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HAITI

August 2013

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR EXTENSION OF THE ARRANGEMENT AND REPHASING OF DISBURSEMENTS

In the context of the sixth review under the Extended Credit Facility Arrangement, and request for extension of the arrangement and rephasing of disbursements, the following documents have been released and are included in this package:

- **Staff Report** for the Sixth Review Under the Extended Credit Facility Arrangement, and Request for Extension of the Arrangement and Rephasing of Disbursements, prepared by a staff team of the IMF, following discussions that ended on June 6, 2013, with the officials of Haiti on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on July 18, 2013.
- A **Press release**.

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–an Update*
Technical Memorandum of Understanding–an Update*

*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
Washington, D.C.

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July 18, 2013

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR EXTENSION OF THE ARRANGEMENT AND REPHASING OF DISBURSEMENTS

EXECUTIVE SUMMARY

Background: Growth continued to be modest, due largely to long-standing frail capacity, weather-related shocks, and structural weaknesses. Inflation remained in the mid-single digits and international reserves at about six months of imports. Fiscal performance during the first half of the year was weaker than budgeted, mostly on account of lower revenue collection.

Program: The arrangement under the Extended Credit Facility (ECF) in an amount of SDR 40.95 million (50 percent of quota) was approved on July 21, 2010, and would expire on August 30, 2013. Program implementation is broadly satisfactory. The authorities met all end-March 2013 performance criteria, but missed two indicative targets. All five relevant structural benchmarks through end-March 2013 remain to be fully implemented. The authorities have requested a one-year extension of the ECF arrangement (to August 29, 2014) to lock in the gains to date and complete key reforms, particularly in the fiscal area. Staff supports this request.

Policy Discussions: Discussions focused on the macroeconomic policy stance for the remainder of FY2013, particularly on policy responses to weak revenue collection, and on macroeconomic policies and structural reforms for FY2014 to ensure medium-term external sustainability. The authorities and staff concurred that priority should be given to: (i) increasing domestic revenue and rationalizing current expenditure to generate additional fiscal space for infrastructure and poverty-related spending; (ii) tackling the impediments to public investment, inter alia by improving public financial management and economic governance; and (iii) strengthening the monetary policy transmission mechanism.

Approved By
A. Cheasty (WHD) and M. Muhleisen (SPR)

Discussions were held in Port au-Prince during May 29-June 6, 2013. The staff team was comprised of B. Loko (head), O. Sulla, L. Norton, N. Kapoor (all WHD), and E. Bova (FAD) and J. Bouhga-Hagbe (Resident Representative). Ms. Florestal (OED) joined the policy discussions.

CONTENTS

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **The political situation remains challenging.** Preparations are underway for the forthcoming municipal and partial senatorial elections, which are long overdue but are now expected to take place this year.[1] One third of the thirty-seat Senate and all municipal councils must be renewed. The elections could heighten political and social tensions and further complicate the security situation. In the meantime, despite some improvements, the government's relations with Parliament remain tense, and the President's lack of a majority makes the approval of key economic and financial legislation difficult.

2. **Recent macroeconomic performance has been mixed:**

- **Growth.** Emergency spending to help the agricultural sector has not fully offset the impact of Hurricane Sandy, which hit the country in October 2012. As a result, and due to an ongoing drought, the rebound in agriculture (about 20 percent of GDP) will be slower than expected. Reconstruction and growth in non-agricultural output continues to be constrained by persistently low execution rates of capital spending, rooted in long-standing weak capacity and structural impediments, as well as weak private sector participation.

- **Inflation.** Inflation peaked at 7.7 percent (y/y) at end-March 2013, largely due to pressures on domestic food supplies and prices and also from recent currency depreciation. Inflation declined to 7.3 percent in May 2013.

- **Fiscal policy.** Performance has been weaker than expected. Domestic revenues over the first half of FY2013 were about G4.2 billion (1.2 percent of GDP) below projections on account of (i) lower turnover and income taxes due to weaker economic activity; (ii) lower excise and custom duties due largely to higher-than-expected forgone petroleum revenues and subsidies; (iii) delays in the implementation of some revenue measures;[2] and (iv) continued weak collection, particularly

Revenue: October-March
(percent of annual GDP)

	2011/12	2012/13 Proj.	2012/13 Actual
Total revenue	6.7	7.3	6.1
Internal	4.5	4.8	4.2
TCA	1.8	2.2	1.8
Taxes on income and profits	1.7	1.8	1.4
Excises	0.2	0.3	0.1
Other taxes	0.8	0.6	0.8
Customs	2.2	2.4	1.9

[1] These elections were initially scheduled for November 2011. The constitutional body (Conseil Transitoire du Conseil Electoral Permanent or CTCEP) in charge of overseeing them has recently been installed, after protracted negotiations between the three branches of government.

[2] For instance, new revenue collection units on small and medium-size enterprises and on NGOs have been staffed but are not yet fully operational because of the lack of office space. New excise taxes on alcohol and tobacco envisaged in the budget were not implemented because of difficulties in acquiring secured excise stamps.

at customs. Grant receipts were also lower than expected. In response to the shortfall in revenue, the authorities reduced non-priority current spending by about G2 billion, especially spending related to the use of mobile phones, cars, fuel, and electricity.

- **External position.** Gross international reserves have fallen slightly since end-December in line with a decline in the overall balance of payments. Nevertheless reserves remained comfortable at 6 months of imports at end-May 2013.

- **Exchange rate.** The gourde depreciated against the U.S. dollar by 3.5 percent between October 2012 and June 2013. This depreciation reflects many factors, both on the demand and supply sides, including increased inflation differentials with the United States, strong credit growth, lower official transfers, a gradual withdrawal of several international NGOs, and the high level of liquidity in the banking system. This also likely reflects an increase in informal imports from the Dominican Republic, as well as some expectation of future depreciation as official transfers are expected to continue to fall. The authorities' recent prudential requirement that banks maintain 100 percent (up from 70 percent) of their reserve requirements on foreign currency deposits in dollars also contributed somewhat to a lower supply of dollars and increased gourde liquidity.

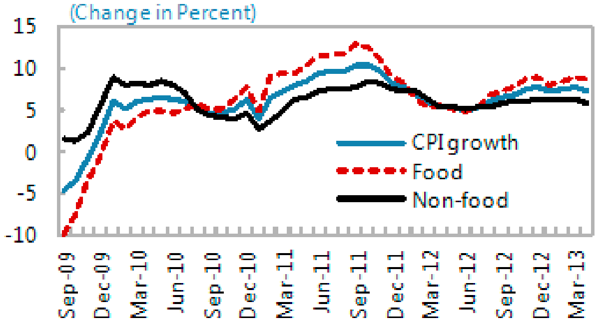
- **Monetary policy.** Concerned with possible second-round effects of the increase in domestic food prices, and the depreciation of the gourde, the central bank (Banque de la République d'Haïti, BRH) tightened the monetary policy stance. Policy rates remained unchanged since January 2011 (Figure 1). However, in February-March 2013, the BRH raised banks' reserve requirement ratios on local currency liabilities by a cumulative 6 percentage points (to 35 percent), and on foreign currency liabilities by 5 percentage points (to 39 percent). The BRH also increased its intervention in the foreign exchange market, offering about $100 million between October 2012 and May 2013, versus $44 million during the same period the year before. On the administrative side, the authorities decided to allow companies that purchase petroleum products to pay 60 percent of their purchases in gourde (previously they could pay only in dollars) to reduce dollar demand. These policies have helped slow down the pace of currency depreciation, and inflation slowed in April and May 2013. Nevertheless, depreciation pressures and upside inflation risks could reemerge if the economy faces unexpected shocks.

- **Banking sector.** Total credit to the private sector grew by 24.1 percent at end-May 2013 (y/y). While credit has grown at a brisk pace, the banking sector remains sound and profitable. Banks had an average capital adequacy ratio of 16 percent at end March 2013, above the regulatory minimum of 12 percent (see Table 5). Returns on assets and equity are comfortable. Non-performing loans remained low, likely reflecting the fact that credit remains concentrated in a few well-established businesses that are mostly engaged in international trade.

Figure 1. Haiti: Recent Monetary and Exchange Rate Developments

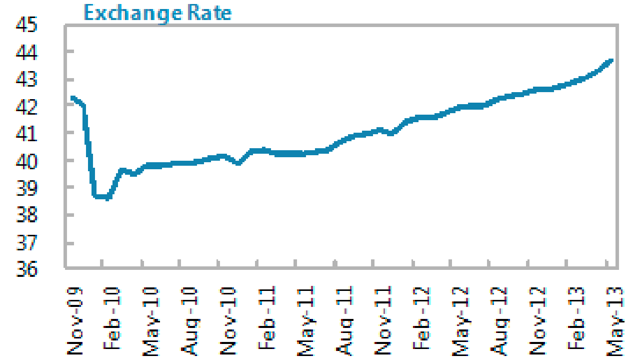
Inflation increased due to domestic food prices..

Headline and Food Inflation, 2009-2013
(Change in Percent)



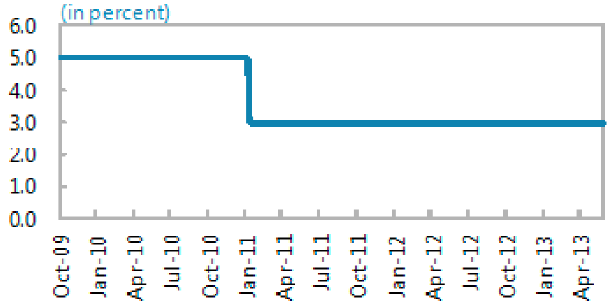
...and the exchange rate continued to depreciate.

Exchange Rate



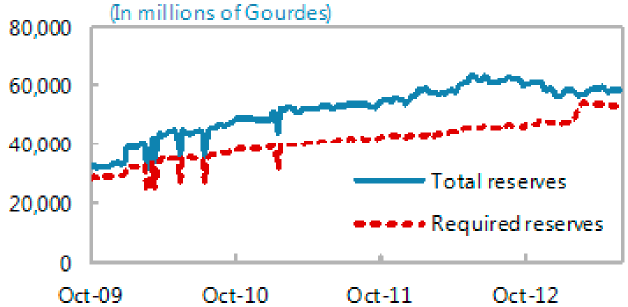
Policy Rates remained unchanged since early 2011...

Haiti BRH Bonds 91 Days Rate
(in percent)



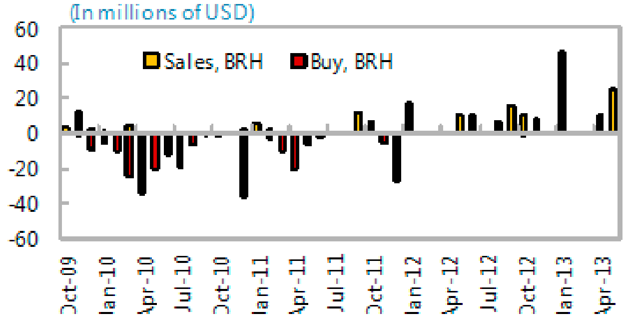
...but the BRH raised reserve requirement to reduce excess liquidity.

Consolidated Reserves of the Banking System
(In millions of Gourdes)



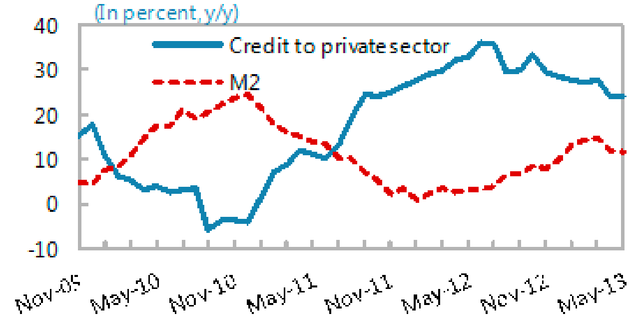
The BRH also increased its intervention in the FX market.

FX Market Intervention
(In millions of USD)



Nevertheless, credit to the private sector continued to be strong...

Credit Growth
(In percent, y/y)



...the banking sector is sound and profitable...

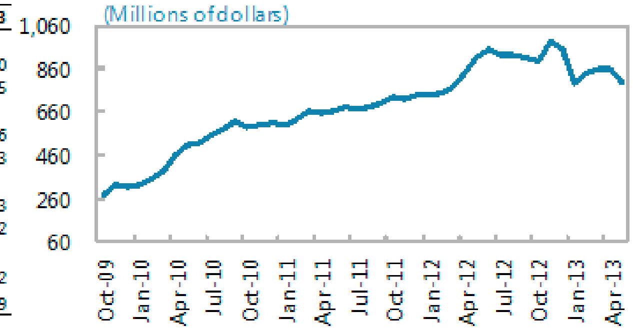
Haiti: Financial Soundness Indicators
(In percent; unless otherwise stated)

	Mar-13
Capital adequacy	
Regulatory capital to risk-weighted assets	16.0
Assets to regulatory capital	13.5
Asset quality and composition	
NPLs to gross loans	2.6
Provisions to gross NPLs	81.3
Earnings and profitability (cumulative since beginning of fiscal year)	
Return on Assets (ROA)	1.3
Return on equity (ROE)	20.2
Liquidity	
Liquid assets to total assets [1/]	42.2
Liquid assets to deposits [1/]	50.9

[1/] Liquid assets comprise cash and central bank bonds.

...and reserves remain at a comfortable level.

Net International Reserves
(Millions of dollars)



Source: BRH and IMF staff calculations

3. The macroeconomic program is broadly on track, but structural reforms continue to lag. All end-March 2013 performance criteria were met. However, the end-March indicative targets on BRH net credit to the Government and on poverty-related spending were not observed. The latter was missed because some resources were redirected to other sectors severely hit by Hurricanes Isaac and Sandy, while the former was not met due partly to a shortfall in budget support. Despite some major achievements, the five relevant structural benchmarks through end-March 2013 have not been fully implemented, largely due to weak capacity and delays in mobilizing technical assistance.

Structural Benchmarks

Structural benchmarks	Timing	Status
Strengthen the debt unit with fully operational middle and back office functions; Preparation of annual debt sustainability analyses.	End-March 2013	Still pending the approval by Parliament of the organic law on the reorganization of the Ministry of Economy and Finance (MEF).
Submit to Parliament a public debt law that would establish a sound legal and institutional framework for public debt management.	End-March 2013	Approved by the Cabinet but not yet submitted to Parliament. The law was shared with the IMF and is in line with international standards.
Reduce the number of domestically-funded imprest accounts to three by ministry or institution (for revenue collection, capital spending, and other transactions); deploy the network of public accounting offices at the line ministries level; and gradually grant signature authority on these accounts to public accountants appointed by the MEF.	End-March 2013	Bank accounts have been significantly reduced but not yet to three. The network of public accountants is being deployed, starting with the MEF as pilot which officially installed its public accountant in January 2013. The opening of accounting posts is constrained by lack of office space.
Roll out general ledger (GL) software in all ministries; start to record project and imprest account expenditures when they are effectively paid, and no longer when the account is replenished.	End-March 2013	World Bank financing to update the software was recently secured and the software has been installed in the MEF. But the roll-out has not been completed in other ministries.
Establish unconstrained single-price foreign exchange auctions.	End-September 2012	Given the lack of competition, the authorities' objective is to start by expanding the number of participants in the FX market.

