IMF Country Report No. 17/38

HAITI

February 2017

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR HAITI

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- **Press Releases.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 18, 2016, following discussions with the officials of Haiti on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 11, 2016.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Haiti.

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

Letter of Intent sent to the IMF by the authorities of Haiti*

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 17/37
FOR IMMEDIATE RELEASE
February 6, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Releases Report on Haiti's Rapid Credit Facility

The International Monetary Fund (IMF) today released the staff report prepared in connection with the approval of the Rapid Credit Facility (RCF) for Haiti in the wake of Hurricane Matthew. On November 18, 2016, the Board approved Haiti's request for a disbursement of 30.7125 million SDR (about US$41.6 million) in financial assistance under the RCF, to help with urgent balance of payments needs in the aftermath of the Category 4 hurricane that struck the nation on October 4.

Since the approval of the RCF two months ago, Haiti has peacefully elected a new president, Jovenel Moise, who is due to be inaugurated February 7. During this period, and with the support of the RCF disbursement, the Banque de la République d'Haïti (BRH) has continued to rebuild its net international reserves. At the same time, the pace of currency depreciation has slowed, from 25 percent year-on-year through September 2016, to 17 percent year-on-year in December (10.5 percent quarter-on-quarter annualized rate). Despite the favorable impact of the slowdown in depreciation, increases in food prices – due in part to the hurricane – have pushed CPI inflation from 12.5 percent in September 2016 to 14.3 percent in December 2016.

As a country with widespread development needs, Haiti continues to face substantial challenges. The successful conclusion of the recent presidential election provides Haiti with an opportunity to rebuild from the storm and to advance its reform agenda. The IMF looks forward to continuing to work together with the Haitian authorities in designing policies to support macroeconomic stability needed to boost economic growth.

INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 16/517
FOR IMMEDIATE RELEASE
November 18, 2016

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$41.6 Million Disbursement under the Rapid Credit Facility for Haiti

The Executive Board of the International Monetary Fund (IMF) on November 18, 2016 approved SDR 30.7125 million (about US$41.6 million) in financial assistance for the Republic of Haiti under the Rapid Credit Facility (RCF)[1] to help the authorities meet urgent balance of payments needs arising from the effects of Hurricane Matthew. The funds will be made available immediately.

The strong category 4 hurricane hit the country in early October, killing more than 500 people, displacing more than 175,000 into temporary shelters, and putting over 1.4 million in immediate need of humanitarian assistance. It caused widespread destruction of buildings and infrastructure in the southwestern *départements* of Grand Anse, Sud and Nippes. Preliminary estimates put the total damage and loss at US$1.9 billion, about 23 percent of Haiti's GDP.

Following the Executive Board's discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The severe impact from Hurricane Matthew has plunged the country into a new humanitarian crisis even as Haiti is still recovering from the devastating 2010 earthquake, the lingering impact of a prolonged drought, and a sharp decline in external assistance. International relief efforts in response to the hurricane will help Haiti respond quickly to the crisis. IMF financing through the Rapid Credit Facility will help meet urgent foreign exchange needs and ease the pressure on the balance of payments.

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[1] The RCF (http://www.imf.org/external/np/exr/facts/rcf.htm) provides immediate financial assistance with limited conditionality to low-income countries with an urgent balance of payments need. In this context, the economic policies of a member receiving RCF financing are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries a zero interest rate, has a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

"Emergency relief and reconstruction costs will significantly raise the overall fiscal deficit and the increase in imports of goods and services will widen the external current account deficit over the next few years. While preparing for the large increase in spending that will be needed to support reconstruction, the authorities recognize the need to contain risks. In particular, they have affirmed their commitment to limit the non-hurricane budget deficit to approximately 2.3 percent of GDP in fiscal year 2016/17.

"While increased imports to support the rebuilding efforts will be partially financed by international reserves, gross reserves are anticipated to remain adequate, and the central bank will maintain exchange rate flexibility. To maintain the sustainability of public debt, the authorities have affirmed their intent to sustain prudent financing of the deficit, not enter into any non-concessional loan contracts during fiscal year 2016/17, and avoid the accumulation of public sector arrears.

"The authorities are committed to revising their strategy for growth and social protection to ensure that rebuilding and recovery efforts support the long-term goals of poverty reduction and stronger growth. The IMF will continue to play a key role in coordinating and catalyzing international support for Haiti's reconstruction and development efforts. In this regard, mobilizing the assistance of the donor community will be crucial to achieving disaster recovery, as well as longer-term development objectives. The authorities intend to consult with the IMF in laying out a medium-term economic plan and ensuring sustainability of the balance of payments."

HAITI

November 11, 2016

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context: On October 4, 2016 Haiti was struck by Hurricane Matthew, a strong Category 4 hurricane, which caused substantial loss of life and severe damage to property, infrastructure and agriculture. Total damage and loss is estimated at about US$1.9 billion, or about 23 percent of GDP. The impact has plunged Haiti into a new humanitarian crisis—7 years after a magnitude 7.0 earthquake ravaged Port-au-Prince—leaving an estimated 1.4 million people in need of urgent assistance. The hurricane forced a delay in the first round of the Presidential election, now scheduled for November 20.

Request for Fund Support: The Haitian authorities are requesting emergency financial assistance under the Fund's Rapid Credit Facility (RCF) to address the urgent balance of payments and fiscal needs associated with the rehabilitation and reconstruction efforts. In the attached letter, they request a disbursement in the equivalent of SDR 30.7125 million (about US$42 million), equivalent to 18.75 percent of quota. The authorities are also seeking grants and additional concessional financing from multilateral and bilateral donors to cover the remaining financing needs stemming from the emergency humanitarian and reconstruction efforts, and it is anticipated that the assistance provided by the Fund under the RCF will play an important catalytic role in facilitating the provision of these resources to Haiti.

Discussions: Given the pressing need for emergency assistance, discussions with the authorities have taken place through the Fund's Resident Representative in Haiti. Policy discussions have focused on the economic and fiscal impact of the hurricane, transparency of reconstruction efforts, the maintenance of debt sustainability, and capacity to repay the Fund.

Approved By
R. Rennhack (WHD) and Z. Murgasova (SPR)

Discussions were held in Port-au-Prince during October and early November 2016 between Mr. Mpatswe (Resident Representative), Minister of Economy and Finance Bastien; and Central Bank Governor Dubois.

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BACKGROUND

1. The severe impact from Hurricane Matthew has plunged Haiti into a new humanitarian crisis less than seven years after a magnitude 7.0 earthquake ravaged the capital, Port-au-Prince. High winds and flooding in the southwest peninsula have severely damaged transportation and other infrastructure, substantially diminished the productive capacity of agriculture, and left an estimated 1.4 million people in need of urgent humanitarian assistance. Although hurricanes have been a fairly frequent occurrence in Haiti, Matthew is only the third Category 4 (or above) hurricane to strike the country since 1851, with Category 4 storms making landfall on the same southwest peninsula in both 1963 and 1964.[1] The draft joint Rapid Damage and Impact Assessment Report by the World Bank, IDB and Government of Haiti estimates total damage and loss at US$1.9 billion, or 23 percent of GDP.[2] Haiti is currently suffering from political instability and is considered to be a fragile state, with per capita income of less than 1,000 U.S. dollars – the lowest in the Western Hemisphere – and weak institutions.

2. The authorities have requested Fund assistance under the Rapid Credit Facility (RCF) to address the urgent balance of payments needs posed by the disaster response. The financing provided by the Fund is expected to catalyze support from other development partners.

