RELEASE
May 11, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves First Review Under Haiti's ECF and Approves US$13.1 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Haiti's performance under the Extended Credit Facility (ECF) arrangement. Completion of the review will enable an immediate disbursement of SDR 8.2 million (about US$13.1 million), bringing total disbursements under the program to date to SDR 16.38 million (about US$26.2 million).

Haiti's ECF arrangement was approved on July 21, 2010 (see Press Release No. 10/299) together with the full relief of the country's outstanding debt to the Fund of about SDR 178 million (equivalent to US$268 million). Both decisions formed part of a broad strategy to support Haiti's longer term reconstruction plans, following the devastating earthquake of January 12, 2010.

Following the Executive Board discussion on Haiti, Mr. Naoyuki Shinohara Deputy Managing Director and Acting Chair, issued the following statement:

"The authorities are to be commended for their good policy implementation, despite the challenging international and domestic environments. The Haitian economy is recovering, and just over a year after the devastating earthquake, essential state functions have been reinstated and prudent macroeconomic policies have helped support growth and contain inflation to single digit levels.

"The economic outlook is favorable, provided that the authorities and the international community make concerted efforts to accelerate the reconstruction and facilitate the transition from disaster recovery to policies aimed at ensuring high and sustained growth and poverty reduction. In this context, the disbursement of donor pledges together with the authorities' timely implementation of structural reforms, notably in the areas of economic governance and the business environment are equally important.

“The authorities’ program in Fiscal Year 2011 aims at consolidating the recovery and reconstruction efforts. The key fiscal objectives are to raise domestic revenue, contain current expenditure, and align the budget to support the reconstruction priorities and poverty-reduction spending in the context of sustainable public financing. These fiscal commitments will need to be complemented by further improvements in public financial management and economic governance. Monetary and exchange rate policies aim at containing inflation to single digit levels, and appropriately absorbing capital inflows. The program continues to be supported by a comprehensive medium-term technical assistance strategy, in close coordination with Haiti’s development partners.”

Statement by Paulo Nogueira Batista, Executive Director for Haiti, Ketleen Florestal, Alternate Executive Director, and Ronald Gabriel, Alternate Executive Director
May 11, 2011

The staff report, the Letter of Intent and the Memorandum of Economic and Financial Policies support well the authorities' request of the conclusion of the first review under the Extended Credit Facility (ECF) and the disbursement of the second tranche of SDR 8.19 million. Despite a recurrence of external shocks, the authorities have stayed the course and maintained fiscal discipline, pursued a prudent monetary policy and implemented all structural measures agreed upon for end-September 2010. Additionally, a successful assessment of accomplishment of program engagements for end-March 2011 is anticipated. Challenges abound but, as staff points out, the outlook is rather favorable although it should be noted that Haiti remains vulnerable to the impact of the rising international prices of agricultural goods and petroleum products. In this regard maintaining a single digit inflation will require skillful use of policy tools and coordination between the fiscal and the monetary authorities.

On the domestic front, a smooth transition can be anticipated. The President-elect, Michel Joseph Martelly has on several occasions expressed his eagerness to start working with Parliament on the basis of a true partnership. He has also refuted the idea that rapports with Parliament would be difficult as he sees no reason for there to be a confrontational relationship between an elected President and Parliament as both the Executive and the Legislative bodies have a mandated obligation to achieve results for the population. In the meanwhile, a multi-sector transition team has been nominated by the President-elect to ensure a speedy and smooth handover of power. The Prime Minister has also designated counterparts.

Performance under the ECF

On behalf of our authorities, we wish to highlight the following key achievements and results touched upon in the staff report: (i) the remarkable domestic revenue collection effort (53% more than programmed) which explains largely the improvement of the overall fiscal balance beyond what was anticipated in the program; (ii) the maintenance and even improvement of the safeguards framework at the Central Bank in spite of the significant loss of physical and human capital that ensued from the earthquake; (iii) the improvement of the financial indicators of the banking sector both on the profitability front as well as on the prudential and risk management side (e.g. significant decrease of NPLs with increased provisioning, increased liquidity) and, (iv) the strengthening of the external position as well as the maintenance of a stable exchange rate in the context of a massive unprecedented inflow of foreign exchange. On the structural reform agenda, efforts to improve the business climate as well as public financial management, particularly through greater transparency in the electricity and procurement sectors, are noteworthy.