POLICY DISCUSSIONS

Discussions focused on the macroeconomic policy stance for the remainder of FY2013, particularly on policy responses to weak revenue collection and on macroeconomic policies and structural reforms for FY2014 to ensure medium-term external sustainability. The authorities and staff concurred that priority should be given to: (i) increasing domestic revenue and rationalizing current expenditure to generate additional fiscal space for infrastructure and poverty-related spending; (ii) tackling the impediments to public investment by improving, inter alia, public financial management (PFM) and economic governance; and (iii) strengthening the monetary policy transmission mechanism by reducing excess liquidity and deepening financial intermediation.

A. Macroeconomic outlook and risks

4. **The near-term outlook is slightly less favorable than envisaged at the time of the fifth review, reflecting a slower recovery in agriculture and delays in public investment.** The growth projection for FY2013 has been scaled back significantly to 3.4 percent from 6.5 percent in the Fifth review. With only a modest recovery in agriculture (and food supply) expected in the coming months, end-year inflation has been revised upward from 5 percent to 6 percent. The trade deficit will remain high and largely financed by official transfers and remittances. The overall balance will swing to a deficit of $290 million in FY2013 (versus a surplus of $272 million in FY2012), mostly on account of declining official transfers and lower net financial inflows.[3] In FY2014, real GDP growth is projected to pick up moderately to 4.5 percent, led mainly by agriculture and construction. Food prices are expected to decline and with appropriate monetary and fiscal policies in place, inflation is projected to recede to 5 percent in FY2014. Gross reserves are projected to decline slightly below 5 months of imports at end-September 2014.

5. **The outlook remains subject to significant downside risks.** On the domestic front, heightened political tensions and lower revenue collection could continue to slow down public investment spending and delay the reform agenda. Vulnerability to natural disasters is a persistent

Table 1. Haiti: Macroeconomic scenario (In percent of GDP, unless otherwise indicated)

(Fiscal year ending September 30)

	FY2009/10	FY2010/11	FY2011/12	FY2012/13		FY2013/14
	Act.	Act.	Prov.	Prog. (EBS/13/90)	Proj.	Proj.
Real GDP growth	-5.4	5.6	2.8	6.5	3.4	4.5
Consumer prices (in percent, end-of-period)	4.7	10.4	6.5	5.0	6.0	5.0
Overall Fiscal balance (excluding grants and externally-financed projects)	-5.0	-4.7	-5.0	-6.1	-6.1	-7.0
Overall Fiscal Balance	2.4	-3.7	-5.1	-5.3	-5.5	-6.9
External current account balance (excluding official grants)	-29.8	-24.2	-17.0	-17.7	-16.0	-14.3
External current account balance (including official grants)	-12.5	-4.6	-4.5	-5.6	-5.8	-5.7
Liquid gross reserves in months of imports of the following year	5.2	6.2	6.8	5.5	5.8	4.7
Total government debt (end-of-period)	17.7	12.2	15.4	20.4	20.4	24.5

[3] Large errors and omissions in the balance of payments statistics over the recent periods suggest insufficient coverage of current and financial account transactions.

concern. On the external side, Haiti also remains heavily exposed to a slowdown in global growth, predominantly through remittances, trade, and official transfers. In light of the country's narrow export base, Haiti's debt continues to be assessed as high risk.

B. Fiscal policy and reforms

Discussions centered on the policy stance for the remainder of 2013 and for 2014 and accompanying reforms to: create additional room for social and infrastructure spending; improve the execution rate and quality of capital spending; and consolidate progress in public finance management (PFM) .

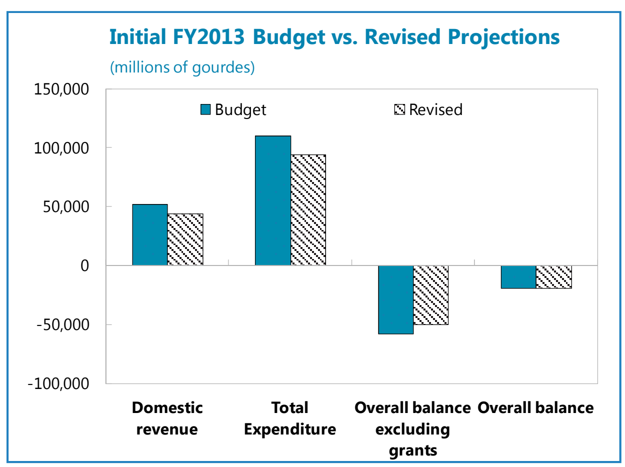
Fiscal policy stance

6. Revenue collection was significantly lower than targeted in the first half of FY2013, but efforts to strengthen revenue mobilization and some adjustment in expenditure will limit the increase in the overall FY2013 fiscal deficit to 5.5 percent of GDP versus an initial target of 5.3 percent. The shortfall in revenue (2.3 percent of GDP) will be offset by lower non priority current spending (0.7 percent of GDP) and domestically-financed capital spending (1.8 percent of GDP).

- Staff and the authorities agreed that the initial annual revenue target of G52 billion is unrealistic in view of the underperformance in the first half of the fiscal year. Both parties concurred that with improvements in controls at borders and in enforcing payment of income and sales tax, the authorities could collect G44 billion for the year (12.3 percent of GDP). Budget support is projected at G2.6 billion (or $60 million), versus G3.5 billion (or $85 million) initially anticipated.

- The authorities will maintain non-priority current expenditure below its annual target by about G2.4 billion while protecting social outlays through intensifying efforts to (i) reduce waste and abuse in the public service; (ii) improve procurement of goods and services; and (iii) limit subsidies and transfers. Based on the execution rate over the last five years and the outcome of the first semester, domestically-financed capital spending was revised down by about G6.5 billion (MEFP, ¶ 6). Staff urged the authorities to avoid bunching expenditures (consisting mostly of transfers to project accounts) near the end of the fiscal year, and to retain savings from lower than budgeted capital spending. These adjustments will lead to a deficit of G19.6 billion, closely in line with the deficit initially budgeted.

7. The 2014 budget targets an overall deficit of 6.9 percent of GDP. The budget seeks to balance the need for high reconstruction and growth-enhancing investments with safeguards for medium-term sustainability (MEFP, ¶ 11). To improve transparency some expenditures have been reclassified (as listed in Box 1), but macro aggregates remain broadly unchanged.



- Domestic revenue is projected to increase by G6.6 billion (0.7 percent of GDP), reflecting mostly higher revenue on petroleum products (G4 billion) and improved revenue administration.

- Budget support would drop to $45 million (0.5 percent of GDP), from $60 million (0.7 percent of GDP) in FY2013, in line with a gradual winding down of the post-earthquake boom.

- Current spending would expand to 11.5 percent of GDP. The wage bill is projected to increase by about 13 percent, from G21 billion in FY2013 to G23.7 billion in FY2014. This increase (G2.8 billion) is largely due to reclassification of items from subsidies and transfers (G2.5 billion) (see Box 1).[4] Staff recommended that future increases in the wage bill be determined within the framework of a medium-term strategy for the modernization of the public administration.

- Domestically-financed spending will amount to 8.5 percent of GDP in FY2014, from 7.4 percent in FY2013. This increase results mostly from the (i) the inclusion in the budget of G2.2 billion in education spending financed by the National Education Fund (FNE, which is funded from taxes on telecommunications and remittances inflows); and (ii) higher PCDR related spending reflecting an acceleration in the disbursement for many projects that have been launched in FY2013.

Domestically-financed capital spending

	FY2013	FY2014	FY2013	FY2014
	Billions of gourdes		Percent of GDP	
Treasury	10.1	13.7	2.8	3.5
FNE		2.0		0.5
PCDR	1.7	3.0	0.5	0.8
Petrocaribe	14.2	14.2	4.0	3.7

- The fiscal deficit (6.9 percent of GDP) will be financed through domestic financing (2.4 percent of GDP) and external financing (4.5 percent of GDP), including PetroCaribe resources (4.3 percent of GDP). Domestic financing includes a drawdown of government and PCDR deposits at the central bank, and net placement with commercial banks. This will bring total government gross debt to 24.7 percent of GDP, and government debt net of PetroCaribe deposits to 20.8 percent of GDP. Total government debt-to-GDP, the medium-term fiscal anchor, will remain below 30 percent (the pre-earthquake level).

FY2013-14: Composition of Financing

	Millions of gourdes	% GDP
Overall balance	-26,722	-6.9
Financing	26,722	6.9
External	17,304	4.5
o/w Petrocaribe	16,909	4.3
Internal	9,418	2.4
BRH	5,200	1.3
o/w drawdown of gov deposits	2,200	0.6
o/w PCDR	3,000	0.8
Commercial banks	2,543	0.7
o/w Petrocaribe	-2,467	-0.6
o/w TBs	5,010	1.3
Other non-bank financing	1,675	0.4
o/w FNE	2,037	0.5
o/w TBs	740	0.2
o/w amortization of TBs	-1,103	-0.3

[4] Despite this reclassification the level of subsidies and transfers will not decline; however, the authorities plan to eliminate subsidies to EDH by 2016.

Box 1. Haiti: Reclassification of Expenditure Items for the 2014 Budget

The authorities have improved transparency and accountability of their current spending operations through reclassification of certain expenditure items.

The main reclassifications to the wage bill include:

- G1.3 billion of staff compensation from autonomous public agencies, previously recorded as subsidies and transfers.
- The compensation of 5,700 teachers, corresponding to G200 million.
- In-kind allowances received by civil servants, previously recorded as goods and services.

The main reclassifications to goods and services include:

- G1.5 billion of spending of autonomous agencies, previously recorded as subsidies and transfers.
- G1.1 billion of spending previously recorded in capital spending.

These changes bring the wage bill to about 6.1 percent of GDP from 5.8 percent in 2013 and goods and services to 3.6 percent of GDP from 3.2 percent in 2013. Within these efforts of enhancing transparency, the authorities now specifically itemize the National Fund for Education (G2 billion) in the budget.

FY2014 Budget : Reclassifications of Expenditure, millions of gourdes

	FY2013	FY2014
Wage bill	20,923	23,700
Hiring in police		735
Education		200
Health		200
Reclassification of autonomous agency wage bill from subsidies		1,328
Other		314
Goods and services	11,465	13,820
Election		244
Reclassification of autonomous agency current expenditure from subsidies		1,500
Reclassification expenditure from capital spending		1,142

Fiscal Reforms

8. **Preserving fiscal sustainability will hinge on the authorities' ability to increase revenue collection, particularly in the face of declining aid.** There was agreement on the need to continue enhancing efficiency in tax and customs administration (MEFP, ¶ 14). Efforts in the remainder of FY2013 and FY2014 will focus on: (i) strengthening the large taxpayers' office; (ii) making the medium-size taxpayers' office operational, allocating adequate office space to the staff and increasing the number of medium-size taxpayers; and (iii) adopting and implementing a function-

based organizational structure for a more efficient tax department; and (iv) promoting the use of E-declaration and establishing an E-payment system. Stronger controls at the border will also be needed, including through greater use of IT in the customs administration. However, the authorities should not rely solely on administrative reforms to achieve their revenue target. Efforts will also be needed to expand the tax base, considerably reduce tax expenditures, and improve and streamline the tax system (MEFP, ¶ 15). The authorities are currently preparing a study on the adoption of the VAT to be completed by December 2013 with the support of FAD technical assistance which will be the basis for a discussion on the tax base (i.e., which goods and services should be exempted), the tax rate, and the implementation procedure. LEG is providing technical assistance in coordination with FAD to assist the authorities in drafting the VAT law which is to be included in the new general tax code, also being prepared with LEG assistance. These revenue measures for the remainder of FY2013 and FY2014 are included in the medium-term strategy and are critical for achieving the authorities' target of an increase in domestic revenue to 15 percent of GDP by FY2017.

9. More flexibility in petroleum prices is needed to avoid volatility in revenue and costly general subsidies. To avoid social unrest and in the absence of a comprehensive and well-targeted safety net, domestic petroleum prices have been kept unchanged since March 2011, mostly through a downward adjustment of fees and taxes collected on petroleum products (see Box 2). Given recent international oil prices, this policy has triggered some revenue losses, which could reach 1.8 percent of GDP in FY2013. The authorities see the importance of aligning retail fuel prices with international levels (MEFP, ¶ 8) and are committed to increase domestic prices to limit revenue forgone and secure at a minimum the level of oil revenue envisaged in the FY2014 budget. It is expected that the planned increase in domestic fuel prices coupled with the projected decline in international prices will enable the authorities to collect at least G4 billion in FY2014. In the medium term, the elimination of the gap between domestic and international petroleum prices will be implemented gradually, accompanied by public outreach and compensatory measures for the most vulnerable so as to minimize any social discontent. To this end, the authorities have requested World Bank advice to design targeted assistance to vulnerable segments of the population that would be affected by an increase in energy prices. The mission stressed the Fund’s willingness to also help the authorities in this area.

Box 2. Haiti: Domestic Oil Price Mechanism

Since March 2011 prices at the pump for petroleum products have been fixed as follows: G200 (US$4.76) per gallon of Gasoline 95; G195 ($4.64) per gallon of Gasoline 91; G162 ($3.79) per gallon of diesel; and G161 ($3.84) per gallon of jet fuel (kerosene).

In principle, pump prices reflect the shipping price, plus a series of charges and taxes. However, when the difference between the price at the pump and the shipping price is not enough to cover charges and fees, the adjustable excise is removed; then petroleum excises and customs duties (custom duties only for gasoline) are also removed. If these corrections to the price mechanism do not reach the fixed-price target, the Treasury subsidizes importers.

Given high recent international oil prices, this policy has triggered some losses. Data indicate that, for the first semester, revenue from petroleum products amounted to only G0.7 billion, rather than G2.9 billion that could have been collected without the price mechanism in place, and instead of G2 billion envisaged in the budget. Absent any adjustment in domestic petroleum prices and assuming that international oil prices remain at their current level, the total cost to the budget could reach G6.5 billion (1.8 percent of GDP) for the full year. Of this, about G5.5 is revenue forgone while the remainder is the actual subsidies to the budget.

10. The mission emphasized the importance of continued efforts to strengthen the public investment framework. The authorities acknowledged a need to accelerate ongoing measures to improve the execution rate and the quality of capital spending (MEFP, ¶ 18). To this end, the authorities will set up a task force of local and international experts to review the investment program to differentiate between projects ready to be financed and those that are still at early stages (identifying their status, next steps, and technical assistance to finalize their preparation). Staff emphasized that only projects ready to be executed should be included in the budget. At the same time, the authorities will continue to strengthen the units within line ministries responsible for project evaluation and execution (including by hiring technical experts), enhance the control system, and promote a more dynamic information system. Staff reiterated the need to select and prioritize projects based on rigorous economic cost-benefit analyses.