3. Fund support has helped Haiti to recover from disasters and reduce imbalances in the past. The Fund provided compensatory financing in 1967, after Hurricane Inez; Emergency Assistance in 1998, after Hurricane Georges; and both augmented lending in support of the ECF program and Post-Catastrophe Debt Relief in 2010, after the earthquake. There is no outstanding emergency lending as such, and loans outstanding from the PRGF Trust total SDR 46.332 million, equivalent to 28.3 percent of quota.

Text Table 1: Pledged Commitments by Key Donors in FY 2016/17
(October 2016 - September 2017) 1/

(in millions of U.S. dollars)	Loans	Grants	Total
1. Bilateral			
US/USAID/OFDA		43.07	43.07
Canada		2.96	2.96
Quebec		0.50	0.50
Montreal		0.06	0.06
Federal Government		2.40	2.40
European Union		31.11	31.11
Latin America & The Caribbean		0.78	0.78
France/ AFD		1.07	1.07
UK/DFID/UKAID		9.62	9.62
Germany		1.79	1.79
Spain		0.17	0.17
Italy		0.45	0.45
Switzerland		2.06	2.06
Japan		0.25	0.25
Taiwan Province of China		0.20	0.20
Others 2/		1.26	1.26
2. Multilateral			
WB	*25.0*	*60.00*	*85.00*
IDB	*20.0*	*60.00*	*80.00*
IMF	*42.1*		*42.10*
UN - CERF 3/		6.84	6.84
IFRC 4/		0.58	0.58
CDB - CCRIF SPC 5/		23.32	23.32
Total	87.10	245.53	332.63

1/ This is a partial list containing information currently available.
2/ Humanitarian Assistance from NGOs and Private foundations.
3/ CERF - The Central Emergency Response Fund.
4/ International Federation of Red Cross.
5/ CCRIF - The Caribbean Catastrophe Risk Insurance Facility.
Sources: UN-OCHA Situation Report and press statements.

[1] When Hurricane Flora struck Haiti on October 2, 1963, it is estimated that some 5,000 people perished.

[2] Based on data received as of October 21, 2016.

4. Prior to the storm, Haiti was grappling with the lingering impact of a prolonged drought and a sharp decline in external assistance (mainly through Venezuela's *Petrocaribe* program). These problems were compounded by political uncertainty, as Presidential elections held in October 2015 (and some Parliamentary elections held in August 2015) were annulled, leading the Parliament to name Senator Jocelerme Privert as Provisional President until June 2016, when the previous President's term expired. President Privert has, controversially, remained in office since then, rendering a difficult political situation all the more uncertain. The first round of new elections was scheduled for October 9, 2016, but was postponed, following Matthew, until November 20. The second round would take place in January 2017, if no candidate earns a simple majority in the first round, and the new government would take office in February 2017.

5. Before the hurricane, the Haitian economy appeared relatively stable but with low growth of about 1.5 percent a year, or near zero in per capita terms. After more than a year of political turmoil, confidence was low, with little foreign investment, and increasing dollarization. The decline in funding from Venezuela constrained public investment, which fell by 25 percent in FY 2015/16, slowing growth. On the supply side, the shock to agricultural production from the drought further depressed output, and pushed up prices, with CPI inflation reaching 15 percent y/y in June before declining moderately. The currency reflected those strains, weakening by 22 percent against the dollar in the nine months following Haiti's adoption of a Fund ECF-supported program in May 2015. The program is off track, reflecting the political uncertainty, external shocks, and a slow pace of reform. Despite these challenges, the NFPS deficit stood at about 2.6 percent of GDP, near program targets, although it had external arrears of 0.6 percent of GDP, and the central bank eventually managed to slow the pace of gourde depreciation, even as it maintained reserves at 4.7 months of imports, and resisted monetizing the fiscal deficit.

IMPACT OF THE STORM—THE OUTLOOK AND RISKS[3]

6. In the aftermath of the storm, economic activity in the worst-affected departments of the country has come to a virtual standstill.[4] The United Nations' Office of the Coordinator for Humanitarian Affairs estimates that some 1.4 million individuals (12 percent of the national population) in the affected areas are in need of immediate humanitarian assistance:

[3] Projections are informed by the government's disaster estimates reported in the Rapid Damage and Impact Assessment prepared jointly with the World Bank and IDB, and the experience of other storms. They are, however, subject to a high degree of uncertainty, especially since the damage and loss estimates are very preliminary and information is still being collected toward finalizing the damage assessment.

[4] Three of the country's 10 *départements* – all located on the southwest peninsula – have been identified as bearing the brunt of the storm. They are Grand Anse (pop. 468 thousand), Sud (pop. 775 thousand), and Nippes (pop. 342 thousand).

- The confirmed death toll currently stands at 546, but is likely to rise, due in part to the spread of disease in the wake of the storm.
- Crop losses in these areas are estimated from 70 to 100 percent; livestock losses from 50 to 90 percent; and fruit trees up to 100 percent.
- Major roadways have largely been made passable, but some areas remain inaccessible by land. Port facilities in the affected areas were heavily damaged or destroyed.
- To date, thousands of cases of cholera have been reported and many areas are without safe drinking water.

7. The joint government/World Bank/IDB report estimates total damages at the equivalent of approximately 23 percent of GDP. Projected real GDP growth in the fiscal year 2016/17 (which began October 1, 2016) has been reduced by 0.7 percentage points as a result of Matthew (taking into account the impact on GDP growth of recovery spending). That would leave real GDP growth for the year in the 2-3 percent range, still somewhat better than the FY 2015/16 growth rate of 1.5 percent. Agriculture would show the greatest negative impact, but would be partially offset by growth in construction activities and other investment linked to the recovery effort. In the short run, consumer price inflation is also likely to rise slightly and temporarily from the current rate of around 12 percent, reflecting additional scarcity of locally-produced food.

Text Table 2. Haiti: Changes in Main Tables for FY 2016/17 from pre-Matthew Baseline

(Expressed as percent of FY 2016/17 GDP)

Total Recovery Spending	**6.5**
Humanitarian Aid	**2.0**
o/w direct from donors to private sector	0.3
o/w included in project grants from donors	1.7
Reconstruction	**4.5**
o/w included in project grants from donors	0.6
o/w provided as budget support from donors	1.4
o/w provided as Fund credit 1/	0.3
o/w provided as concessional lending from IDA, etc.	1.2
o/w provided as non-RCF-based credit from BRH	1.0
o/w yet-to-be-identified financing	0.5
Fiscal Accounts	
Expenditure (A)	**6.7**
o/w increases in current expenditure for relief	0.2
o/w increase in capital expenditures (also includes some humanitarian assistance for hurricane relief) 2/	6.5
Revenue plus Financing (B)	**6.2**
o/w project grants	2.3
o/w budget support	1.4
o/w provided as Fund credit 1/	0.3
o/w concessional lending from IDA, etc.	1.2
o/w non-RCF credit from BRH	1.0
Financing Gap (A-B)	**0.5**
Balance of Payments	
Imports of Goods and Services (C)	**7.0**
o/w imports brought in directly by donors	2.6
o/w imports purchased by government	1.6
o/w imports purchased by private sector	2.8
Transfers plus Financing (D)	**6.5**
o/w project grants	2.3
o/w budget support	1.4
o/w direct humanitarian aid	0.3
o/w Fund credit 1/	0.3
o/w concessional lending from IDA, etc.	1.2
o/w sale of foreign reserves	1.0
Financing Gap (C-D)	**0.5**

Source: Fund staff estimates and projections.

1/ RCF support less repayments due. This corresponds to net utilization of Fund credits in Table 5b.