Revenue Mobilization and External Assistance

The authorities are determined to strengthen further their efforts to mobilize fiscal revenues including through tax measures and to seek scaled-up access to external funds as they are indispensable to finance requisite investments in economic and social infrastructures. In this regard, two key issues need to be tackled: (i) the post-earthquake surge in the amount of taxes forgone (145% of total revenues) through the exemptions of imports of international organizations and NGOs, (ii) the sub-optimal modalities of disbursement of budget support. We call on the Fund to support the authorities' efforts and to encourage donors to better align their assistance programs with domestic priorities as outlined in the national reconstruction and poverty reduction programs as well as with the programmed timing of budget outlays. In effect, this past year the efficiency of external supports was negatively affected by donors targeting particular projects or indicating strong preferences for the use of the funds granted. As far as budget support is concerned and, as internationally recognized, general budget support is a more efficient delivery mechanism than targeted support. In practice grants for which donors indicate the desired sector as well as the geographic area where they wish the funds to be spent are similar to investment support funds and do not meet the norms of budget support. Targeted support generally does not help the government close the fiscal gap. Additional inefficiencies stem from having budget support funds go through the entire process of the Reconstruction Fund removing in practice a substantial amount of resources from the purview of normal budget execution processes.

The extent of the accountability of the State is also questionable when Funds are disbursed and spent through mechanisms on which the Government of Haiti has limited or no control over. This concern is particularly relevant with regards to resources from private donors and most particularly those entrusted to NGOs. Important savings could be achieved with greater coordination of external assistance and alignment of NGO projects with the government's development and reconstruction programs. The government has begun to try to tackle these issues. For example, private institutions such as NGOs who indirectly receive public funds (through taxes forgone) will have to be audited by the General Public Auditor like all public entities. Also, the Ministry of Economy and Finance publishes now on the Web the amount of tax exemptions awarded as well as their beneficiary sectors for public awareness and transparency.

Just about 10 days ago the President-elect visited the Fund with a team of personal advisors to seek the Fund's strengthened collaboration and support. He reiterated his determination to deliver on election promises which include (i) universal and free access to education, (ii) re-localization of the tent-dwellers and, (iii) increased attentions to the agriculture sector's needs. Achieving these will also require a stepped up mobilization of resources. The Fund's management is to be commended for its recent commitment to scale up technical assistance to help support the government's revenue mobilization efforts.

Other Policy Issues

Our authorities have also asked us to highlight additional concerns and policies. The population's limited access to financial services constitutes an important impediment to growth. To favor conditions for credit growth and financial intermediation several steps have already been taken, including measures to: (i) ensure the prompt establishment of a Credit Bureau to better assess risks in the financial market, (ii) guarantee the appropriate environment for the establishment of a secondary market for the newly created Treasury Bonds, (iii) effectively regulate and supervise the insurance sector. As regards the latter, support from the international community has been requested particularly to complete a comprehensive audit of insurance companies. A good grasp of how much the earthquake has affected the insurance sector and of what other factors may have contributed to the financial difficulties the sector is confronted with is necessary to design the appropriate policies and programs going forward.

The introduction of the Treasury Bonds seeks to offer the government an additional and more sustainable source of financing for the budget. In order to guarantee the success of the new bond program the legal framework for debt management as well as technical capacity are being strengthened. One of the key objectives is to prepare a medium term debt strategy suitable for the post HIPC context. Effective institution building is crucial to strengthen trust and credibility particularly in light of the public's experiences – although in a distant past - with obligations issued but not honored. Our authorities hope that the Treasury bonds will not be considered a substitute for donors' contributions and other sources of funding. Haiti's reconstruction and development needs are enormous and cannot be met with the current level of disbursements of external assistance. While preserving debt sustainability, Haiti has to be prepared to tap into the loan market if grant funds dry up and/or are not scaled up.

On the monetary policy front, all necessary measures are being taken to ensure a smooth and efficient transition from Central Bank paper to Treasury bonds which will serve as both monetary policy instruments as well as debt instruments. In order to avoid unintended and confusing signals, the full guarantee by the Central Bank of the Treasury Bonds will be carefully phased out.

Several other constraints to private sector initiative are also being addressed. These include improving the delivery of public services which are essential for "doing business" such as telecommunication and electricity. Also, the problems related to the process of establishing a cadastre are being tackled. They have become more complicated and more costly socially and financially after the earthquake.

Relationship with the Fund

The IMF has provided Haiti with essential support to achieve the good results we are taking stock of as we discuss the first review of the ECF program. Management and staff are to be commended for their incessant engagement with Haiti. Technical assistance provided by the Fund was well targeted and the financial support through the Post-Catastrophe Debt-Relief (PCDR) will be instrumental in addressing some of the key reconstruction needs. The Fund's continuous and active presence in the reconstruction commission (CIRH) as well as in the budget support group has also contributed to boost donors' confidence.

Our authorities are particularly appreciative of the constructive dialogue that has taken place throughout the past year. We are hopeful that lessons learnt from this constant dialogue will help strengthen the Fund's partnership with Haiti as well as inspire the implementation of better procedures and practices for the relationship with the members that share some of Haiti's characteristics and/or face similar challenges.
Haiti is at a crossroad. We encourage the Fund and other donor-friends of Haiti through their representatives at the Board to seize this opportunity to strengthen their cooperation with Haiti in a manner that will improve the efficiency of the assistance that is being provided.