11. The authorities are committed to consolidating progress in PFM. They are advancing towards a Treasury Single Account (TSA) and have taken important steps by creating new accounting posts and training the necessary accountants (MEFP, ¶ 7, 16). The opening of the government central account at the BRH and the signing of an agreement between the finance ministry and BRH on the modalities and functioning of this central account (MEFP, ¶ 7) will help accelerate the migration to a TSA by end-September 2014. Further progress in PFM reforms and in procurement will ensure greater transparency, accountability, and efficiency in the use of public resources. It will also encourage donors to channel more resources through the budget and better align their assistance with the authorities' policy priorities.

12. Staff emphasized the need to step up efforts to strengthen debt management capacity and policies. To finance the 2014 overall fiscal deficit, the government will need to issue a significant amount of short-term maturity T-Bills (G4.6 billion, as well as roll over previously issued T-bills of G2.7 billion). This will require close coordination between the MEF and the BRH but also efforts to further strengthen debt management. Staff also reiterated the importance of using of PetroCaribe resources only for to growth-enhancing investment projects to preserve debt sustainability.

C. Monetary and exchange rate policy, and financial sector reforms

Discussions focused on the need to guard against inflation risks and measures to strengthen the financial sector.

13. The BRH will remain vigilant in monitoring inflationary pressures. Staff pointed to the importance of using all available monetary policy tools and urged the authorities to not rely solely on the required reserve ratio. The authorities are prepared if necessary to increase central bank bills and T-bills issuance or to adjust the policy rate to gradually absorb excess liquidity and enhance the traction of monetary policy (MEFP, ¶ 12). However, the authorities expressed concern that high lending rates could jeopardize growth prospects. They noted that with inflation expected to remain in the single digits and projected slow growth, and in light of weak monetary transmission mechanisms, particularly the interest rate channel, raising interest rates may not be the first line of defense. Staff agreed but responded that maintaining low inflation should be the highest priority, and urged the authorities to continue enhancing the monetary transmission mechanism. There is also room to improve BRH modeling and forecasting capacity, and the authorities expressed interest in follow-up IMF TA.

14. The mission emphasized that further exchange rate flexibility would help enhance the effectiveness of monetary policy. The authorities agreed in principle that the gourde should adjust to underlying fundamentals, including the expected drop in official transfers, and reiterated that the BRH will continue to intervene in the foreign exchange market only to ensure a smooth adjustment and limit excess volatility (MEFP, ¶ 13). Staff stressed the need to safeguard foreign exchange reserves and external stability and encouraged the authorities to accelerate structural reforms to promote competitiveness and exports. The authorities have prioritized tourism and textiles as two key growth sectors, but pace of their development will depend on the investment and business environment as well as on infrastructure improvements.

15. Staff encouraged the authorities to improve the functioning of the foreign exchange market. As noted in the recent Article IV staff report (Country Report 13/90), the authorities remain committed to greater exchange flexibility (MEFP, ¶ 13) but wish to move cautiously and gradually to single-price foreign exchange auctions first by increasing the number of market participants. There was agreement on the need to continue improving Haiti's shallow foreign exchange market. The authorities expressed interest in further technical assistance in this area.

16. Although credit has grown at a brisk pace in recent years, financial intermediation and access to finance remain low compared to regional peers. Staff and the authorities concurred that further improvements in financial intermediation are needed to support the growth agenda (MEFP, ¶ 19). Reforms should be guided by the recently conducted Financial Sector Assessment and by the 2008 FSAP. The most urgent reforms are changes in the legal system, including finalizing a legal framework for the operation and supervision of insurance companies, the law on financial cooperatives, and the law for microfinance institutions. Adopting a legal framework for secured transactions would also improve access to finance. More generally, staff urged the authorities to continue implementing the recommendations of the 2008 FSAP. Efforts to strengthen the financial sector supervisory and regulatory framework should continue. Addressing gaps in data collection will also be also important, particularly to facilitate comprehensive assessments of risks in the financial sector.

D. Other issues

17. Poverty Reduction Strategy Paper (PRSP). Ranking 158th out of 187 countries in the UNDP Human Development Index, Haiti is one of the poorest countries in the world with almost 80 percent of the population living with less than $2 a day. There were two recent World Bank-financed household surveys: a survey on living standards (ECMAS), and a joint Demographic and Health Survey (DHS) and Multiple Indicator Cluster Survey (MICS). These surveys will allow a better understanding of the evolution of poverty levels and income distribution in Haiti, and help the authorities update the PRSP.

18. Electricity sector. Sustained reform efforts in the power sector are essential to ensure fiscal sustainability and higher growth. Staff urged the authorities to continue working closely with their partners, including the World Bank, IDB, and USAID, to improve the production and the distribution of electricity, as well as the management of the electricity company (EDH) to achieve better financial viability and gradually end its dependence on government subsidies. Staff welcomed steps taken by EDH to control payments to independent power producers and to put meters in the main industrial user firms, which account for 60 percent of EDH revenues.

19. Anti-money laundering and combating the financing of terrorism (AML/CFT). The draft law was approved by the Senate and is now being discussed in the Chamber of Deputies (MEFP, ¶ 23). At the same time, the authorities are making progress in the implementation of critical aspects of the AML/CFT framework, particularly to support anti-corruption efforts and prevent money laundering and the financing of terrorism.

PROGRAM MONITORING

20. The authorities have requested a one-year extension of the ECF arrangement to lock in the gains to date and complete key reforms, particularly in the fiscal area. Since the beginning of the arrangement in July 2010, the authorities have consistently met all PCs and implemented 23 out of 28 structural benchmarks (albeit usually with delays), and continue to meet all continuous structural benchmarks An extension of the program will allow the authorities to implement the remaining benchmarks, which are critical steps in the establishment of a treasury single account and the creation of a strong debt management unit.

21. Program modalities. Quarterly quantitative indicative targets and semi-annual quantitative performance criteria (PCs) in place since the inception of the program will continue to be used to monitor program implementation. The proposed performance criteria and indicative targets are presented in Appendix Table 1 of the MEFP. Appendix Table 2d of the MEFP shows the proposed prior actions for completion of the sixth review and structural benchmarks. Continuous structural benchmarks as specified in Appendix table 2b will continue to be monitored. The authorities requested to discontinue the monitoring of the fifth benchmark related to the move to single-price foreign exchange auctions because of the absence of competition and to avoid significant exchange rate volatility, as lumpy transactions or a dearth of participants could cause jumps in the exchange rate. Staff supports this request but urged the authorities to take advantage of available technical assistance, including from the IMF, to improve the functioning of the foreign exchange market, particularly to increase the number of market participants and promote the development of the interbank foreign exchange market. Taking into account Haiti's limited capacity and delays in the structural reform agenda, staff propose adding two new macro-relevant structural benchmarks to: (i) set up a task force of experts to review the public investment framework; and (ii) allocate office space to staff of the medium-sized tax payer unit. The latter will enable the unit to become operational and help increase tax administration efficiency and revenue.

22. Access. The remaining access under the ECF (SDR 4.914) will be phased equally into three purchases with test dates at end-March 2013, end-September 2013, and end-March 2014. Semi-annual periodicity of reviews will be maintained for the extended period of the ECF arrangement.

23. Capacity to repay and safeguards assessment. Capacity to repay and safeguards assessment. Haiti's capacity to repay the Fund is adequate (Table 8). Implementation of the 2010 update safeguards assessment continues, albeit with delays. The completion of the FY2012 audit of the central bank is underway and the BRH intends to publish audited financial statements by end-July 2013 (MEFP, ¶ 22). Staff urged the authorities to accelerate the full adoption of IFRS along with the establishment of a special committee to monitor its implementation. The mission also encouraged the BRH to reconstitute the Investment Committee as an independent oversight body and to appoint a compliance officer to monitor the observance of the authorities' foreign reserve policy and investment guidelines.

Prior Actions and Structural Benchmarks through March 2014

Measures	Timing
Open a government central account at the BRH.	Prior action: met
Sign and make operational the TSA agreement between the finance ministry and BRH.	Prior action: met
Submit to Parliament a public debt law that would establish a sound legal and institutional framework for public debt management.	Prior action (previously SB for end-March 2013): met
Strengthen the debt unit with fully operational middle and back office functions; Preparation of annual debt sustainability analyses.	End-December 2013 (reset from end-March 2013)
Reduce the number of domestically-funded imprest accounts to three per ministry or institution (for revenue collection, capital spending, and other transactions); deploy the network of public accounting offices at the line ministries' level; and gradually grant signature authority on these accounts to public accountants appointed by the MEF.	End-March 2014 (reset from end-March 2013)
Roll out general ledger (GL) software in all ministries; start to record project and imprest accounts expenditures when these are effectively paid, and no longer when the account is replenished.	End-December 2013 (reset from end-March 2013)
Set up a task force of experts to review the public investment framework.	End-December 2013
Allocate offices to staff of the medium-sized tax payer unit.	End-September 2013

E. Staff Appraisal

24. **The macroeconomic situation has improved over the last three years, although growth has been modest**. Inflation remains in the single digits and the external position has strengthened. The financial sector is expanding rapidly while the banking sector remains strong. Control over current spending remains firm, allowing some flexibility in fiscal policy. However, the post-earthquake recovery has been slow, due predominantly to weak absorptive capacity and a series of natural disasters.

25. **Significant challenges still lie ahead**. The key challenge for Haiti is to create the conditions for stronger and sustainable growth by maintaining macroeconomic stability and pursuing much-needed structural reforms to improve infrastructure and the business climate. Preserving fiscal and external sustainability in the context of declining foreign assistance will also be a top policy priority. The authorities should continue to promote competitiveness and exports to offset the decline in official transfers and preserve external stability. Strengthened relations between the legislative and executive branches will also be critical to expedite economic reforms needed to rekindle growth, create jobs and reduce poverty.

26. **Domestic revenue mobilization is important for medium-term fiscal sustainability.** While there have been some gains in revenue collection in recent years, revenue in Haiti remains well below potential and there is scope for higher yield by broadening the tax base, reducing tax expenditure and further increasing the efficiency of tax and customs administration. Aligning domestic petroleum prices with international levels will also limit forgone revenue. The authorities' commitment to reform in this area is encouraging.

27. **Aligning domestic fuel prices with international levels will be challenging, particularly in the absence of a well-targeted social safety net.** Some immediate adjustments in domestic fuel prices will be critical to secure revenue targets and create additional fiscal space for infrastructure and poverty-related spending. In the medium term, the appropriate phasing-in and sequencing of price increases will depend on a range of factors, including the magnitude of the price increases required to eliminate subsidies and the time needed to develop an effective communication strategy and a social safety net.

28. **Continued strong spending controls will be crucial.** Staff welcomes the decisive actions in recent months to contain non-priority current spending and enhance transparency of the budget through a more appropriate reclassification of items. Careful management of the wage bill will also be critical to keep flexibility in fiscal policy and create room for additional infrastructure and poverty-related spending. Sustained reform efforts in the power sector are also essential for fiscal sustainability and growth.

29. **Sustaining higher growth critically depends on forceful actions to improve the public investment framework.** There is need to accelerate ongoing measures to improve project appraisal, evaluation, implementation, and reporting. Ensuring high quality capital spending will also

require a realistic assessment of capacity constraints and improvements in the business climate to promote strong private sector development.

30. Strengthening PFM and governance remains critical. Staff urged the authorities to continue the effort to establish a TSA, which will help improve oversight of all cash flows and strengthen budget control. Staff drew the authorities' attention to the need for further efforts to improve the procurement process and debt management. The authorities are encouraged to swiftly adopt the draft AML/CFT law and ensure that it is in line with the 2012 FATF standard. Effective implementation of the framework will support the authorities' efforts with regard to tax evasion, corruption, and prevention of financial sector abuse.

31. The authorities are firmly committed to keeping inflation in the single digits. The BRH should remain vigilant and be ready to use all available tools if demand pressures or second-round effects from domestic food price shocks arise. In this vein, the BRH should continue to improve monetary transmission mechanisms, and intervene in the foreign exchange market only to smooth excess volatility. Administrative measures should be taken only as a second line of defense after carefully assessing their impact.

32. Staff supports the authorities' request for a one year extension and rephasing of disbursements, and recommends the completion of the sixth review under the ECF arrangement. Program implementation has been broadly satisfactory although implementation of structural reforms remains slow. On balance, significant progress has been made and the authorities maintain the commitment and the capacity to implement the program. The requested one-year extension of the ECF arrangement will help to lock in the gains to date and complete key reforms, particularly in the fiscal area.

Table 1. Haiti: Selected Economic and Financial Indicators, 2009/10 - 2016/17

(Fiscal year ending September 30)

Nominal GDP (2011): US$7.4 billion
Population (2009): 9.9 million

	2009/10	2010/11	2011/12	2012/13		2013/14	2014/15	2015/16	2016/17
	Act.	Act.	Prov.	Prog.			Proj.		
	(Change over previous year; unless otherwise indicated)								
National income and prices									
GDP at constant prices	-5.4	5.6	2.8	6.5	3.4	4.5	5.2	5.8	5.6
GDP deflator	4.7	6.8	7.5	5.3	5.3	3.8	3.6	3.2	2.8
Consumer prices (period average)	4.1	7.4	6.8	6.7	7.1	4.4	4.0	3.7	3.4
Consumer prices (end-of-period)	4.7	10.4	6.5	5.0	6.0	5.0	4.0	3.5	3.0
External sector									
Exports (f.o.b.)	2.2	36.3	2.2	20.1	17.1	14.8	11.2	10.2	10.0
Imports (f.o.b.)	38.3	7.3	-12.4	14.5	6.7	3.3	5.4	5.4	5.0
Real effective exchange rate (end of period; + appreciation)	0.7	1.6	4.7	...					
Money and credit									
Credit to the nonfinancial public sector (net)	-122.7	229.4	41.6	-13.2	-23.7	-60.6	-119.4	435.5	45.6
Of which: Net credit to the central government	-104.3	930.9	44.7	0.5	-15.4	-79.1	-289.2	106.8	31.1
Credit to private sector	-5.6	24.5	29.8	21.6	21.6	18.0	17.5	17.0	16.5
Base money	31.2	6.0	-3.7	10.9	8.9	8.5	9.0	9.2	8.5
Broad money (incl. foreign currency deposits)	22.7	10.4	6.9	11.8	8.0	7.8	8.0	8.1	7.8
	(In percent of GDP; unless otherwise indicated)								
Central government									
Overall balance	2.4	-3.7	-5.1	-5.3	-5.5	-6.9	-5.4	-4.3	-3.5
Overall balance (excluding grants and externally-financed projects)	-5.0	-4.7	-5.0	-6.1	-6.1	-7.0	-5.3	-4.3	-3.4
Domestic revenue	11.9	13.1	12.8	14.1	12.3	13.0	13.6	14.0	14.5
Grants	16.5	16.8	10.6	10.4	8.4	6.8	5.8	5.1	4.4
Expenditures	26.0	33.5	28.4	29.8	26.2	26.7	24.8	23.4	22.4
Current expenditures	11.3	11.8	11.9	11.3	10.9	11.5	11.3	11.1	10.9
Capital expenditures	14.7	21.7	16.5	18.5	15.3	15.3	13.5	12.4	11.5
Savings and investment									
Gross investment	25.4	28.0	29.1	29.5	25.7	28.6	27.1	27.0	27.0
Of which: public investment	14.7	21.7	16.5	18.5	15.3	15.3	13.5	12.4	11.5
Gross national savings	12.9	23.8	25.1	23.9	19.9	22.9	21.4	21.5	21.7
Of which: central government savings	4.0	2.4	1.2	3.8	2.1	2.0	2.6	3.1	3.7
External current account balance (including official grants)	-12.5	-4.6	-4.5	-5.6	-5.8	-5.7	-5.7	-5.6	-5.4
External current account balance (excluding official grants)	-29.8	-24.2	-17.0	-17.7	-16.0	-14.3	-13.3	-12.4	-11.4
Public Debt									
External public debt (end-of-period)	13.2	8.9	13.0	16.8	17.3	20.7	22.8	24.2	25.1
Total government debt (end-of-period)	17.7	12.2	15.4	20.4	20.4	24.5	27.6	29.4	30.3
External public debt service 1/	1.6	0.6	0.8	1.5	1.5	2.5	4.1	5.1	5.9
	(In millions of U.S. dollars; unless otherwise indicated)								
Overall balance of payments	1,028	167	272	-290	-290	-259.7	-74.1	-81.7	-109.2
Net international reserves (program definition) 2/	1,098	1,178	1,302	998	998	738	703	666	602
Liquid gross reserves	1,792	2,000	2,284	2,019	2,019	1,759	1,724	1,684	1,614
In months of imports of the following year	5.2	6.2	6.8	5.5	5.8	4.7	4.4	4.1	3.8
Nominal GDP (millions of Gourdes)	264,039	297,687	329,032	368,991	358,272	388,727	423,625	462,601	502,067
Nominal GDP (millions of US dollars)	6,551	7,388	7,902	8,535	8,287	8,835	9,628	10,514	11,411

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; Fund staff estimates and projections; and World Bank
1/ In percent of exports of goods and nonfactor services. Includes HIPC, MDRI, and PCDR debt relief.
2/ SDR allocation (liability) is not netted out of NIR.