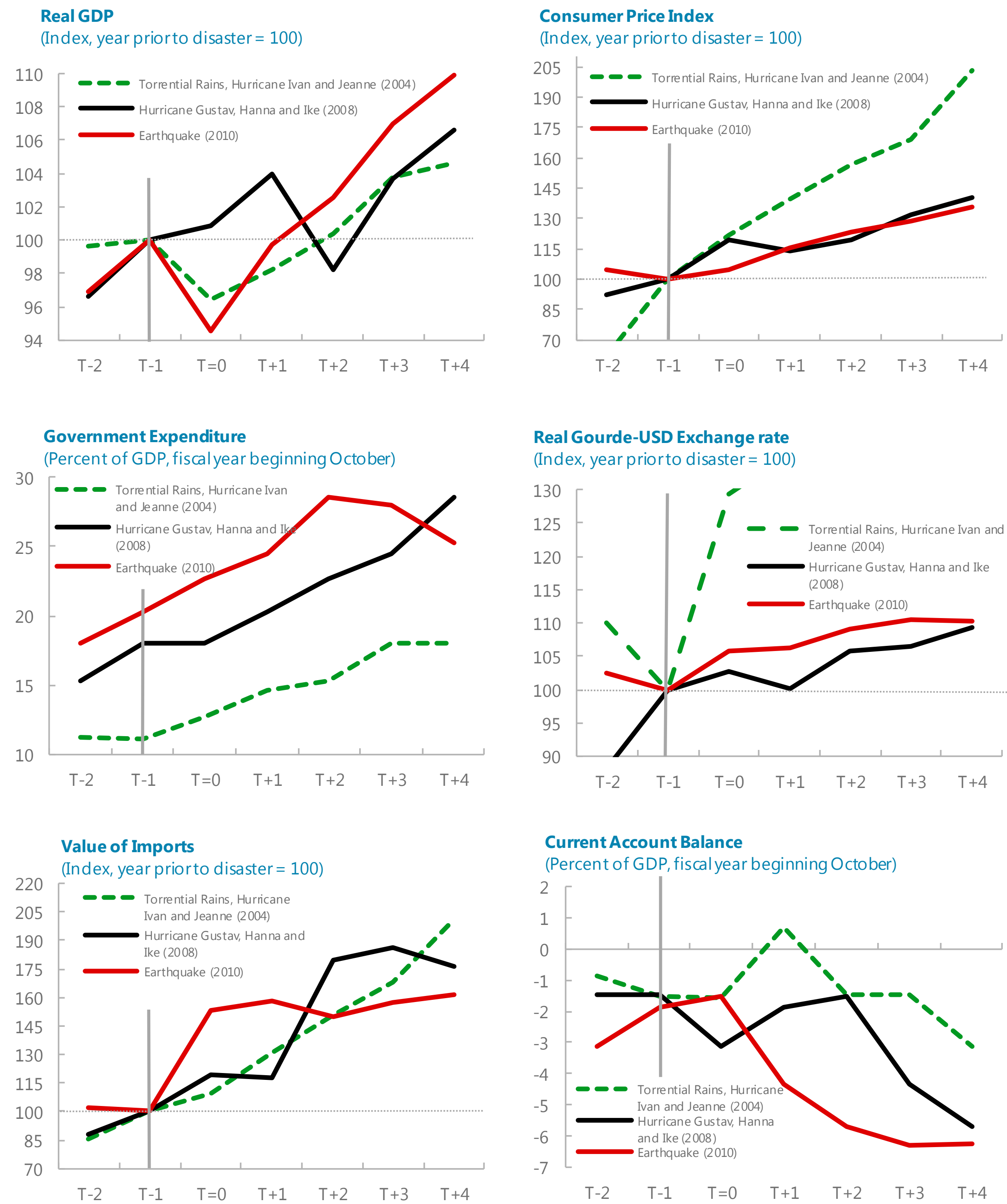
2/ While some of this increase in capital expenditure is shown in Tables 2a and 2b as "domestically financed" all except the portion funded by non-RCF credit is ultimately funded from foreign sources (e.g., RCF credit onlent by BRH).

8. Rehabilitation and reconstruction activities will significantly worsen the overall fiscal balance in FY 2016/17. Staff estimate that additional budgeted capital expenditures equivalent to 4.3 percent of GDP would be needed in FY 2016/17.[5] In addition, a significant amount of the disaster assistance, including almost all humanitarian assistance, will be provided directly by donors and not recorded in the Public Investment Program (the project grant component of this appears in fiscal tables (2a) and (2b) as foreign-financed expenditure). The need for reconstruction and rehabilitation expenditures will widen the fiscal deficit in FY 2016/17 and probably FY 2017/18 as well, reflecting higher capital expenditures for reconstruction before returning to pre-hurricane levels. As some of the additional expenditure will be covered by budget support above the line, the fiscal deficit will widen by 3 percent of GDP relative to the pre-hurricane baseline, to 5.3 percent of GDP. This will create a financing gap of about 0.5 percent of GDP, which could be filled in by additional multilateral or bilateral sources that may regard the RCF disbursement as a catalyst for further financing. In all cases, the government will avoid recourse to non-concessional external borrowing. It is projected to borrow from the central bank only in amounts reflecting the RCF disbursement and an additional 1 percent of GDP in spending on recovery-related public investment.

9. Reconstruction efforts will require an increase in imports of goods and services, relative to the pre-hurricane baseline, of 7.0 percent of GDP. Exports are not expected to be significantly affected by the hurricane, as the garment assembly sector, which accounts for over 90 percent of exports, was left largely untouched by the storm. A moderate increase in remittances from Haitians working overseas, consistent with the pattern observed in the wake of previous disasters, will compensate for the decline in agricultural exports brought on by the storm. Relative to the pre-hurricane baseline, the adjusted current account deficit (excluding grants and budget support) is projected to reach 11.0 percent of GDP in FY 2016/17, up from 3.9 percent of GDP in the pre-hurricane scenario (Table 5b), with the difference attributable to imports associated with hurricane relief and reconstruction. This gap will be covered by a combination of budget support (an increase of 1.4 percent of GDP), project-related grants (increase of 2.3 percent of GDP), concessional loans (increase of 1.2 percent of GDP), Fund lending (increase of 0.5 percent of GDP), use of existing foreign reserves (increase of 1.0 percent of GDP), and direct humanitarian assistance (0.3 percent of GDP) (Text Table 2). As both budget support and grants enter the current account directly as credit items, the measured current account deficit (including grants and budget support) will weaken by only 3 percent of GDP from the baseline, to 3.9 percent of GDP.

[5] The difference between this 4.3 percent of GDP increment, and the 6.6 percent of GDP increment in public investment presented in text table 2, is attributable to a 2.3 percent of GDP increment in public investment provided directly by the donors, outside of the Treasury budget.

Figure 1. Haiti: Effects of Natural Disasters



Sources: WEO database and IMF Staff calculations.

10. Most, but not all, of the increase in imports would be carried out by donors and the public sector. It is assumed that all of the 2.3 percent of GDP increase in grant assistance, and all of the 0.3 percent of GDP in direct donor assistance, would be devoted to imported goods or services. Of the 3.1 percent of GDP increase in public investment overseen by the government, about half (1.6 percent of GDP) would go to imported goods and services (a marginal public sector import demand coefficient of 0.5). The remaining 2.8 percent of GDP increase in imports would come from the private sector, of which half would be attibutable to government transfers, and the other half to expenditure switching from purchase of domestic goods.