Table 2a. Haiti: Central Government Operations, 2009/10 - 2013/14

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

	2009/10	2010/11		2011/12		2012/13		2013/2014
	Act.	Prog.	Est.	Prog.	Prov.	Prog.	Proj.	Proj.
Total revenue and grants	75,004	86,794	88,801	91,786	76,802	90,197	74,254	77,254
Domestic revenue	31,425	36,459	38,893	44,516	41,970	52,002	44,000	50,642
Domestic taxes	19,393	22,133	24,460	29,387	28,076	34,032	29,987	34,597
Customs duties	11,394	13,512	13,672	15,000	13,721	17,337	13,398	15,378
Other current revenue	638	814	761	129	174	633	615	667
Grants	43,579	50,335	49,907	47,270	34,831	38,195	30,254	26,612
Budget support	8,966	6,875	3,492	2,291	1,124	3,458	2,594	1,980
Project grants	23,924	43,460	46,416	44,979	33,707	34,737	27,660	24,632
Total expenditure [1/]	68,704	104,100	99,811	103,677	93,424	109,838	93,915	103,976
Current expenditure	29,849	33,997	35,231	37,089	39,008	41,538	39,121	44,655
Wages and salaries	14,563	16,590	14,809	17,066	16,706	21,139	20,923	23,700
Net Operations [2/]	7,040	10,237	7,525	9,822	11,406	11,235	11,465	13,820
Other current expenditures	1,023	8,559	0	0	0	0	0	0
Interest payments	1,569	1,394	1,272	1,335	1,360	1,625	1,625	1,476
External	452	154	153	230	230	397	397	581
Domestic	1,118	1,241	1,119	1,105	1,130	1,228	1,228	1,205
Transfers and subsidies	6,677	7,454	11,626	8,866	9,534	7,539	5,108	5,659
Of which: energy sector 3/	3,793	3,945	8,232	4,492	4,844	2,600	2,600	2,500
Capital expenditure	38,855	70,103	64,579	66,588	54,417	68,300	54,794	59,321
Domestically financed	14,689	25,335	17,621	21,025	19,264	33,067	26,638	33,214
Of which: Treasury	13,475	24,102	16,431	21,025	19,264	32,705	26,286	33,214
Of which: related to PetroCaribe spending	2,991	9,874	7,479	9,500	9,276	14,442	14,442	14,442
Foreign-financed	24,166	44,767	46,958	45,563	35,152	35,233	28,157	26,107
Overall balance	6,299	-18,984	-11,010	-11,891	-16,623	-19,641	-19,661	-26,722
Excluding grants	-37,279	-67,641	-60,918	-59,161	-51,454	-57,836	-49,915	-53,334
Excluding grants and externally financed projects	-13,113	-22,873	-13,959	-13,599	-16,302	-22,603	-21,759	-27,227
Adjustment (unidentified spending)	1,260	0	1,174	0	0	0	0	0
Financing	-5,546	18,984	12,187	11,891	16,623	19,641	19,661	26,722
External net financing	9,050	13,867	13,643	14,719	15,475	16,420	16,420	17,304
Loans (net)	9,050	13,867	13,644	14,719	15,475	16,420	16,420	17,304
Disbursements	9,356	14,079	13,721	14,743	15,602	17,110	17,110	18,384
Of which: Petrocaribe	9,114	12,747	13,214	14,160	14,157	16,613	16,613	16,909
Project loans	3,631	1,307	543	583	1,445	497	497	1,475
Amortization	-306	-212	-77	-24	-127	-690	-690	-1,080
Arrears (net)	0	0	0	0	0	0	0	0
Internal net financing	-14,596	5,117	-1,456	-2,882	1,148	3,221	3,241	9,418
Banking system	-16,904	3,884	-5,383	-640	-2,734	-55	1,787	7,743
BRH	-11,248	2,782	-2,926	1,300	-224	2,116	2,305	5,200
Excluding Petrocaribe	-11,344	0	-2,926	1,300	-224	2,116	2,305	5,200
Net T-bills for recapitalization	0	4,000	0	0	0	0	0	0
From PCDR account	0	2,782	0	1,025	1,130	1,500	1,729	3,000
Commercial banks	-5,656	1,102	-2,457	-1,940	-2,510	-2,171	-517	2,543
excl. Petrocaribe	300	4,000	-300	1,416	0	0	1,654	5,010
Net purchase of T-bills	300	4,000	-300	1,416	0	0	1,654	5,010
Nonbank financing	2,308	1,233	3,927	-2,243	3,882	3,277	1,454	1,675
Amortization	0	-300	-300	-2,400	0	0	0	-1,103
Net purchase of T-bills	0	0	0	157	0	2,915	1,103	-362
Arrears (net)	0	0	0	0	0	0	0	0
HIPC interim relief	0	0	0	0	0	0	0	0
Unidentified financing	-506	0	3	0	0	0	0	0
Financing gap (in U.S. dollars)	12	0	0	0	0	0	0	0
Memorandum items								
Financing from Petrocaribe	9,113.9		13,214.3	14,160.2	14,157.2	16,613.2	16,613.2	16,908.7
Balance of PCDR account (in millions of U.S. dollars)	268	199	268	225	222	165	160	73
Stock of T-bills at end of year (in millions of Gourdes)	300	8,300	0	1,573	0	2,915	2,756	7,404
Transfers to EDH from Petrocaribe resources (million of Gour	n.a.	n.a.	3,538	2,499	2,243	0	0	0

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/] Includes transfers from Petrocaribe resources in FY2011.

Table 2b. Haiti: Central Government Operations, 2009/10 - 2013/14

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

	2009/10	2010/11		2011/12		2012/13		2013/2014
	Actual	Prog.	Est.	Prog.	Prov.	Prog.	Proj.	Proj.
Total revenue and grants	28.4	28.1	29.8	27.9	23.3	24.4	20.7	19.9
Domestic revenue	11.9	11.8	13.1	13.5	12.8	14.1	12.3	13.0
Domestic taxes	7.3	7.2	8.2	8.9	8.5	9.2	8.4	8.9
Customs duties	4.3	4.4	4.6	4.6	4.2	4.7	3.7	4.0
Other current revenue	0.2	0.3	0.3	0.0	0.1	0.2	0.2	0.2
Grants	16.5	16.3	16.8	14.4	10.6	10.4	8.4	6.8
Budget support	3.4	2.2	1.2	0.7	0.3	0.9	0.7	0.5
Project grants	9.1	14.1	15.6	13.7	10.2	9.4	7.7	6.3
Total expenditure 1/	26.0	33.8	33.5	31.5	28.4	29.8	26.2	26.7
Current expenditure	11.3	11.0	11.8	11.3	11.9	11.3	10.9	11.5
Wages and salaries	5.5	5.4	5.0	5.2	5.1	5.7	5.8	6.1
Net Operations 2/	2.7	3.3	2.5	3.0	3.5	3.0	3.2	3.6
Other current expenditures	0.4	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Interest payments	0.6	0.5	0.4	0.4	0.4	0.4	0.5	0.4
External	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Transfers and subsidies	2.5	2.4	3.9	2.7	2.9	2.0	1.4	1.5
Of which: energy sector 3/	1.4	1.3	2.8	1.4	1.5	0.7	0.7	0.6
Capital expenditure	14.7	22.7	21.7	20.3	16.5	18.5	15.3	15.3
Domestically financed	5.6	8.2	5.9	6.4	5.9	9.0	7.4	8.5
Of which: Treasury	5.1	7.8	5.5	6.4	5.9	8.9	7.3	8.5
Of which: related to PetroCaribe spending	1.1	3.2	2.5	2.9	2.8	3.9	4.0	3.7
Foreign-financed	9.2	14.5	15.8	13.9	10.7	9.5	7.9	6.7
Overall balance	2.4	-6.2	-3.7	-3.6	-5.1	-5.3	-5.5	-6.9
Excluding grants	-14.1	-21.9	-20.5	-18.0	-15.6	-15.7	-13.9	-13.7
Excluding grants and externally financed projects	-5.0	-7.4	-4.7	-4.1	-5.0	-6.1	-6.1	-7.0
Adjustment (unidentified spending)	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Financing	-2.1	6.2	4.1	3.6	5.1	5.3	5.5	6.9
External net financing	3.4	4.5	4.6	4.5	4.7	4.4	4.6	4.5
Loans (net)	3.4	4.5	4.6	4.5	4.7	4.4	4.6	4.5
Disbursements	3.5	4.6	4.6	4.5	4.7	4.6	4.8	4.7
Of which: Petrocaribe	3.5	4.1	4.4	4.3	4.3	4.5	4.6	4.3
Project loans	1.4	0.4	0.2	0.2	0.4	0.1	0.1	0.4
Amortization	-0.1	-0.1	0.0	0.0	0.0	-0.2	-0.2	-0.3
Arrears (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Internal net financing	-5.5	1.7	-0.5	-0.9	0.3	0.9	0.9	2.4
Banking system	-6.4	1.3	-1.8	-0.2	-0.8	0.0	0.5	2.0
BRH	-4.3	0.9	-1.0	0.4	-0.1	0.6	0.6	1.3
Excluding Petrocaribe	-4.3	0.0	-1.0	0.4	-0.1	0.6	0.6	1.3
Net T-bills for recapitalization	0.0	1.3	0.0	0.4	0.0	0.0	0.0	0.0
From PCDR account	…	0.9	0.0	-0.7	0.3	…	…	…
Commercial banks	-2.1	0.4	-0.8	-0.7	-0.8	-0.6	-0.1	0.7
Excluding Petrocaribe	0.1	1.3	-0.1	0.0	0.0	0.0	0.5	1.3
Net purchase of T-bills	0.1	1.3	-0.1	0.0	0.0	0.0	0.5	1.3
Nonbank financing	0.9	0.4	1.3	-0.7	1.2	0.9	0.4	0.4
Amortization	0.0	-0.1	-0.1	-0.7	0.0	0.0	0.0	-0.3
Net purchase of T-bills	0.0	0.0	0.0	0.0	0.0	0.8	0.3	-0.1
Arrears (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC interim relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:								
Balance of PCDR account	4.1	2.6	3.6	2.8	2.8	1.9	1.9	0.8
Stock of T-bills at end of period	0.1	2.7	0.0	0.5	0.0	0.8	0.8	1.9
Transfers to EDH from Petrocaribe resources (million of Gourdes)			1.2	0.8	0.7	0.0	0.0	0.0

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/ Includes transfers from Petrocaribe resources in FY2011.

Table 3. Haiti: Summary Accounts of the Banking System, 2009/10- 2013/14

	2009/10	2010/11		2011/12			2012/13		2013/14
	Act.	Prog.	Est.	Prog.	Prog.	Prov.	Prog.	Proj.	Proj.
				I. Central Bank					
Net foreign assets	64,127	55,236	72,469	66,877	76,597	87,436	78,580	78,576	67,136
(In millions of U.S. dollars)	1,606	1,347	1,773	1,592	1,811	2,066	1,786	1,786	1,526
Net international reserves (program) 1/	1,098	772	1,178	979	1,221	1,302	998	998	738
Commercial bank forex deposits	618	689	706	725	702	874	897	897	897
Net domestic assets	-23,344	-8,254	-29,234	-18,669	-29,471	-45,795	-32,400	-33,234	-17,940
Net credit to the nonfinancial public sector	9,520	11,811	5,276	9,049	7,244	3,685	8,161	8,350	13,884
Of which: Net credit to the central government	12,376	14,652	9,466	12,572	10,767	9,235	11,351	11,540	16,740
Of which: T-bills	0	4,000	0	0	0	0	0	0	0
Of which: IMF PCDR Debt Relief	-10,704	-8,200	-10,954	-7,572	-9,510	-9,410	-7,270	-7,036	-3,209
Liabilities to commercial banks (excl gourde deposits)	-33,907	-36,756	-35,191	-37,677	-36,938	-42,736	-44,668	-44,668	-43,868
BRH bonds/Open market operations	-9,210	-8,500	-6,328	-7,241	-7,241	-5,742	-5,200	-5,200	-4,400
Counterpart of commercial bank forex deposits	-24,697	-28,256	-28,863	-30,437	-29,697	-36,994	-39,468	-39,468	-39,468
Other	1,043	16,691	680	9,959	223	-6,745	4,106	3,084	12,044
Base Money	40,783	46,982	43,235	48,207	47,126	41,641	46,180	45,342	49,196
Currency in circulation	17,282	19,671	18,401	20,608	20,796	20,232	22,457	22,457	23,559
Commercial bank gourde deposits	23,501	27,311	24,834	27,599	26,330	21,410	23,723	22,885	25,637
				II. Consolidated Banking System					
Net foreign assets	92,209	86,810	104,581	101,132	111,097	115,977	109,572	109,568	99,008
(In millions of U.S. dollars)	2,309	2,117	2,559	2,408	2,626	2,740	2,490	2,490	2,250
Of which: Commercial banks NFA	703	770	786	816	816	674	704	704	724
Net domestic assets	33,942	64,954	34,744	60,615	43,862	32,961	56,945	51,272	74,374
Credit to the nonfinancial public sector	-3,745	-352	-12,336	912	-12,308	-17,466	-15,161	-13,318	-5,242
Of which: Net credit to the central government	-776	n.a.	-7,996	n.a.	-8,636	-11,571	-11,626	-9,783	-2,041
Credit to the private sector	40,585	49,370	50,526	59,028	59,929	65,573	79,736	79,736	94,089
In gourdes	21,708	25,472	28,086	32,196	35,358	38,048	47,191	47,191	56,799
In foreign currency	18,877	23,898	22,440	26,832	24,571	27,525	32,545	32,545	37,290
In millions of U.S. dollars	473	583	549	639	581	650	740	740	847
Other	-2,898	15,935	-3,446	675	-3,759	-15,145	-7,631	-15,146	-14,473
Broad money	126,151	151,763	139,324	161,747	154,960	148,938	166,517	160,840	173,382
Currency in circulation	17,282	19,671	18,401	20,608	20,796	20,232	22,457	22,457	23,559
Gourde deposits	48,513	57,221	52,164	60,405	55,392	54,933	61,250	61,250	67,731
Foreign currency deposits	60,355	74,871	68,760	80,733	78,772	73,774	82,809	77,133	82,092
In millions of U.S. dollars	1,511	1,826	1,682	1,922	1,862	1,743	1,882	1,753	1,866
				(12-month percentage change)					
Currency in circulation	28.5	13.8	6.5	12.0	13.0	9.9	11.0	11.0	7.7
Base money	31.2	15.2	6.0	11.2	9.0	-3.7	10.9	8.9	8.5
Gourde money (M2)	20.4	16.9	7.2	14.8	11.0	6.5	11.4	11.4	9.1
Broad money (M3)	22.7	20.3	10.4	16.1	11.2	6.9	11.8	8.0	7.8
Gourde deposits	17.8	25.0	7.5	15.8	10.2	5.3	11.5	8.4	10.6
Foreign currency deposits (U.S. dollars)	25.3	24.1	13.9	17.4	14.6	7.3	12.2	4.6	6.4
Credit to the nonfinancial public sector	-122.7	-91.7	229.4	-107.4	-0.2	41.6	-13.2	-23.7	-60.6
Credit to the private sector	-5.6	21.6	24.5	16.8	18.6	29.8	21.6	21.6	18.0
Credit in gourdes	13.0	17.3	29.4	14.6	25.9	35.5	24.0	24.0	20.4
Credit in foreign currency (U.S. dollars)	-20.7	26.6	18.9	19.6	9.5	22.7	18.2	18.2	14.6
Memorandum items:									
Foreign currency bank deposits (percent of total)	55.4	56.7	56.9	57.2	58.7	57.3	57.5	55.7	54.8
Foreign curr. credit to priv. sector (percent of total)	46.5	48.4	44.4	45.5	41.0	42.0	41.6	41.6	41.2
Commercial Banks' Credit to Private Sector (percent of GDP) 2/	14.6	15.2	16.2	16.3	17.5	19.1	20.8	21.5	23.4

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

1/ Excluding commercial bank 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 21, 2010.

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

Table 4. Haiti: Balance of Payments, 2009/10 - 2013/14

(In millions of U.S. dollars on a fiscal year basis; unless otherwise indicated)

	2009/10	2010/11	2011/12		2012/13		2013/14
	Act.	Est.	Prog. (EBS/12/93)	Prov.	Prog. (EBS/13/90)	Proj.	Proj.
Current account (including grants)	-821	-339	-341	-359	-479	-480	-507
Current account (excluding grants)	-1,953	-1,785	-1,677	-1,346	-1,512	-1,329	-1,267
Trade balance	-2,247	-2,246	-2,246	-1,894	-2,080	-1,898	-1,855
Exports of goods	563	768	768	785	943	919	1,055
Of which: Assembly industry	523	714	716	716	885	861	991
Imports of goods	-2,810	-3,014	-3,014	-2,679	-3,023	-2,817	-2,910
Of which: Petroleum products	-546	-770	-815	-815	-871	-808	-841
Services (net)	-1,035	-891	-838	-901	-890	-929	-954
Receipts	239	249	308	261	288	304	348
Payments	-1,274	-1,140	-1,146	-1,161	-1,178	-1,233	-1,302
Income (net)	22	41	43	68	56	68	61
Of which: Interest payments 1/	-7	-4	-6	-6	-9	-9	-13
Current transfers (net)	2,439	2,757	2,700	2,368	2,434	2,280	2,241
Official transfers (net)	1,132	1,446	1,336	988	1,033	849	760
Of which: budget support	225	87	55	27	80	60	45
Private transfers (net)	1,307	1,311	1,364	1,380	1,402	1,431	1,481
Capital and financial accounts	991	594	379	631	189	190	247
Capital transfers (HIPC/MDRI/PCDR) 2/	1,360	656	3	76	3	3	3
Debt stock reduction (HIPC/MDRI) 2/	-334	-486	0	n.a.	0	n.a.	n.a.
Public sector capital flows (net) 3/	218	340	351	369	383	383	396
Loan disbursements	224	341	354	375	396	396	418
Amortization 1/	-6	-2	-3	-6	-13	-13	-21
Foreign direct investment (net)	150	181	101	179	112	112	112
Banks (net) 4/	-307	-83	-30	109	-30	-30	-20
Other items (net)	-96	-14	-46	-102	-279	-278	-244
Errors and omissions	858	-88	0	0	0	0	0
Overall balance	1,028	167	38	272	-290	-290	-260
Financing	-1,028	-167	-38	-257	290	290	260
Change in net foreign assets	-1,031	-167	-38	-263	280	280	260
Change in gross reserves	-828	-211	-60	-289	265	265	260
Liabilities	-203	43	23	26	15	15	0
Utilization of Fund credits(net)	-146	13	23	22	15	15	0
Other liabilities	-57	30	0	4	0	0	0
Debt rescheduling and debt relief	3	0	0	6	10	10	n.a.
Memorandum items:							
Current account (in percent of GDP)	-12.5	-4.6	-4.3	-4.5	-5.6	-5.8	-5.7
Excluding official transfers	-29.8	-24.2	-21.2	-17.0	-17.7	-16.0	-14.3
Exports of goods, f.o.b (percent change)	2.2	36.3	0.0	2.2	20.1	17.1	14.8
Imports of goods, f.o.b (percent change)	38.3	7.3	0.0	-12.4	14.5	6.7	3.3
Debt service (in percent of exports of goods and services)	1.6	0.6	0.8	0.8	1.5	1.5	2.5
Gross liquid international reserves (in millions of U.S. dollars) 2/	1,792	2,000	2,060	2,284	2,019	2,019	1,759
(in months of next year's imports of goods and services)	5.2	6.2	5.5	6.8	5.5	5.8	4.7

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.

Table 5. Haiti: Financial Soundness Indicators of Individual Banks, September 2010 - March 2013

(In percent; unless otherwise stated)

	Sep-10	Sep-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Size and growth							
Asset volume (in US$ millions)	3453.6	3767.5	3858.0	3945.0	4029.9	4173.7	4074.2
Deposit volume (in US$ millions)	2985.8	3316.2	3394.2	3475.1	3469.5	3487.3	3376.8
Asset growth since beginning of fiscal year	27.8	11.6	4.2	7.5	10.8	15.3	2.8
Credit growth (net) since beginning of fiscal year	-11.7	31.5	11.2	21.5	34.0	33.2	31.2
Capital adequacy							
Regulatory capital to risk-weighted assets	13.4	16.5	16.7	16.7	16.8	16.3	16.0
Assets to regulatory capital	23.8	14.7	13.6	13.9	13.3	14.1	13.5
Asset quality and composition							
Loans (net) to assets	21.3	25.1	26.8	28.4	33.0	30.9	30.5
NPLs to gross loans	5.7	3.7	3.6	3.2	2.4	2.4	2.6
Provisions to gross loans	4.8	4.4	3.0	2.8	2.3	2.7	2.1
Provisions to gross NPLs	84.1	93.1	83.3	88.8	96.7	86.1	81.3
NPLs less provisions to net worth	3.2	1.1	2.6	1.7	0.4	1.6	2.5
Earnings and profitability (cumulative since beginning of fiscal year)							
Return on Assets (ROA)	1.2	1.4	1.4	1.3	1.5	1.2	1.3
Return on equity (ROE)	18.4	22.2	22.2	21.7	21.9	18.2	20.2
Net interest income to gross interest income	87.4	91.4	92.2	92.3	92.4	93.2	93.3
Operating expenses to net profits	69.2	67.8	65.6	66.1	66.7	67.3	65.7
Efficiency							
Interest rate spread [1/]	9.6	8.9	8.2	8.2	7.4	7.5	7.4
Liquidity							
Liquid assets to total assets [2/]	51.0	49.5	48.2	48.5	45.5	42.7	42.2
Liquid assets to deposits [2/]	59.0	56.3	54.7	55.0	52.8	51.1	50.9
Dollarization							
Foreign currency loans to total loans (net)	60.1	55.7	53.8	51.8	51.7	48.0	47.8
Foreign currency deposits to total deposits	44.1	62.3	63.9	64.5	62.9	62.8	59.1
Foreign currency loans to foreign currency deposits	31.3	32.6	34.6	35.7	37.3	28.2	31.4

Sources: BRH Banking System Financial Summary; and IMF estimates

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

[2/] Liquid assets comprise cash and central bank bonds.

Table 6. Haiti: Indicators of External Vulnerability, 2008/09 - 2012/13 [1/]

(Units as indicated)

	2008/09	2009/10	2010/11	2011/12	2012/13
			Est.	Proj.	
Debt indicators					
Total external public debt (in percent of GDP)	19.0	13.2	8.9	13.0	17.3
Total external public debt (in percent of exports) [2/]	133.7	107.6	64.6	98.3	117.2
External debt service (in percent of GDP)	0.6	0.2	0.1	0.1	0.2
Amortization	0.4	0.1	0.0	0.0	0.1
Interest					
External debt service (in percent of exports) [2/]	3.9	1.6	0.6	0.8	1.5
External debt service (in percent of current central govt. revenues)	4.9	1.7	0.6	0.9	1.8
Other indicators					
Exports (percent change, 12-month basis in U.S. dollars)	11.6	-13.7	26.8	2.8	16.9
Imports (percent change, 12-month basis in U.S. dollars)	-1.7	45.6	1.7	-8.5	6.5
Remittances and grants in percent of gross disposable income	19.9	27.1	27.1	22.9	21.4
Exchange rate (per U.S. dollar, period average)	40.7	40.3	40.3	41.6	43.2
Current account balance (millions of US dollars) [3/]	-226.3	-820.7	-338.8	-358.9	-479.8
Capital and financial account balance (millions of US dollars) [4/]	501.2	991.5	594.3	631.1	189.9
Public sector	287.9	218.2	339.5	369.1	382.9
Private sector	213.3	773.3	254.8	262.0	-192.9
Liquid gross reserves (millions of US dollars)	947.5	1792.0	1999.7	2284.1	2019.1
In months of imports of the following year [2/]	2.8	5.2	6.2	6.8	5.8
In percent of debt service due in the following year	7283	30685	22988	12774	5800
In percent of base money	127.4	175.5	189.1	232.1	195.9

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: Proposed Schedule of Disbursements, 2010-2014

Amount	Availability Date	Conditions for Disbursement [1/]	Status
SDR 8,190,000	July 21, 2010	Executive Board approval of the three-year arrangement under the ECF.	Completed
SDR 8,190,000	January 15, 2011	Observance of performance criteria for September 2010 and completion of the first review under the ECF arrangement.	Completed
SDR 4,914,000	July 15, 2011	Observance of performance criteria for March 2011 and completion of the second review under the ECF arrangement. [2/]	Completed
SDR 4,914,000	January 15, 2012	Observance of performance criteria for September 2011 and completion of the third review under the ECF arrangement. [2/]	Completed
SDR 4,914,000	July 15, 2012	Observance of performance criteria for March 2012 and completion of the fourth review under the ECF arrangement.	Completed
SDR 4,914,000	January 15, 2013	Observance of performance criteria for September 2012 and completion of the fifth review under the ECF arrangement.	Completed
SDR 1,638,000	July 15, 2013	Observance of performance criteria for March 2013 and completion of the sixth review under the ECF arrangement.	
SDR 1,638,000	January 15, 2014	Observance of performance criteria for September 2013 and completion of the seventh review under the ECF arrangement.	
SDR 1,638,000	July 8, 2014	Observance of performance criteria for March 2014 and completion of the eighth review under the ECF arrangement.	

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

2/ The second and third reviews were combined.

Table 8. Haiti: Indicators of Capacity to Repay the Fund, 2012/13-2022/23

(Units as indicated)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Fund obligations based on existing credit (in millions of SDRs)											
Principal	0.0	0.0	0.0	1.6	4.3	6.7	7.2	7.2	5.6	2.9	0.5
Interest	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit (in millions of SDRs)											
Principal	0.0	0.0	0.0	1.6	4.3	6.7	7.7	8.2	6.6	3.9	1.5
Interest	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Total obligations based on existing and prospective credit											
In millions of SDRs	0.0	0.0	0.1	1.7	4.4	6.8	7.8	8.3	6.6	4.0	1.5
In millions of U.S. dollars	0.0	0.0	0.2	2.6	6.5	10.2	11.7	12.4	9.9	5.9	2.2
In percent of											
exports	0.0	0.0	0.0	0.2	0.3	0.5	0.6	0.5	0.4	0.2	0.1
government revenues	0.0	0.0	0.0	0.2	0.35	0.4	0.4	0.3	0.2	0.1	0.0
reserves	0.0	0.0	0.0	0.2	0.4	0.6	0.7	0.7	0.6	0.4	0.1
debt service	0.0	0.0	0.2	3.0	5.8	7.5	7.4	7.0	5.1	2.8	1.0
quota	0.0	0.0	0.1	2.1	5.3	8.3	9.5	10.1	8.1	4.8	1.8
Outstanding Fund credit (end of period)											
In millions of SDRs	41.0	41.0	41.0	39.4	35.1	28.4	20.2	12.0	5.5	1.5	0.1
In millions of U.S. dollars	62.1	62.0	61.8	59.2	52.7	42.6	31.1	18.8	8.9	3.0	0.8
In percent of											
exports	6.2	5.4	4.8	4.2	3.5	2.7	1.9	1.1	0.6	0.2	0.0
government revenues	6.1	5.4	4.7	4.0	3.2	2.3	1.6	0.8	0.4	0.1	0.0
reserves	3.1	3.5	3.6	3.5	3.3	2.5	1.8	1.1	0.5	0.2	0.0
quota	50.1	50.1	50.1	48.1	42.9	34.7	25.3	15.3	7.3	2.5	0.7
Memorandum items:											
Exports 1/ 2/	1.2	1.4	1.6	1.7	1.9	2.1	2.1	2.3	2.5	2.6	2.8
Government revenues 1/ 3/	1.0	1.2	1.3	1.5	1.7	1.8	2.0	2.3	2.5	2.7	3.0
Reserves 1/ 4/	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Debt service 1/	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Quota (in millions of SDRs)	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9	81.9
GDP 1/	8.3	8.8	9.6	10.5	11.4	12.3	13.3	14.3	15.3	16.5	17.7

Sources: Haitian authorities; and Fund staff projections.