Text Table 3. Haiti: Projections for FY 2016/17 made pre- and post-Matthew [1/]

Projections for the fiscal year 2016/17 (Oct 2016 – Sep 2017)

	Pre-Matthew	Post-Matthew
	(Change over previous year; unless otherwise indicated)	
National income and prices		
GDP at constant prices	3.2	2.5
GDP deflator	6.2	10.0
Consumer prices (period average)	9.1	10.8
Consumer prices (end-of-period)	7.0	10.0
External Sector		
Exports (goods, valued in dollars, f.o.b., US$ millions)	1070.7	1021.3
Imports (goods, valued in dollars, f.o.b., US$ millions)	3332.2	3747.4
Remittances, net (US$ millions)	2108.2	2157.5
Nominal exchange rate (end of period; + depreciation)	8.0	2.0
	(In percent of GDP; unless otherwise indicated)	
Fiscal		
C.G. balance (ex. grants and externally-financed projects)	-1.5	-4.9
Overall Balance of Total Non-Financial Public Sector [2/]	-2.2	-5.3
Domestic revenue	14.0	13.9
Grants [2/]	3.1	6.8
Expenditures	18.6	25.2
Current expenditures	11.8	12.0
Capital expenditures	6.7	13.2
	(In millions of dollars, unless otherwise indicated)	
Net international reserves	871	741
Gross International Reserves	1835	1846
In months of imports of the following year	5.0	4.6

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

1/ All data are for internal discussion purposes with the Haitian authorities only.
2/ Includes state-owned electricity company (EDH).

11. Some real exchange rate appreciation is anticipated, reflecting pressure on domestic supply and higher domestic inflation. This pattern has been observed after other recent disasters, notably the 2010 earthquake (Figure 1). Net international reserves would be expected to decline over FY 2016/17 in an amount broadly equivalent to about 1 percent of GDP (US$83 million) to permit non-inflationary central bank financing of hurricane-related public investment. The disbursement under the RCF (US$42.1 million) would be spent during the year. This approach will maintain gross reserves at a safe level of 4.6 months of imports. In subsequent years, as reconstruction is completed, imports would shrink and the current account deficit should narrow to the modest levels for which concessional financing is normally available.

12. Haiti's debt dynamics have deteriorated since the last DSA, to the extent that total public sector external debt is expected to reach 35 percent of GDP by FY 2020/21. The present value of Haiti's debt as a ratio to GDP-plus-remittances is now predicted to exceed 27 percent by 2029, breaching the threshold for high risk of debt distress, before it begins to decline toward the end of the 20-year DSA horizon. The expected real appreciation of the gourde in the coming year has the effect of holding down the debt ratio in the short term, but the appreciation is expected to be reversed over the medium term as the real exchange rate converges to its long-run value. The revision in Haiti's calculated risk of debt distress, from medium to high, reflects a downward adjustment of the country's long-term growth rate, given recent growth trends and slow pace of structural reform, along with an increase in projected borrowing, and the impact of the hurricane. In addition, it is now expected that Haiti will continue to run current account deficits of around 2 percent of GDP over the long term, with more financing provided in the form of concessional lending, and less foreign direct investment, than was previously assumed. This higher vulnerability underlines the importance for Haiti of continuing to avoid the contracting of nonconcessional debt, which it would lack the means to repay, even over the longer term. Despite the revision to the risk of debt distress, Haiti's debt load remains sustainable over the medium term.

POLICIES TO SAFEGUARD SUSTAINABILITY AND GROWTH

13. Haiti has been unable to meet several of the quantitative performance criteria (QPC) under its ECF-supported program.[6] End-September 2015 QPCs on net international reserves, domestic central bank financing of the central government, and net domestic assets of the central bank were all missed due in part to a sharper-than-expected drop in external funding, and despite concerted efforts on the part of the central bank to control monetary expansion and retain reserves. All three of these QPCs were also missed at the March 2016 test date. In addition, continuous QPCs on accumulation of external arrears and on nonconcessional borrowing have also been missed. The latter occurred when the decline in oil prices triggered nonconcessional financing terms under the Petrocaribe program. The arrears represent payments due to Venezuela for some oil shipments received over the past year.

14. In spite of these shortfalls, many of which were by small margins, macroeconomic policy management has seen some improvements. Policy performance strengthened on the arrival this year of a new finance minister and new central bank governor. Preliminary data suggest the authorities missed the program target for FY 2015/16 for the nonfinancial public sector (NFPS) deficit of 2.3 percent of GDP by only 0.3 percent of GDP, although this was accompanied by external arrears of 0.6 percent of GDP. The central government deficit fell to 1.6 percent of GDP in line with the program target, but the government was forced to severely compress public investment to compensate for the decline in revenues. Only the weaker-than-expected performance of state power company EDH, with sales in local currency and energy costs in dollars, caused the authorities to miss the NFPS target. Under the new finance minister, the government has also proposed a budget for FY 2016/17 that is consistent with the program goal for the NFPS budget of a 2.3 percent of GDP deficit, although the budget has yet to be approved by Parliament.

[6] Haiti's ECF arrangement was approved by the Board on May 18, 2015. The ECF arrangement terminated automatically on November 17, 2016, given that a period of 18 months lapsed without the completion of the first review.

15. With a limited need to finance budget overruns, the central bank has largely maintained very tight monetary policies. While the increase in currency in circulation kept up with inflation for the year ending September 30, tight policies, including the raising of reserve requirements for both gourde and dollar deposits, led to a decline in bank reserves and only very small increases in gourde broad money and credit to the economy, on the order of 4–5 percent – a sharp decline in real terms. Inflation, which has largely been driven by soaring food prices caused by drought conditions in agriculture, has started to come down, but the tightness of monetary conditions is most clearly seen in the exchange rate and international reserves.

16. There has also been a notable recovery in net international reserves (NIR). In the first year of the program, NIR dipped below the program path by up to US$100 million, but it began to recover in early 2016, rising to US$871 million by end August 2016, in line with the program targets. By the same token, the exchange rate has largely stabilized vis-a-vis the U.S. dollar since February 2016. This was achieved despite a decline in net official financing estimated at close to US$100 million for the year.

17. The January 2016 update assessment noted that safeguards risks at the BRH remained elevated. Independent oversight of the bank's operations is not sufficient, particularly in the area of reserves management, and the internal audit function is weak. The risks are exacerbated by continued significant delays in finalizing external audits and financial reporting practices that are not transparent, including with respect to the central bank's financial arrangements with the government. The assessment recommended that, as a priority, the BRH complete its annual external audits on a more timely basis, reinforce controls over foreign reserves management, and establish strong independent oversight of its operations. The BRH and the government should agree on interim measures to safeguard the bank's financial autonomy, pending more permanent changes to the central bank legislation. Staff's follow-up efforts since the assessment have been challenging and limited information has been provided on BRH's progress in addressing priority recommendations. The authorities have now committed to the timely provision of this information.

RATIONALE FOR RCF, ACCESS, AND CAPACITY TO REPAY

18. Given the urgency of the situation on the ground, the political calendar, and the recent track record of policy implementation by the authorities, an RCF is the most appropriate instrument for urgent Fund assistance to Haiti. Haiti would clearly benefit from an Extended Credit Facility (ECF) arrangement that focuses on fiscal and external sustainability, improving competitiveness, and building resilience to natural disasters. However, the devastating impact of the hurricane requires immediate financial relief to restore basic public infrastructure and support the reconstruction effort. Moreover, in the wake of the hurricane, the government needs to devote resources to protecting the large number of vulnerable people who were severely affected by the storm. In this regard, it is anticipated that the positive effects of the RCF disbursement will be magnified by the catalytic role of Fund assistance in helping to mobilize resources from other donors, both multilateral and bilateral. An agreement on the parameters of a long-term Fund arrangement would take time—and the involvement of a not-yet-elected government—leaving short-term external financing needs unattended. Crucially, close collaboration between the authorities and the staff over the past year has succeeded in establishing a useful policy framework.