Note: Data covers Haiti's fiscal year, which runs from October 1 to September 30.

1/ In billions of U.S. dollars.

2/ Exports of goods and services

3/ Central government domestic revenues.

4/ Gross liquid international reserves, end of period.

APPENDIX I: Letter of Intent

July 9, 2013

Mrs. Christine Lagarde
Managing Director
International Monetary Fund
Washington D.C. 20431
United States of America

Dear Mrs. Lagarde:

1. Our economy continued to recover, although less rapidly than expected owing particularly to weather-related shocks, shortfalls in capital expenditure, and delays in the disbursement of external grants. The macroeconomic situation remained relatively stable, with inflation in the mid-single digits. The external position is relatively strong with official reserves at about 6 months of imports at end-May 2013.

2. Implementation of our program supported by an arrangement under the Extended Credit Facility (ECF) remains broadly on track. All end-March 2013 performance criteria and indicative targets were met, except the end-March indicative targets on BRH net credit to the Government and on poverty-related spending. The latter was missed because some resources were redirected to other sectors severely hit by Hurricanes Isaac and Sandy, while the former was not met due partly to a shortfall in budget support. We also achieve some major structural reforms despite weak capacity, the recent change in government, and delays in mobilizing needed financial and technical assistance.

3. In light of the progress made in implementing the program supported by the ECF arrangement, we request the completion of the sixth review and the approval of the sixth disbursement for an amount equivalent to SDR 1.638 million. We also request that the ECF be extended to August 29, 2014, and that performance criteria be set for September 30, 2013 and March 30, 2014. We also request to rephase the remaining access under the ECF (SDR 4.914) equally into three purchases with test at end-March 2013, end-September 2013, and end-March 2014.

4. The requested extension under the ECF will help us maintain macroeconomic stability and pursue structural reforms to boost productivity and competitiveness and achieve strong and inclusive growth. We believe that the economic and financial policies set forth in the attached MEFP will deliver the objectives of the program. We will regularly update the IMF on economic and policy developments and will provide the data needed for adequate monitoring of the program. We stand ready to take any further measures as deemed appropriate to meet our objectives. We will consult with the Fund ahead of the adoption of these measures and any revisions to the measures outlined in the MEFP, in accordance with the Fund's policies on such consultation.

Sincerely yours,

/s	/s
Wilson LALEAU	Charles CASTEL
Minister of Economy and Finance	Governor
Ministry of Economy and Finance	Bank of the Republic of Haiti

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

ATTACHMENT 1. Memorandum of Economic and Financial Policies–Update

Introduction

1. **This Memorandum of Economic and Financial Policies (MEFP) supplements and updates the MEFPs that have preceded it since July 2010.** It reviews recent economic developments and progress in implementing our macroeconomic and structural program under the Extended Credit Facility (ECF) arrangement, approved by the IMF Board on July 21, 2010. It also sets out macroeconomic policies and structural reforms that we will pursue during the remainder of FY2013 and in FY2014.

Recent Macroeconomic Developments

2. **The economy continued to recover, although less rapidly than expected.** Emergency spending helped to partially offset the impact on the agricultural sector of Hurricane Sandy, which hit the country in October 2012. As a result, agricultural output (about 20 percent of GDP) will recover although at a slower pace than projected at the fifth review. Non-agricultural output will continue to grow, but also at a slower pace, mostly reflecting lower than expected execution of public investment and delays in disbursing external financing. On balance, we revised real GDP growth down to 3.4 percent in FY2013 from 6.5 percent envisaged in the last review. In FY2014, we expect real GDP growth to pick up to 4.5 percent, led by agriculture and construction.

3. **The macroeconomic situation continued to be relatively stable.** Inflation remained in the single digits (7.3 percent at end-May 2013). Fiscal performance during the first half of the year was weaker than budgeted. Domestic revenue was G22 million, 42 percent of the total amount budgeted for the whole year. In response, we restrained current spending, essentially goods and services and subsidies and transfers, by about G2 billion. The execution rate of capital spending continued to be low, though some improvements have been noticed in recent years. The external position remained comfortable with official reserves at about 6 months of imports at end-May 2013. Credit to the private sector continued to increase rapidly but broad money growth remained moderate and well below the program target. The BRH’s policy interest rates have not changed since January 2011, but in February 1, 2013, the Central Bank slightly tightened the monetary policy stance, raising banks' reserve requirement ratios by 5 percentage points to a maximum of 34 and 39 percent on liabilities in local and foreign currency, respectively. In March, 2013, the reserve requirement on gourde deposits was raised further to 35 percent. Financial soundness indicators of the banking system appear sound.

Performance under the program

4. **Implementation of our program, supported by an arrangement under the Extended Credit Facility (ECF), remains broadly on track**. All end-March 2013 performance criteria were met, but the indicative targets on net domestic credit to the central government and on poverty-related spending were not met. The latter was missed as we had to redirect some

resources to other sectors severely hit by Hurricanes Isaac and Sandy. Although some progress has been made, none of the five relevant structural benchmarks has been fully implemented, largely due to weak capacity and delays in mobilizing needed financial and technical assistance.

The government program for the remainder of 2013

5. **The macroeconomic outlook has been revised as follows**: real GDP growth is expected to be weaker than projected at the time of the fifth review, at 3.4 percent; the current account deficit would be 5.8 percent of GDP and gross official reserves are expected to fall to 5.8 months of imports. Our monetary policy will continue to aim at price stability with year-on-year consumer price inflation expected to be around 6 percent.

6. **Our revenue and expenditure measures will cap the 2013 budget deficit at 5.5 percent of GDP**. The revised target takes into account a projected end-year revenue shortfall of G8 billion, some non-priority current expenditure cuts, and a downward revision in capital spending.

- *Revenue:* We recognize the importance of revenue enhancement for creating additional fiscal space and ensuring fiscal sustainability. The lower than budgeted revenue collection in the first half of the year is largely due to: (i) weak fiscal administration capacity; (ii) the high level of international oil prices and the accompanying losses in revenue as domestic prices were kept unchanged; and (iii) delays in implementing some tax policy measures (including higher excise taxes on alcoholic beverages) and in improving tax collection. We have so far adopted urgent measures to improve controls at the borders and strengthen enforcement of income and sales tax collection. We expect these measures to increase average monthly revenue collection to almost G3.8 billion (as opposed to the G3.5 billion collected on average from October to March) during the second half of the year. This will bring domestic revenue to G44 billion for the year versus an initial budget target of G52 billion.

- *Expenditure:* To offset the loss in revenue (G8billion), we will reduce non-priority current spending by about G2.4 billion. Based on the execution rate of the first semester, we have revised down domestically-financed capital spending by about G6.5 billion.

7. **Implementation of structural reforms will continue through the remainder of FY 2013.**

- *Treasury Single Account* (TSA). Important steps have been made towards the establishment of a Treasury Single Account, including in the creation of new accounting posts and in the training of accountants. The introduction of the TSA in a first wave of ministries is almost ready. As prior actions, we have opened the Central Account related to the TSA at the BRH, and signed and implemented the agreement between the MEF and BRH on the modalities and functioning of the TSA, which will speed up the move to a TSA. These two actions will also help accelerate the implementation of the structural benchmark on the reduction of the number of domestically-funded imprest accounts to three per ministry or institution (end-

March 2014 structural benchmark). We will complete the training of new accountants and the roll-over of the GL software in the accounting posts. We will fully implement the agreement on the treasury debt signed in last December. To this end, the MEF and BRH will work together to develop by the end of September 2013 an IT tool to help the reconciliation of the treasury accounts and the government's financial accounts at the BRH.

- *Revenue administration*. We will take measures to improve revenue collection. Further efforts will be made to improve tax collection at the large taxpayers unit. An action plan designed to monitor tax collection at this unit will be implemented. At the end of each week, reports about the large taxpayers' unit performance will be prepared. The capacity of this unit that collects 80 percent of DGI revenues will be reinforced by appointing three permanent high-level experts. We will also provide offices for the newly-created units of the tax department that are in charge of medium-sized tax payers and NGOs (end-September 2013 structural benchmark) and enforce tax payments and control at customs.

- *Reorganization of the Ministry of Finance*. A new organic law of the Directorate General of the Budget and the Directorate General of the Treasury and Public Accounting has been submitted to parliament. It will help improve the public investment framework and transition toward result-based public management. We will start implementing these laws as soon as they are passed by parliament. This will pave the way for strengthening the debt unit with fully operational middle and back office functions (end-December 2013 structural benchmark).

- *Improving debt management*. As a prior action we have submitted the new debt law to parliament, which is a key step to continue enhancing our debt management capacity.

8. Current pump prices of petroleum products have generated significant revenue losses and subsidies. This situation is not sustainable and we intend to:

- Develop a medium term plan to gradually close the wedge between domestic and international petroleum prices. In the short-run, we are committed to increase domestic prices so as to limit revenue forgone and secure at a minimum the level of oil revenue envisaged in the FY2014 budget.

- Launch a communication campaign to explain to the public the reasons for and benefits of aligning domestic and international prices.

- Design well-targeted social safety nets to help vulnerable social groups which may be affected by changes in energy prices.

The program for FY2014

9. Our overriding priority remains to rebuild the country and maintain macroeconomic stability while creating the conditions for sustainable (broad-based and inclusive) growth, and build resilience against shocks through appropriate macroeconomic policies. Our macroeconomic policies, as well as the structural and institutional reform agenda for FY2014, will address these challenges.

10. The macroeconomic outlook for 2014 remains positive. Real GDP growth is conservatively projected at 4.5 percent, driven by agriculture, construction, and services. Inflation will remain in the single digits while the external current account deficit should decline slightly, associated with improved exports. The outlook is subject to some downside risks. On the domestic front, upcoming elections could fuel some political tensions and delay the reform agenda. Vulnerability to natural disasters remains a source of concern. On the external side, the highly concentrated export base (textiles to the US) poses risks given the slow recovery of developed economies, particularly the U.S.

Fiscal policy

11. The FY2014 budget balances macroeconomic stability and reconstruction and development concerns. Fiscal policy will continue to aim at increasing domestic revenue and containing non-priority expenditure to make additional room for poverty-related and infrastructure spending with a view of enhancing productive capacity. On this basis, the 2014 budget targets a deficit of 6.9 percent of GDP, from 5.5 percent in FY2013.

- Domestic revenue would increase to G50.6 billion in the prudent baseline scenario (13 percent of GDP).
- Current expenditure is set at G44.5 billion (11.5 percent of GDP).
  - We envisage a wage bill of G23.7 billion, a 13.3 percent increase over FY2013. The increase includes: (i) the transfer into the wage bill of compensation of staff from autonomous agencies (G1.3 billion) which was previously recorded in subsidies; (ii) the inclusion into the budget of 5700 teachers (G200 million); (iii) the hiring of new police officers (G335 million); and (iv) of medical personnel (G200 million). In order to improve transparency, we are now including in-kind allowances received by civil servants in the wage bill (instead of in goods and services).
  - To enhance transparency in public financial management, we reclassified some items that were before recorded in subsidies and in capital spending and are now more appropriately registered under goods and services. In particular, we reclassified the spending of autonomous agencies from subsidies into goods and services (G1.5 billion), and some outlays from capital spending into current spending (G1.1 billion).

  - We will continue to contain budgetary subsidies, particularly to the electricity company (EDH), which will be at G2.5 billion, while increasing poverty-related spending to about G15.5 billion in FY2014.

- Domestically-financed spending will amount to 8.5 percent of GDP, of which 4.4 percent of GDP (G18.7 billion) will be financed from treasury resources (including G2 billion from the National Education Fund and G3 billion from PCDR). In order to better assess the impact of public investment spending, we will isolate gross capital formation from our figures, and reclassify the remainder of the project spending envelopes as current expenditures.

- The deficit will be financed mostly by external resources (about 4.5 percent of GDP) and treasury bills (about 1.2 percent of GDP).

Monetary and exchange rate policies

12. The principal objective of monetary policy remains to support price stability, especially in light of continued rapid credit growth. Consumer price inflation is expected to be around 5 percent, helped by continued discipline in monetary and fiscal policy and a rebound in domestic food production. The BRH stands ready to use all available tools, including T-bills and interest rates, to adjust its policy if needed. We will continue to enhance the monetary policy framework, particularly by improving liquidity management, strengthening market-based operations, and developing macroprudential regulatory mechanisms. Further deepening the domestic T-bill market will also provide an additional tool for managing liquidity.

13. We remain committed to a flexible exchange rate. Therefore, we intend to improve the functioning of the foreign exchange market by allowing more participants in the market and promoting the development of the interbank foreign exchange market. The BRH will intervene in the market only to smooth out excess volatility.

Structural reforms

Revenue administration and tax policy

14. We will continue our efforts to improve tax policy and revenue administration to support higher revenues. We will adopt measures aimed at expanding the tax base, improving compliance, and enhancing control at the border, including through greater use of IT in both the customs and tax administrations. Key reforms planned for FY2014 include:

- strengthen the large taxpayers office;

- make the medium-size taxpayers office operational and increasing the number of medium-size taxpayers;

- draft legislation to legalize organizational changes; enact legislation establishing a function-based organizational structure for the tax department

- implement organizational changes with staff and managers appointed; and

- begin work on the development of an IT master plan and in implementing an integrated IT system for the tax department.

15. We recognize that other measures must be taken to raise domestic revenue in a sustainable way. Thus, we are committed to start rationalizing exemptions, improving and streamlining the tax system, and accelerating the transformation of the current turnover tax into a full VAT system. We will set up a new working group to prepare the preliminary draft of the new tax code.

Public financial management

16. The establishment of a treasury single account (TSA) remains a key priority. We continue to make progress on the establishment of a TSA, which we view as critical to improve cash management, enhance transparency, and strengthen accounting. In particular, we have identified and closed more than 300 dormant government accounts in the banking system, and trained a large group of public accountants. The network of public accountants is being deployed, starting with the MEF as pilot, which officially installed its public accountant in January 2013. We will vigorously continue these efforts in FY2014. Key actions include:

- A reduction of the number of domestically-funded imprest accounts to three in all remaining ministries or institutions (structural benchmark for end-March 2014). These entities will have one account for their own revenue, one for current spending, and third one for capital spending. Balances in the revenue account ministries will be transferred to the TSA main account.

- Full deployment of the network of public accounting offices at the line ministry level and gradually granting signature authority on these accounts to public accountants appointed by the Ministry of Economy and Finance.

- An extension of the TSA to all ministries.

17. The government will continue to strengthen budget formulation, execution, transparency, and reporting, and improve internal and external controls. In particular, we will roll out general ledger (GL) software in all ministries and start to record project and imprest account expenditures when they are effectively paid, and no longer when the account is replenished.

Strengthening the public investment framework

18. The Government intends to improve the public investment framework, with the view of increasing the execution rate and quality of capital spending. We plan to review all projects in the public investment program in order to differentiate between those projects ready to be financed and those that are still at early stages (identifying their status and next steps to finalize their preparation). We will encourage all ministries and public entities to submit draft procurement and execution plans along with their project proposals prior to their inclusion in the budget. Technical assistance is urgently needed to help set up and strengthen project and program evaluation units (UEPs) in main spending ministries. We will also continue to work with our partners to improve and accelerate the procurement process.

Financial sector development

19. We will continue to promote financial intermediation while safeguarding financial stability. The BRH will continue to strengthen its capacity to monitoring systemic risks and financial stability issues. In line with the recently conducted Financial Sector Assessment,[1] the authorities will submit to Parliament:

- the legal framework for the operation and supervision of insurance companies.
- the law on Financial Cooperatives and the law for microfinance institutions.
- the legal framework for secured transactions.

Other reforms

20. We remain committed to our reform agenda aimed at improving the business environment. Reforms in this area are crucial to raise productivity and competitiveness and lift constraints on growth. In addition to putting in place an institutional framework to attract foreign investments, the Ministry of Commerce and Industry is also preparing a range of measures to reduce the cost and alleviate the burden of doing business. We remain committed to continue export promotion and diversification and investment in tourism to maintain external sustainability.

21. Strengthening the country's resilience to natural shocks is critical to protect growth. We will continue working with our partners, including the World Bank, to further strengthen national risk and disaster management systems.

[1] IMF Country Report No. 13/90.

Safeguard assessments and AML/CFT

22. We will continue to implement the recommendations of the January 2010 Safeguards assessment follow-up mission. We will publish the FY2012 audited financial statement of the BRH by end-July 2013. Work is underway to (i) adopt the IFRS, including the establishment of a special committee to monitor its implementation, and (ii) reconstitute the Investment Committee as an independent oversight body and appoint a compliance officer to monitor observation of investment guidelines.

23. We are committed to ensuring compliance of our AML/CFT legal framework with FATF standards. The draft law on AML/CFT was approved by the Senate and is now being discussed in the Chamber of Deputies. This law enhances compliance with the Caribbean Financial Action Task Force (CFATF) standards. We have also made progress in the implementation of critical aspects of the AML/CFT framework, particularly in the context of combating corruption, countering tax evasion, preventing financial sector abuse, and improving identification of citizens. These measures include the publication by the Central Bank of two decisions and guidelines that will establish mechanisms and procedures that are in line with the new law on banks and other financial institutions (passed by Parliament on May 14th, 2012), and help financial institutions (i) properly identify their customers and fund beneficiaries, and (ii) prevent money laundering and the financing of terrorism.

Program monitoring

24. Our program will be monitored using the definitions, data sources, and frequency of monitoring set out in the accompanying revised TMU. The government will make available to Fund staff all data appropriately reconciled and on a timely basis, as specified in the TMU. Table 1 shows the quantitative performance criteria for monitoring program execution in 2012/13 and 2013/2014. Structural benchmarks, with corresponding dates and status of implementation, are identified in Tables 2a and 2b. Structural conditionality for the remainder of the program, including new dates for the implementation of the five benchmarks outstanding, is in Table 2c. The seventh review under the ECF arrangement, assessing end-September 2013 performance criteria, is expected to be completed by mid-January 2014. The eighth review under the ECF arrangement, assessing end-March 2014 performance criteria, is expected to be completed by mid-July 2014.

Table 1. Haiti: Indicative Targets and Quantitative Performance Criteria, September 2011 - June 2014

(In millions of gourdes, unless otherwise indicated)

	Actual stock at end- Sept. 09	Cumulative Flows from September 2009													
		Sept. 2011	Dec. 2011	Sept. 2012		Dec. 2012	Dec. 2012	Dec. 2012	Mar. 2013	Mar. 2013	June 2013	Sept. 2013	Dec. 2013	Mar. 2014	June 2014
		Actual 1/	Indicative target (EBS/12/22)	PC	Actual	Indicative target (EBS/12/93)	Indicative targets adjusted for lower budgetary grants in Q1	Actual	PC (EBS/13/90)	Actual	Indicative target (EBS/12/93)	PC	Indicative target	PC	Indicative target
I. Quantitative performance criteria															
Net central bank credit to the non-financial public sector - ceiling	21,549	-16,273	-8,525	-12,090	-17,864	-13,776	-13,160	-16,034	-13,163	-17,375	-16,178	-13,199	-11,816	-10,432	-9,049
Central Government 2/	23,118	-13,652	-7,291	-7,742	-13,883	-11,904	-11,289	-11,559	-11,375	-12,129	-11,329	-11,578	-10,278	-8,978	-7,678
Rest of non-financial public sector	-1,569	-2,621	-1,233	-1,954	-3,981	-1,871	-1,871	-4,474	-1,788	-5,245	-4,849	-1,621	-1,538	-1,454	-1,371
Net domestic assets of the central bank - ceiling 3/	14,448	-18,314	-15,784	-5,383	-24,874	-13,251	-12,635	-18,936	-10,323	-16,600	-16,595	-9,036	-5,472	-709	2,135
Net international reserves of central bank (in millions of U.S. dollars) - floor	416	762	370	563	886	764	749	751	723	736	709	582	517	422	375
II. Continuous performance criteria															
Domestic arrears accumulation of the central government	0	0	0	0	0	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	33	33	33	33	33
Up to and including one year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Over one-year maturity	0	33	33	33	33	33	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	0	0	0	0	0
III. Indicative targets															
Change in base money - ceiling	31,080	12,156	21,352	17,128	10,561	17,328	17,328	11,113	18,609	12,842	11,750	14,262	15,225	16,189	17,153
Net domestic credit to the central government - ceiling 5/	19,540	-19,863	-6,067	-6,710	-22,532	-22,221	-21,605	-20,923	-21,615	-11,057	-10,801	-19,270	-16,915	-14,561	-12,206
Poverty reducing expenditures - floor 6/		17,794	23,689	24,313	24,506	31,175	31,175	26,932	36,446	32,223	35,439	38,656	42,531	46,406	50,281
Memorandum items															
Change in currency in circulation	13,448	4,953	12,117	7,161	6,784	7,921	7,921	9,813	8,494	7,509	7,729	9,009	9,285	9,560	9,836
Net domestic credit to the rest of the non-financial public sector	-1,641	-2,688	-17,582	-2,032	-4,254	-1,948	-1,948	-4,752	-1,865	-5,552	-5,024	-1,894	-1,811	-1,727	-1,644
Government total revenue, excluding grants	29,881	70,319	78,402	117,269	112,289	127,253	127,253	123,357	139,283	134,052	144,570	156,289	169,962	182,623	194,331
Government total expenditure, excluding externally-financed investment	42,096	97,390	117,637	162,735	152,263	171,677	171,677	167,180	188,152	180,405	197,565	218,739	235,944	248,752	265,156

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

1/ For performance under the program prior to September 2011, please see the previous staff report (EBS/12/22).

2/ Excluding spending of resources freed by IMF PCDR debt relief.

3/ For program monitoring purposes, NDA is defined as monetary base minus program NIR in gourde terms. Program exchange rate of G40.0 per U.S. dollar for the period June 2010 - September 2013.

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: Status of Implementation of Structural Reform Measures in 2010

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 spending.	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: Status of Implementation of Structural Reform Measures in 2011

Macro-criticality	Objective		Structural Benchmarks	Timing	Status
Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 3a, 3b	End-March 2011	Met
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	Met
	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	Met.
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	Met with delay
	Strengthen foreign exchange reserves management.		Adoption of a global reserves management policy by the investment committee, covering all foreign exchange reserves.	End-June 2011	Met
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	Met
	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	Met.
		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	Met with delay.
Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 2h, 3a, 3b	End-September 2011	Met

Table 2c. Remaining Benchmarks Through End-March 2013

Macro-criticality	Objective	Structural Benchmarks	Timing	Status
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.	Reprogrammed to End-March 2013 from End-March 2012	Not met
	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.	Reprogrammed to End-March 2013 from End-March 2012	Not met
Accounting	Improve accounting procedures and enhance transparency.	Reduce the number of domestically-funded imprest accounts to three by ministry or institutions (for revenue collection, capital spending, and other transactions) and deploy the network of public accounting offices at the line ministries level and gradually grant signature authority on these accounts to public accountants appointed by the Ministry of Economy and Finance.	End-March 2013	Not met
	Enhance accounting for expenditure management.	Roll out in all ministries the GL-software and start to record projects and imprest accounts expenditure when they are effectively paid, and no longer when the replenishment of the account is made.	End-March 2013	Not met
Exchange rate management	Improve the functioning of foreign exchange market.	Establish unconstrained single price foreign exchange auctions.	End-September 2012	Not met

Table 2d. Proposed Prior Actions and Structural Benchnmarks Through March 2014

Conditionality	Measure	Timing	Objective
Prior action	Open a government central account at the BRH	Met	Improve accounting procedures and enhance transparency
Prior action (previous strucutral benchmark for end-March 2013)	Sign and make operational the TSA agreement between the MEF and BRH	Met	Improve accounting procedures and enhance transparency
Prior action	Submit to Parliament a public debt law that would establish a sound legal and institutional framework for public debt management.	Met	Strengthen the legal framework for debt management.
Structural Benchmark	Allocate offices to the medium-sized taxpayer unit	End-September 2013	Improve Revenue Collection
Structural Benchmark	Strengthen the debt unit with fully operational middle and back office functions; Preparation of annual debt sustainability analyses.	End-December 2013 (reset from end-March 2013)	Complete the setting-up of the debt unit at the MEF and build capacity to prepare a medium-term debt strategy.
Structural Benchmark	Roll out in all ministries the GL-software and start to record projects and imprest accounts expenditure when they are effectively paid, and no longer when the replenishment of the account is made.	End-December 2013	Enhance accounting for expenditure management
Structural Benchmark	Set up a a task force of experts to review the public investment framework	End-December 2013	Enhance accounting for expenditure management
Structural Benchmark	Reduce the number of domestically-funded imprest accounts to three by ministry or institutions (for revenue collection, capital spending, and other transactions) and deploy the network of public accounting offices at the line ministries level and gradually grant signature authority on these accounts to public accountants appointed by the Ministry of Economy and Finance.	End-March 2014 (reset from end-March 2013)	Improve accounting procedures and enhance transparency

ATTACHMENT 2. Technical Memorandum of Understanding–Update

1. 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- through the end of the arrangement, specified in Tables 1 and 2 of the Memorandum on Economic and Financial Policies (MEFP). It also lays down the monitoring and reporting requirements.

Institutional Definitions

2. Central government. The central government comprises the presidency, prime minister's office, parliament, national courts, treasury, line ministries and "organismes déconcentrés." It includes expenditures financed directly by foreign donors through ministerial accounts (comptes courants).

3. Non-financial public sector. The non-financial public sector includes the central government plus non-budgetary autonomous organizations, local governments and public sector enterprises (enterprises and agencies in which the government holds a controlling stake of more than 50 percent of the shares).

4. Total public sector. The total public sector comprises the non-financial public sector and the central bank, the Bank of the Republic of Haiti (BRH).

Quantitative Targets

Net BRH Credit to the Non-Financial Public Sector

5. Net BRH credit to the non-financial public sector equals net central bank credit to the central government plus net central bank credit to the rest of the non-financial public sector.

6. The change in net BRH credit to the central government is defined as, and will be measured using:

- Change in net domestic credit to the central government from the BRH according to Table 10R of the BRH.
- Change in the stock of project accounts ("Comptes de projets") included in Table 10R of the BRH will be excluded from the change in net domestic credit to the central government as defined above.

- Change in the stock of Special Accounts ("Comptes spéciaux") and seized values ("Valeurs saisies UCREF") included in Table 10R of the BRH will be excluded from the change in net domestic credit to the central government as defined above. [1]

7. The change in net central bank credit to the rest of the non-financial public sector, is defined as, and will be measured using:

a. Change in "créances nettes sur le secteur public" (i.e, net credit to the non-financial public sector) minus the change in "créances nettes sur l'état" (i.e. net credit to the central government), according to table 10R of the BRH.

8. The changes will be measured on a cumulative basis from the stock at end September 2009.

Net Domestic Financing to the Central Government

9. Net domestic financing to the central government will comprise the change in net banking sector credit to the central government (defined below) plus the change in nonbank financing which includes amortization, counterpart funds,[2] and the net issuance of Treasury bills and other government securities by the central government to non-banks. Net domestic banking sector credit to the central government is defined as, and will be measured, using:

a. The change in the stock of net domestic credit to the central government from the BRH according to Table 10R of the BRH, plus, the change in the stock of net domestic credit of the central government from domestic banks according to Table 20R of the BRH, which will include the net issuance of treasury bills and other government securities by the central government for government financing purposes. Securities issued for the recapitalization of the BRH are excluded from this definition.

b. The change in the stock of project accounts ("Comptes de projets"), as defined in 6.b above, will be excluded from the change in net domestic banking sector credit to the Central Government.

c. The change in the total stock of Special Accounts ("Comptes Spéciaux") and seized values ("Valeurs Saisies UCREF"), as defined in 6.c above, will be excluded from the change in net domestic banking sector credit to the Central Government.

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[1] Special Accounts ("Comptes Spéciaux") refer to U.S. dollar-denominated central government sight deposits at the BRH. The balance of these accounts increases with the proceeds of the sales of in-kind aid (in the form of wheat, maize, rice, etc.) received by the Haitian government; these proceeds are earmarked to finance specific projects and cannot be used by the Central Government without the explicit authorization of respective donors.

[2] Counterpart funds are proceeds from sales of grants received in kind.

10. The changes will be measured on a cumulative basis from the stock at end-September 2009.

Net International Reserves

11. The change in net international reserves will be measured using:

a. Change in net foreign assets ("Réserves de change nettes" of the BRH Table 10R);[3]

b. Minus the change in foreign currency deposits of commercial banks at the BRH ("Dépôts à vue en dollars U.S. et en Euros des BCM à la BRH", and the "CAM transfer" of the BRH Table 10R).

c. Minus the change in the stock of project accounts ("Comptes de projets") as defined in 6.b above.

d. Minus the change in the stock of Special Accounts ("Comptes Spéciaux") in dollars and Euros (and excluding gourdes), and seized values ("Valeurs Saisies UCREF"), the latter as defined in 6.c above.

e. Plus the change in the stock of the Special Drawing Rights (SDR) allocation ("Allocations DTS") from the BRH Table 10R.

12. Data will be expressed in U.S. dollar terms and valued at the corresponding end-period market exchange rate from the BRH Table 10R.

13. For definitional purposes, net international reserves (NIR) are the difference between the BRH's gross foreign assets (comprising monetary gold, all claims on nonresidents, SDR holdings, and BRH claims in foreign currency on domestic financial institutions) and reserve liabilities (including liabilities to nonresidents of one-year maturity or less, use of Fund credit, and excluding the full SDR allocation, and trust funds). Swaps in foreign currency with domestic financial institutions and pledged or otherwise encumbered reserve assets are excluded from NIR.