19. Haiti clearly meets the criteria for assistance under the Rapid Credit Facility (RCF). Its balance of payments need in the wake of Hurricane Matthew is acute, as substantial imports of food, construction materials, and other assistance will be needed in the recovery process. Other bilateral and multilateral donors have pledged support; both the World Bank and the Interamerican Development Bank are likely to provide assistance at a level exceeding the Fund's contribution. At present, in light of the political difficulties that have kept Haiti's ECF-supported arrangement off-track, there is no prospect of providing the needed support through an ECF or other Upper Credit Tranche (UCT)-backed arrangement in time to address the urgent balance of payments need. Despite the revision to the risk of debt distress, Haiti's debt load remains sustainable over the medium term, and staff consider Haiti's capacity to repay the Fund adequate, with total Fund obligations based on existing and prospective credit peaking at 0.7 percent of exports and 1.1 percent of government revenue in FY 2021/22.

20. Staff consider access at 18.75 percent of quota under the RCF to be appropriate given the scale of the destruction wrought by the hurricane, the urgent need for reconstruction of roads, bridges, schools, houses, and agricultural infrastructure. At 30.7125 million SDR, the amount to be provided under the RCF would be equivalent to about 0.5 percent of Haiti's GDP, or 7 percent of the balance of payments funding need brought on by the hurricane**.** Other major donors, as noted above, have indicated that they will provide post-hurricane recovery assistance on a similar or greater scale, much of it in the form of grants, so as to avoid increasing the debt burden. With the RCF disbursement, total outstanding Poverty Reduction and Growth Trust (PRGT) credit would be 44 percent of quota. If the disbursement were to be approved according to these parameters, the Fund's exposure to Haiti would amount to about 1.3 percent of GDP or about 15 percent of net international reserves. This level of access would be manageable, given the level of reserves. Consistent with standard practice and with the central bank law, it is anticipated that the allocation of the RCF would take the form of a credit to the central bank (BRH). On receipt the BRH would be expected to provide credit of an equivalent amount in local currency to the government of Haiti, and expenditure of these resources will, in general, be sterilized.

21. The letter of intent (LOI) signed by the authorities in conjunction with the RCF disbursement includes commitments to maintain nonfinancial public sector (NFPS) balances (adjusted for hurricane-related expenditures) at 2.3 percent of GDP. This commitment is needed to ensure that available financing is used for relief and reconstruction, without pressuring domestic credit conditions. The LOI also includes a commitment from the authorities to incorporate any budget support from donors through the single Treasury account to fund priority reconstruction expenses and provide support to vulnerable groups. It also contains a commitment to publish monthly and quarterly reports on post-hurricane expenditures with respect to identified policy priorities. With regard to monetary policy, the LOI includes a commitment from the authorities to refrain from monetary financing of the budget deficit, and to maintain exchange rate flexibility. There are also commitments to avoid both the accumulation of arrears and the contracting of any nonconcessional debt. The target for net international reserves accounts for the higher level of public investment related to the hurricane and the modalities of the RCF. The LOI reflects the authorities' commitment to establishing a strong policy track record and their intention to request an SMP from the Fund within three months.

STAFF APPRAISAL

22. Haiti was hit by a category-four Hurricane Matthew in October. Losses and damages from the hurricane are estimated to amount to nearly US$1.9 billion, or 23 percent of GDP, with 1.4 million people in urgent need of humanitarian assistance. Haiti is a resource-constrained fragile state, and will need the assistance of the international donor community to recover from this humanitarian tragedy and rebuild the lost and damaged infrastructure. In this context, the authorities requested a disbursement of Fund resources under Rapid Credit Facility to address Haiti's urgent balance-of-payments needs in the aftermath of the disaster.

23. The Fund-supported ECF program approved in May 2015 is off track. Haiti has been grappling with a challenging political situation since October 2015, eventually leading to the installation of a Provisional President who has now outstayed his mandate. Amid this political uncertainty the 2015 ECF-supported program went off track and is due to expire on November 17. However, despite the political uncertainty and a drought-induced supply shock, the NFPS deficit was held near program target, while the central bank maintained reserves near program levels and limited the pace of national currency depreciation.

24. The authorities remain committed to maintaining fiscal discipline and restoring debt sustainability in the long run. Continuation of current prudent fiscal policies will safeguard Fund resources in the short run, while implementation of the structural reform agenda and gradually shifting from external borrowing to FDI financing will eventually help reduce Haiti's debt burden.

25. Staff support the authorities' request for a disbursement under Rapid Credit Facility in the amount of SDR 30.7 million (US$42.1 million; 18.75 percent of quota). Staff support is based on the severity of damages, the need to protect the most vulnerable in the wake of the hurricane, the urgency of balance-of-payments needs, and the authorities' policy commitments, including to seek grants and concessional resources to finance hurricane-related capital expenditures. Downside risks include the yet-unresolved political uncertainty and Haiti's vulnerability to external shocks.

Table 1. Haiti: Selected Economic and Financial Indicators, 2013/14–2020/21 1/

(Fiscal year ending September 30)

Nominal GDP (2015): US$8.7 billion — GDP per capita (2015): $813

Population (2015): 10.9 million — Percent of population below poverty line (2012): 58