14. The changes will be measured on a cumulative basis from the stock at end-September 2009.

[3] Letters of credit and guarantee ("Lettres de crédit" and "Lettres de garantie") are reported in Table 10R as part of BRH foreign liabilities ("Engagements extérieurs"), and therefore are already netted out of NIR.

Net Domestic Assets of the BRH

15. The change in net domestic assets of the BRH is defined as, and will be measured using:

- The change in base money (program definition according to Section I. below);
- Minus the change in the U.S. dollar amount of net international reserves (program definition according to section C above), converted into gourdes at the program exchange rate.

16. 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 2013.

17. The changes will be measured on a cumulative basis from the stock at end-September 2009.

PetroCaribe-Related Funds

18. As of March 2013, the outstanding balance of PetroCaribe funds totaled 293 million dollars held at the BNC state bank.

19. The authorities are planning to channel new PetroCaribe/ALBA-related inflows through a binational Venezuela-Haiti corporation.4 Although the statutes of the new societé mixte have been already published in the "Journal Officiel" (Le Moniteur), the firm is not operational yet. Therefore, PetroCaribe-related fiscal transactions are still considered in the budget and inflows still constitute direct external debt of the central government. These resources are under the direct control of the central government, and, for program purposes, will be fully reflected in the fiscal tables underpinning the program. They will be treated as budget support loans, whose proceeds are partly or entirely deposited in government accounts in the banking system (PetroCaribe deposits). Spending from PetroCaribe resources (up to US$400 million in FY 2012), financed with a drawdown of PetroCaribe deposits in the banking system, will also be fully reflected in program tables.

20. Once operational, i.e., that PetroCaribe resources do not constitute direct external debt of the central government, the annual budgets of the company will be published on the MEF website before the beginning of the fiscal year. Audited annual financial statements will be published within six months of the end of each financial year.

21. Non Concessional Public Sector External Debt. The definition of debt comprises all forms of debt, including loans, suppliers' credits, and leases, that constitute current, i.e. not contingent, liabilities, which are created under a contractual arrangement through the provision of value in

[4] ALBA refers to "Alternativa Boliviarana de las Americas".

the form of assets (including currency) or services, and which require the obligor to make one or more payments in the form of assets (including currency) or services, at some point in the future, as set forth in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements, attached to Decision No. 6230-(79/140), adopted August 3, 1979, as amended.

22. A ceiling applies to the contracting and guaranteeing by the public sector of new non concessional debt denominated in foreign currency with original maturities of one year of more. There is a zero ceiling on non-concessional debt of up to and including one year. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This covers private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector.

23. For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

24. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt.5 The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt, based on the currency specific commercial interest reference rates (CIRRs) as laid out by the Organization for Economic Cooperation and Development (OECD).6 For a debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and hence, its grant element. For debt with maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margin for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

25. Excluded from the ceiling are short-term import-related credits, rescheduling arrangements, borrowing from the Fund, non-resident purchases of treasury bills, and guarantees for the electricity sector in the form of letters of credit.

26. The ceilings for contracting and guaranteeing of non concessional debt by the total public sector (as defined in paragraph 4) will be set at zero continuously throughout the program period.

[5] The grant element calculator can be found at http://www.imf.org/external/np/pdr/conc/calculator/default.aspx.

[6] The grant element calculations will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

Arrears of the Central Government

27. External payment arrears are defined as overdue payments (principal and interest) to non-residents on debt contracted and guaranteed by the central government, and will be defined according to the terms of indebtedness of each creditor. The criterion of zero accumulation of external arrears will be monitored on a continuous basis.

28. Domestic arrears of the central government are defined to include: (i) any bill that has been received by a spending ministry from a supplier for goods and services delivered (and verified) and for which payment has not been made within 90 days after the due date of payment; (ii) wage, salary, and other payment to government employees, including direct and indirect allowances, that were due to be paid in a given month but remained unpaid on the 30th of the following month; and (iii) interest or principal obligations which remain unpaid 30 days after the due date of payment. This definition excludes changes in the stock of arrears on account of interest, penalties and valuation changes.

Base Money

29. The change in base money is defined as, and will be measured using:

- The change in the stock of currency in circulation from Table 10R of the BRH.
- The change in the stock of reserve deposits of commercial banks at the BRH, from Table 10R, using gourde sight deposits of commercial banks (dépôts a vue en gourdes des BCM a la BRH) and cash-in-vault of commercial banks (encaisses des BCM).

30. The changes will be measured on a cumulative basis from the stock at end-September 2009.

Poverty-Reducing Expenditures

31. The growth in poverty reducing expenditure will be measured as the sum of domestically-financed spending for the Ministries in charge of agriculture, health, and education. This will be a flow measured on a cumulative basis from end-September 2009.

Quarterly Adjustments

32. The quarterly performance criteria and indicative targets will be adjusted as indicated below:

Adjustment for Domestic Arrears Accumulation

33. The ceilings for net BRH credit to the central government and the net domestic banking sector credit to the central government will be adjusted downwards for the amount of outstanding domestic arrears accumulation.

Adjustment for PetroCaribe-related Inflows

34. Until the bi-national company expected to administer PetroCaribe-related funds is legally established, any drawdown of PetroCaribe-related deposits will be considered as central government spending for program purposes.

35. The ceiling for net domestic credit to the central government will include movements in PetroCaribe accounts in the banking system and will be adjusted for the difference between the actual stock of PetroCaribe deposits in the banking system and programmed stock of these deposits in the banking system. The ceilings for net BRH credit to the central government, on BRH net domestic assets, and the floor for NIR will also include movements in PetroCaribe accounts at the BRH. They will be adjusted for the difference between the actual stock of PetroCaribe deposits at the BRH and the programmed stock of these deposits at the BRH. The adjustor will be calculated on a cumulative basis from October 1, 2009.

Adjustment for Budgetary Cash Grants in Second Half of FY2012

36. 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 $27 million during FY2012 from the IDB. For FY2013, expected budgetary donor grants total $60 million, including IDB $20 million, IDA$20 million, EU $10 million, and Spain $10 million. If actual grant inflows are lower (higher) than programmed, these performance criteria ceilings and floor 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."

37. The adjuster will be calculated on a cumulative basis from October 1, 2009.

Clarification of Structural Conditionality

Fiscal Sector

38. The prior action on submitting a public debt law requires transmission to Parliament (and sharing with the IMF) of a draft debt law in line with international standards and with the recommendations of development partners' TA.

39. The prior action on opening a government central account at the BRH will require the opening of one revenue account for DGI and another for AGD, one operating expenditure account at the BRH, the closing of the CSTD (compte special du tresor pour le developpement) and the opening of one investment expenditure account at the BRH.

40. The prior action on signing and making operational the TSA agreement between the MEF and BRH will require both institutions to sign the agreement.

41. As specified in Tables 2a and 2b, the publications of the following items related to benchmarks will continue over the program period: 1a, 2a, 2b, 2c, 3a, 3b, and 2h. Publication should occur on the specified regular basis (i.e. monthly or quarterly), with no gaps or unjustified delay.

42. The structural benchmark on strengthening the debt unit (end-December 2013) will require permanently providing adequate office space and staffing to such unit; nominating the officer in charge of it and setting up its tasks with an official communication from the Minister or the Director General (to be shared with the IMF); the MEF should, by coordination of its services, produce annual debt sustainability analyses and make them available to the Fund, all MEF services, the BRH and the MPCE.

43. The structural benchmark on reducing the number of domestically-funded imprest accounts to three by ministry or institutions (one for revenue collection, one for capital spending, one for other transactions, including current spending) and granting signature power on these accounts to public accountants appointed by the MEF (end-March 2014) will imply the identification of all the accounts as well as the names of the officials currently authorized to sign. On this basis, the authorities will reduce the number of accounts as specified in the benchmark and provide signature power to public accountants designated by the ministry of finance.

44. The structural benchmark on rolling-out, for all ministries, the GL-software in the offices of the government accountants, and starting to record projects and imprest accounts expenditure when they are effectively paid and not any more when the replenishment of the account is made (end-December 2013) requires providing to all ministries a copy of the software and ensuring it is adequately installed. It also requires a follow up on the recording of expenditure at payment level.

45. The new structural benchmark on allocating offices to the medium-tax payer office (by end-September 2013) requires the move of the staff of the newly created medium-tax payer office to a permanent location with the equipment and tools necessary to carry on their day-to-day tasks.

46. The new benchmark on setting up a task force of experts to review the public investment framework will require a decree that establishes a task force of local and international experts and defines as their main responsibility the review of the investment program with the view to differentiating between those projects ready to be financed (including procurement and execution plans), and those that are still at early stages (identifying their status, next steps, and technical assistance to finalize their preparation).

Monetary Policy and Financial Sector

Provision of Information

47. To ensure adequate monitoring of the program, the authorities will provide daily, weekly, and monthly monetary and fiscal indicators to IMF staff, details of any loan contract or guarantee to be ratified by a non-financial public sector entity, including public enterprises, before signature, as well as other data upon request.

Daily

The exchange rate.

Weekly

48. *Monetary Indicators*: (a) Stock of BRH bonds; (b) Deposits at commercial banks (in gourdes and U.S. dollars); (c) Credit to the private sector (in gourdes and U.S. dollars); (d) Credit to central government and the public sector (net); (e) Currency in circulation, (f) base money, (g) details of inflows and outflows of gross foreign exchange reserves, (h) volume of foreign exchange transactions, of which BRH sales and purchases; (i) gross international reserves; and (d) net international reserves (NIR). The NIR data will be reported using the following table format:

Haiti: Net International Reserves BRH, End-March 2013
(In millions of U.S. dollars)

A. Gross Foreign Exchange Reserves	2,193.0
B. Gross Liabilities	282.9
C. Net Foreign Assets (=A-B)	**1,910.1**
D. FX deposits of commercial banks and CAM transfer at the BRH	860.9
E. Project accounts	7.8
F. Special accounts in U.S. dollars and euros	7.3
G. Seized values	0.0
H. SDR allocation (liability)	117.7
J. NIR (=C-D-E-F-G+H)	**1,151.8**

Source: Haitian authorities; and Fund staff estimates.

49. Fiscal Indicators: (a) Revenues (internal, external, other) and (b) Expenditures on a cash basis (wages and salaries, goods and services, external debt, current accounts).

50. These data will be reported with a maximum five-day lag for preliminary data (four weeks for final data).

Monthly

Monthly data

- Table 10 R and Table 20 R from the BRH with a maximum 30-day lag for final data.
- Tableau on the comptes courants with a maximum 30-day lag for final data.

- "Project Accounts", by donor, with a maximum 30-day lag for final data
- Tableau de trésorerie de devises with a maximum 30-day lag for final data.
- Tableau des Operations Financières de l'Etat (within 20 days after end of month).
- Table underlying the TOFE which enables the determination of checks in circulation and the balance on investment project accounts (TOFE-extension).
- Set of external debt tables with a maximum 30-day lag for final data.
- Report of revenue collection of the DGI (Rapport d'activités), with a maximum 30-day lag for final data.
- The aide memoire table, which includes monetary policy indicators (foreign exchange interventions, Gourde and foreign currency credit and deposits, monetary financing).
- Tables of revenue collection of AGD (Indicateurs d'activités aux ports, Rapport analytique des perceptions douanières à l'importation), with a maximum 30-day lag for final data.
- Balance of Bureau de Monetization accounts, including spending from "fonds de contrepartie" and those movements related with flows linked to the ALBA-PetroCaribe agreement. Balance of PetroCaribe/ALBA-related deposits at commercial banks and the BRH, with a maximum 30-day lag for final data as in the following table.

Haiti. PetroCaribe Deposits, 2009-2013

	2008/09		2009/10				2010/11				2011/12				2012/13
	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Total deposits in government accounts in the banking system															
Cumulative flows (G mlns)		1804.3	1520.7	2309.4	3204.9	3779.8	3975.9	6144.0	5518.1	6145.6	6773.2	7400.7	8028.3	8373.6	8718.9
in US dollars (US$ mlns)		42.4	43.2	62.4	84.3	99.0	102.1	155.6	137.9	153.0	163.3	180.5	193.1	198.7	204.2
Stocks (G mlns)	3713.2	5517.5	5233.9	6022.5	6918.1	7493.0	7689.1	9857.2	9231.3	9858.8	10486.4	11113.9	11741.5	12086.8	12432.1
in US dollars (US$ mlns)	88.9	131.3	132.1	151.3	173.2	187.9	191.0	244.4	226.8	241.9	252.2	269.4	282.0	287.6	293.1
Deposits in government accounts at the BRH															
Cumulative flows (G mlns)		-90.3	-93.0	-96.1	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0
in US dollars (US$ mlns)		-2.2	-2.1	-2.2	-2.2	-2.2	-2.2	-2.2	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Stocks (G mlns)	171.0	80.7	78.0	74.9	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
in US dollars (US$mlns)	4.1	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Deposits in government accounts in commercial banks															
Cumulative flows (G mlns)		1894.6	1613.7	2405.4	3300.9	3875.8	4071.9	6240.0	5614.1	6241.6	6869.2	7496.7	8124.3	8469.6	8814.9
in US dollars (US$ mlns)		44.6	45.4	64.6	86.5	101.2	104.3	157.8	140.2	155.3	165.6	182.8	195.4	201.0	206.5
Stocks (G mlns)	3542.2	5436.8	5155.9	5947.6	6843.1	7418.0	7614.1	9782.1	9156.2	9783.8	10411.3	11038.9	11666.4	12011.8	12357.1
in US dollars (US$ mlns)	84.8	129.4	130.1	149.4	171.3	186.0	189.1	242.6	224.9	240.1	250.4	267.6	280.2	285.8	291.3

Sources: Haitian Authorities; and IMF Staff estimates and projections.

Quarterly

51. Report on poverty-reducing expenditures, with a maximum 30-day lag for final data.

Other Information

52. The authorities will share with staff the by-laws of the new binational (Venezuela-Haiti) entity which will manage Petrocaribe flows (as soon as these are enacted), including any and all needed information to assess the nature of such new entity; the authorities will also share with staff the financing terms of any financing received by such entity, including any and all information needed to assess whether any financing flows received by such new entity constitute public debt (direct and/or contingent) of any form.

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International Monetary Fund
Washington, D.C. 20431 USA

IMF's Executive Board Completes the Sixth Review Under Haiti's ECF Arrangement and Approves US$2.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed the sixth review of Haiti's performance under its program supported by the Extended Credit Facility (ECF) arrangement on August 2, 2013. The Board also approved an extension of the arrangement until August 29, 2014 and a rephasing of disbursements. The Board's decision was taken on a lapse of time basis.[1] Completion of the review will enable an immediate disbursement equivalent to SDR 1.638 million (about US$2.5 million), bringing total disbursements under the program to date to the equivalent of SDR 37.674 million (about US$56.8 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). The debt relief, financed by the Post-Catastrophe Debt Relief (PCDR) Trust Fund, is part of a broad international strategy to support Haiti's longer-term economic reconstruction plans, following the devastating earthquake of January 12, 2010. The Haitian authorities have developed an economic program for 2013-2014 that will be supported by the extension of the current ECF arrangement and will allow the authorities to secure gains to date and complete key reforms, particularly in the fiscal area.

[1] The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.