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Act.	IMF Country Report No. 15/157	Act.	IMF Country Report No. 15/157	Proj.	Pre-Matthew	Post-Matthew	Proj.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)										
National income and prices											
GDP at constant prices	2.8	2.0-3.0	1.2	3.0-3.5	1.5	3.2	2.5	3.0	3.0	3.0	3.0
GDP deflator	4.7	6.6	7.2	6.4	12.1	6.2	10.0	5.0	5.0	5.0	5.0
Consumer prices (period average)	3.9	6.6	7.5	6.5	13.3	9.1	10.8	7.2	5.0	5.0	5.0
Consumer prices (end-of-period)	5.3	7.1	11.3	5.9	12.0	7.0	10.0	5.0	5.0	5.0	5.0
External Sector											
Exports (goods, valued in dollars, f.o.b.)	4.9	5.0	7.0	5.4	-1.0	5.0	5.2	5.3	5.3	5.4	5.4
Imports (goods, valued in dollars, f.o.b.)	3.4	-4.7	0.1	3.8	-7.4	4.5	17.5	-0.4	0.8	1.2	2.3
Remittances (valued in dollars)	12.7	2.6	12.7	2.1	8.1	0.1	2.4	5.2	-1.4	0.9	2.0
Real effective exchange rate (end of period; + appreciation)	0.8	n.a.	4.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Money and credit (valued in gourdes)											
Credit to private sector (in dollars and gourdes)	11.4	4.7	3.2	11.4	4.4	16.7	16.8	13.4	11.9	10.9	9.9
Base money (currency in circulation and gourde deposits)	0.8	3.0	31.5	7.0	-1.1	7.8	7.8	6.0	7.5	7.5	7.7
Broad money (incl. foreign currency deposits)	9.8	7.3	15.7	7.6	14.3	10.5	10.5	8.1	8.2	8.1	8.2
	(In percent of GDP; unless otherwise indicated)										
Central government											
Overall balance (including grants)	-6.4	-2.7	-2.4	-1.9	-1.6	-1.5	-4.5	-3.5	-2.9	-2.8	-2.2
Domestic revenue	12.5	14.7	13.8	14.7	13.9	14.4	13.9	14.4	14.9	15.1	15.6
Grants 2/	6.4	6.1	5.4	5.6	3.1	3.2	6.8	5.5	5.0	4.6	4.2
Expenditures	25.2	23.4	21.7	22.2	18.5	19.1	25.2	23.5	22.8	22.5	22.0
Current expenditures	12.5	12.5	12.0	12.5	12.2	12.1	12.0	11.5	11.3	11.5	11.5
Capital expenditures	12.8	10.9	9.7	9.7	6.4	7.0	13.2	12.0	11.5	11.0	10.5
Overall Balance of Total Non-Financial Public Sector 2/	-7.4	-3.2	-3.1	-2.3	-2.6	-2.3	-5.3	-4.1	-3.5	-3.2	-2.4
Savings and investment											
Gross investment	31.0	26.6	32.3	24.8	29.5	29.7	35.3	34.2	34.0	33.7	33.3
Of which: public investment	12.8	10.9	9.7	9.7	6.4	7.0	13.2	12.0	11.5	11.0	10.5
Gross national savings	24.7	23.1	29.7	21.0	30.0	28.7	31.4	31.7	31.5	31.9	31.8
External current account balance (including official grants)	-6.3	-2.5	-2.5	-3.1	0.4	-1.0	-3.9	-2.4	-2.5	-1.8	-1.5
External current account balance (excluding official grants)	-12.7	-8.8	-8.1	-8.8	-2.8	-4.2	-11.0	-8.0	-7.4	-6.4	-5.7
External Balance: Fossil Fuels	-11.8	-7.3	-7.7	-7.8	-5.6	-7.2	-7.7	-7.7	-7.9	-8.0	-7.9
Public Debt											
External public debt (medium and long-term, end-of-period) 3/	20.8	21.8	23.0	22.6	24.9	27.4	27.0	29.4	32.0	33.7	34.3
Total public sector debt (end-of-period) 4/	24.1	25.5	26.4	26.4	29.0	30.5	28.9	32.6	35.1	36.9	37.4
External public debt service 5/	2.4	3.7	2.5	4.6	4.3	5.7	5.9	6.6	6.8	6.9	6.9
	(In millions of dollars, unless otherwise indicated)										
Overall balance of payments	-170	-210	-107	-61	8	25	-57	-47	60	47	78
Net international reserves (program definition) 6/	1,016	860	841	890	820	871	741	767	846	906	976
Gross International Reserves 7/	1,919	1,782	1,812	1,808	1,906	1,835	1,846	1,791	1,842	1,879	1,949
In months of imports of the following year	5.2	4.8	5.3	4.6	4.7	5.0	4.6	4.4	4.5	4.5	4.5
Nominal GDP (millions of gourdes)	392,315	424,832	425,619	466,707	484,476	531,227	546,247	590,766	638,913	690,985	747,300
Nominal GDP (millions of US$)	8,789	9,054	8,713	9,475	8,259	7,837	8,298	8,544	8,639	8,858	9,213

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

1/ All data is for internal discussion purposes with the Haitian authorities only

2/ Includes state-owned electricity company (EDH).

3/ Debt ratios differ slightly from those in the DSA given the use of average, instead of end-of-period, exchange rates.

4/ Excludes central bank repurchase operations in FY2013.

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

6/ Includes SDR allocation as both an asset and a liability.

7/ Includes gold; includes transactions related to BRH repurchase operations; corresponds to BPM6 definition of reserves.

Table 2a. Haiti: Non-Financial Public Sector Operations, 2013/14–2020/21

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

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Prov.	IMF Country Report No. 15/157	Est.	IMF Country Report No. 15/157	Proj.	Pre-Matthew	Post-Matthew	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	74,097	88,006	82,026	94,692	82,290	93,473	112,757	117,873	126,878	136,267	147,849
Domestic revenue	48,967	62,254	58,861	68,396	67,312	76,517	75,708	85,191	95,078	104,283	116,216
Domestic taxes	33,735	39,432	38,950	43,117	44,802	51,065	49,536	55,734	62,294	68,171	76,824
Customs duties	13,401	17,967	17,577	20,302	19,379	21,780	22,396	25,108	27,793	30,403	32,881
Of which: fuel taxes	820	7,400	7,546	8,221	8,721	9,828	10,106	11,225	12,459	13,820	14,946
Other current revenue [1/]	1,830	4,855	2,334	4,977	3,131	3,672	3,776	4,349	4,991	5,709	6,510
Of which: FNE	1,313	1,812	1,485	1,991	1,453	1,673	1,721	1,950	2,204	2,488	2,802
Of which: FER	191	595	197	654	224	325	334	450	583	734	906
Grants	25,130	25,752	23,165	26,295	14,978	16,956	37,049	32,682	31,800	31,984	31,633
Budget support [2/]	4,999	3,300	3,625	3,145	1,642	2,901	10,717	1,569	0	0	0
Project grants	20,131	22,452	19,540	23,151	13,336	13,601	26,332	31,113	31,800	31,984	31,633
Total expenditure [3/]	99,032	99,402	92,203	103,556	89,814	101,418	137,384	138,623	145,501	155,386	164,510
Current expenditure	48,991	53,050	50,945	58,460	58,943	64,579	65,497	67,756	72,048	79,402	86,053
Wages and salaries	22,625	28,993	27,632	29,772	31,491	34,618	34,960	37,809	40,890	44,223	48,201
Goods and services	13,128	14,637	14,922	15,221	17,441	19,124	19,665	20,205	21,669	25,291	27,094
Interest payments	1,861	1,770	1,041	3,179	2,596	3,168	3,100	3,539	4,058	4,014	4,405
External	661	948	736	1,072	1,164	1,466	1,424	1,430	1,566	1,764	1,955
Domestic	1,200	822	305	2,107	1,432	1,702	1,676	2,108	2,492	2,250	2,450
Transfers and subsidies	11,377	7,651	7,350	10,288	7,415	7,669	7,773	6,203	5,431	5,873	6,352
Of which: energy sector [4/]	5,956	4,353	4,281	5,803	3,539	4,481	4,495	2,954	2,556	2,764	2,989
Of which: mitigating measures (fuel)	0	266	0	1,167	0	0	0	0	0	0	0
Capital expenditure	50,041	46,352	41,258	45,096	30,871	36,839	71,887	70,867	73,453	75,984	78,457
Domestically financed [5/]	29,113	23,196	21,326	19,680	16,309	20,351	36,808	23,790	26,419	29,100	36,036
Of which: Treasury	29,113	23,196	21,326	19,680	16,309	20,351	36,808	23,790	26,419	29,100	36,036
Of which: related to Petrocaribe spending	14,596	9,354	12,371	4,315	2,331	5,348	5,088	7,235	8,418	9,295	9,908
Of which: PCDR	1,404	2,680	1,380	1,893	1,159	1,159	1,159	1,159	1,159	0	0
Of which: FNE and FER related spending	1,651	2,407	1,356	2,644	1,677	1,998	2,055	2,400	2,787	3,221	3,708
Foreign-financed	20,928	23,156	19,932	25,417	14,562	16,034	35,080	47,077	47,034	46,884	42,421
Central Government balance including grants	-24,935	-11,396	-10,177	-8,864	-7,524	-7,945	-24,628	-20,750	-18,624	-19,119	-16,661
Excluding grants	-50,065	-37,148	-33,342	-35,160	-22,502	-24,900	-61,676	-53,432	-50,424	-51,103	-48,294
Excluding grants and externally financed projects	-29,137	-13,992	-13,410	-9,743	-7,940	-8,413	-26,596	-6,355	-3,390	-4,219	-5,873
Overall balance of NFPS, including grants	**-28,885**	**-13,471**	**-13,105**	**-10,678**	**-12,684**	**-12,205**	**-28,888**	**-24,211**	**-22,084**	**-22,180**	**-17,821**
Memo: Total Costs of EDH to Public Sector	*-9,907*	*-6,429*	*-7,209*	*-7,616*	*-8,699*	*-8,742*	*-8,755*	*-6,414*	*-6,016*	*-5,824*	*-4,150*
Adjustment (unsettled payment obligations)	-1,058	0	-1,629	0	8	0	0	0	0	0	0
Financing, NFPS	27,827	13,471	11,476	10,678	12,692	12,205	28,888	24,211	22,084	22,180	17,821
External net financing	15,597	6,850	9,489	8,234	6,273	5,270	11,503	18,481	17,907	17,617	13,133
Loans (net)	15,597	6,850	7,018	8,234	3,500	5,270	11,503	18,481	17,907	17,617	13,133
Disbursements	16,725	8,803	8,430	11,083	6,717	11,441	17,496	25,569	25,801	26,424	23,012
Of which: Petrocaribe	15,928	8,099	8,038	8,817	5,491	9,008	8,748	9,605	10,566	11,525	12,225
Project loans	797	704	392	2,266	1,226	2,433	8,748	15,964	15,234	14,900	10,788
Amortization	-1,129	-1,953	-1,412	-2,849	-3,217	-6,171	-5,993	-7,088	-7,893	-8,807	-9,879
Arrears (net)	0	0	2,471	0	2,773	0	0	0	0	0	0
Internal net financing	12,230	6,621	1,987	2,444	6,419	6,935	17,385	5,730	4,177	4,562	4,688
Banking system	9,957	14,120	9,821	2,581	5,511	5,460	16,160	3,990	2,888	3,525	3,512
BRH	5,243	7,865	10,141	1,319	3,585	1,585	12,783	1,585	1,585	2,159	1,159
Of which: deposits	539	5,759	4,098	0	3,000	1,000	12,199	1,000	1,000	1,000	0
Of which: PCDR	1,069	2,680	478	1,893	1,159	1,159	1,159	1,159	1,159	1,159	1,159
Of which : government bonds	3,636	-574	5,565	-574	-574	-574	-574	-574	-574	0	0
Of which : BRH lending related to hurr. Matthew (RCF)							2,868				
Of which : BRH lending for post-Matthew reconstruction (non-RCF)							5,462				
Commercial banks	4,713	6,255	-320	1,262	1,926	3,876	3,376	2,405	1,303	1,366	2,353
Of which: deposits Petrocaribe	-4,226	3,120	3,314	-366	1,000	0	0	0	0	0	0
Of which: deposits, excluding Petrocaribe	5,339	1,500	-2,200	0	2,000	1,000	1,000	0	0	0	0
Of which : T-bills	732	0	-3,069	2,702	0	3,949	3,450	3,479	2,377	1,575	2,353
Of which: government bonds	2,869	1,635	1,635	-1,074	-1,074	-1,074	-1,074	-1,074	-1,074	-208	0
Nonbank financing [6/]	2,274	-7,499	-7,834	-137	908	1,475	1,225	1,740	1,289	1,037	1,177
Of which: T-bills	123	0	-1,061	1,363	0	1,975	1,725	1,740	1,189	787	1,177
Of which: Amort. Long-term obligations	-1,845	-1,761	-2,381	-1,500	-1,000	-500	-500	0	100	250	0
Of which: Receivables from the electricity sector	-2,386	-1,541	-1,725	-1,814	-1,160	-1,160	-1,160	-1,160	-1,160	-1,160	-1,160
Of which: EDH letters of credit	-1,564	-535	-1,203	0	-4,000	-3,100	-3,100	-2,300	-2,300	-1,900	0
Of which: Checks in circulation	-63	0	1,346	0	1,346	0	0	0	0	0	0
Of which: Other Net Arrears [7/]	4,058	-5,738	-5,738	0	562	0	0	0	0	0	0
Other EDH financing	3,950.7	2,075	2,928	1,814	5,160	4,260	4,260	3,460	3,460	3,060	1,160
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	2,868	0.0	0.0	0.0	0.0
Memorandum items											
Balance of Petrocaribe deposits	5,389	2,269	2,073	2,635	1,073	1,073	1,073	1,073	1,073	1,073	1,073
at BRH	2	2	0	2	0	0	0	0	0	0	0
at commercial banks	5,387	2,267	2,073	2,633	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Balance of PCDR account (in millions of US$)	163	98	133	56	89	66	70	48	30	14	0
Social spending (in millions of gourdes)	14,197	15,269	15,622	17,735	18,410	20,187	20,757	22,449	24,279	26,257	28,397
Nominal GDP (millions of gourdes)	392,315	424,832	425,619	466,707	484,476	531,227	546,247	590,766	638,913	690,985	747,300

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

1/ The outturns for FY2013-FY2014 onwards include revenues of the National Education Fund (FNE). Projections for FY2015 onwards include revenues of the Road Fund (FER).

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

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

4/ Includes transfers from Petrocaribe resources from FY2011 onwards to finance electricity generation.

5/ Capital spending for FY2013 and FY2014 includes post-Sandy emergency outlays.

6/ Includes Treasury bills, the increase in outstanding debt of IPPs *vis-à-vis* BMPAD, increases in central government claims *vis-à-vis* EDH, net checks in circulation, and payments of judiciary sentences and other domestic claims.

7/ The government placed bonds for G 5.7 billion in the banking system at end-FY2014 to clear post-Sandy obligations during FY2015; and incurred external and domestic arrears in FY2015 and FY2016.

Table 2b. Haiti: Non-Financial Public Sector Operations, 2013/14–2020/21

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

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Prov.	IMF Country Report No. 15/157	Est.	IMF Country Report No. 15/157	Proj.	Pre-Mathew	Post-Mathew	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	18.9	20.7	19.3	20.3	17.0	17.1	20.6	20.0	19.9	19.7	19.8
Domestic revenue	12.5	14.7	13.8	14.7	13.9	14.0	13.9	14.4	14.9	15.1	15.6
Domestic taxes	8.6	9.3	9.2	9.2	9.2	9.3	9.1	9.4	9.7	9.9	10.3
Customs duties	3.4	4.2	4.1	4.4	4.0	4.0	4.1	4.2	4.4	4.4	4.4
Of which: fuel taxes	0.21	1.7	1.77	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0
Other current revenue [1/]	0.5	1.1	0.5	1.1	0.6	0.7	0.7	0.7	0.8	0.8	0.9
Of which: FNE	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Of which: FER	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Grants	6.4	6.1	5.4	5.6	3.1	3.1	6.8	5.5	5.0	4.6	4.2
Budget support [2/]	1.3	0.8	0.9	0.7	0.3	0.5	2.0	0.3	0.0	0.0	0.0
Project grants	5.1	5.3	4.6	5.0	2.8	2.5	4.8	5.3	5.0	4.6	4.2
Total expenditure [3/]	25.2	23.4	21.7	22.2	18.5	18.6	25.2	23.5	22.8	22.5	22.0
Current expenditure	12.5	12.5	12.0	12.5	12.2	11.8	12.0	11.5	11.3	11.5	11.5
Wages and salaries	5.8	6.8	6.5	6.4	6.5	6.3	6.4	6.4	6.4	6.4	6.5
Goods and services	3.3	3.4	3.5	3.3	3.6	3.5	3.6	3.4	3.4	3.7	3.6
Interest payments	0.5	0.4	0.2	0.7	0.5	0.6	0.6	0.6	0.6	0.6	0.6
External	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3
Domestic	0.3	0.2	0.1	0.5	0.3	0.3	0.3	0.4	0.4	0.3	0.3
Transfers and subsidies	2.9	1.8	1.7	2.2	1.5	1.4	1.4	1.1	0.9	0.9	0.9
Of which: energy sector [4/]	1.5	1.0	1.0	1.2	0.7	0.8	0.8	0.5	0.4	0.4	0.4
Of which: mitigating measures (fuel)	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	12.8	10.9	9.7	9.7	6.4	6.7	13.2	12.0	11.5	11.0	10.5
Domestically financed [5/]	7.4	5.5	5.0	4.2	3.4	3.7	6.7	4.0	4.1	4.2	4.8
Of which: Treasury	7.4	5.5	5.0	4.2	3.4	3.7	6.7	4.0	4.1	4.2	4.8
Of which: related to Petrocaribe spending	3.7	2.2	2.9	0.9	0.5	1.0	0.9	1.2	1.3	1.3	1.3
Of which: PCDR	0.4	0.6	0.3	0.4	0.2	0.2	0.2	0.2	0.2	0.0	0.0
Of which: FNE and FER related spending	0.4	0.6	0.3	0.6	0.3	0.4	0.4	0.4	0.4	0.5	0.5
Foreign-financed	5.3	5.5	4.7	5.4	3.0	2.9	6.4	8.0	7.4	6.8	5.7
Central Government balance including grants	-6.4	-2.7	-2.4	-1.9	-1.6	-1.5	-4.5	-3.5	-2.9	-2.8	-2.2
Excluding grants	-12.8	-8.7	-7.8	-7.5	-4.6	-4.6	-11.3	-9.0	-7.9	-7.4	-6.5
Excluding grants and externally financed projects	-7.4	-3.3	-3.2	-2.1	-1.6	-1.5	-4.9	-1.1	-0.5	-0.6	-0.8
Overall balance of NFPS, including grants	**-7.4**	**-3.2**	**-3.1**	**-2.3**	**-2.6**	**-2.2**	**-5.3**	**-4.1**	**-3.5**	**-3.2**	**-2.4**
Memo: Total Costs of EDH to Public Sector	-2.5	-1.5	-1.7	-1.6	-1.8	-1.6	-1.6	-1.1	-0.9	-0.8	-0.6
Adjustment (unsettled payment obligations)	-0.3	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing, NFPS	7.1	3.2	2.7	2.3	2.6	2.2	5.3	4.1	3.5	3.2	2.4
External net financing	4.0	1.6	2.2	1.8	1.3	1.0	2.1	3.1	2.8	2.5	1.8
Loans (net)	4.0	1.6	1.6	1.8	0.7	1.0	2.1	3.1	2.8	2.5	1.8
Disbursements	4.3	2.1	2.0	2.4	1.4	2.1	3.2	4.3	4.0	3.8	3.1
Of which: Petrocaribe	4.1	1.9	1.9	1.9	1.1	1.6	1.6	1.6	1.7	1.7	1.6
Project loans	0.2	0.2	0.1	0.5	0.3	0.4	1.6	2.7	2.4	2.2	1.4
Amortization	-0.3	-0.5	-0.3	-0.6	-0.7	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3
Arrears (net)	0.0	0.0	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Internal net financing	3.1	1.6	0.5	0.5	1.3	1.3	3.2	1.0	0.7	0.7	0.6
Banking system	2.5	3.3	2.3	0.6	1.1	1.0	3.0	0.7	0.5	0.5	0.5
BRH	1.3	1.9	2.4	0.3	0.7	0.3	2.3	0.3	0.2	0.3	0.2
Of which: deposits, excluding Petrocaribe	0.1	1.4	1.0	0.0	0.6	0.2	2.2	0.2	0.2	0.1	0.0
Of which: PCDR	0.3	0.6	0.1	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Of which : government bonds	0.9	-0.1	1.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Of which : BRH lending related to hurr. Matthew (RCF)							0.5				
Of which : BRH lending for post-Matthew reconstruction (non-RCF)							1.0				
Commercial banks	1.2	1.5	-0.1	0.3	0.4	0.7	0.6	0.4	0.2	0.2	0.3
Of which: deposits Petrocaribe	-1.1	0.7	0.8	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Of which: deposits, excluding Petrocaribe	1.4	0.4	-0.5	0.0	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Of which: T-bills	0.2	0.0	-0.7	0.6	0.0	0.7	0.6	0.6	0.4	0.2	0.3
Of which: government bonds	0.7	0.4	0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	0.0
Nonbank financing [6/]	0.6	-1.8	-1.8	0.0	0.2	0.3	0.2	0.3	0.2	0.2	0.2
Of which: T-bills	0.0	0.0	-0.2	0.3	0.0	0.4	0.3	0.3	0.2	0.1	0.2
Of which: Amort. Long-term obligations	-0.5	-0.4	-0.6	-0.3	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Of which: Receivables from the electricity sector	-0.6	-0.4	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Of which: EDH letters of credit	-0.4	-0.1	-0.3	0.0	-0.8	-0.6	-0.6	-0.4	-0.4	-0.3	0.0
Of which: Checks in circulation	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Post-Sandy and FNE obligations [7/]	1.0	-1.4	-1.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other EDH financing	1.0	0.5	0.7	0.4	1.1	0.8	0.8	0.6	0.5	0.4	0.2
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Memorandum items											
Balance of Petrocaribe deposits	1.4	0.5	0.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.1
at BRH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at commercial banks	1.4	0.5	0.5	0.6	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Balance of PCDR account (in millions of US$)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social spending (in millions of gourdes)	3.6	3.6	3.7	3.8	3.8	3.7	3.8	n.a.	n.a.	n.a.	n.a.
Nominal GDP (millions of gourdes)	392,315	424,832	425,619	466,707	484,476	531,227	546,247	590,766	638,913	690,985	747,300

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

1/ The outturn for FY2013-FY2014 and projections for FY2015 onwards include revenues of the National Education Fund (FNE). Projections for FY2015 onwards include revenues of the Road Fund (FER).

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

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

4/ Includes transfers from Petrocaribe resources from FY2011 onwards to finance electricity generation.

5/ Capital spending for FY2013 and FY2014 includes post-Sandy emergency outlays.

6/ Includes Treasury bills, the increase in outstanding debt of IPPs *vis-à-vis* BMPAD, increases in central government claims *vis-à-vis* EDH, net checks in circulation, and payments of judiciary sentences and other domestic claims.

7/ The government placed bonds for G 5.7 billion in the banking system at end-FY2014 to clear post-Sandy obligations during FY2015; and incurred external and domestic arrears in FY2015 and FY2016.

Table 3. Haiti: NFPS Financing Needs and Sources, Baseline Scenario, 2017–2021

(Fiscal year ending September 30)

	2017	2018	2019	2020	2021
	(millions of gourdes)				
Gross Financing Needs	34,881	31,299	29,977	30,987	27,701
Overall deficit of the NFPS	28,888	24,211	22,084	22,180	17,821
Debt repayments	5,993	7,088	7,893	8,807	9,879
Gross Financing Sources	29,145	31,299	29,977	30,987	27,701
Debt issuance	29,145	31,299	29,977	30,987	27,701
External	17,496	25,569	25,801	26,424	23,012
Domestic	11,649	5,730	4,177	4,562	4,688
Financing Gap	5,736	0	0	0	0
o/w Rapid Credit Facility	2,868	…	…	…	…
	(millions U.S. dollars)				
Gross Financing Needs	524.7	435.9	393.9	387.8	336.5
Overall deficit of the NFPS	434.5	337.2	290.2	277.5	216.5
Debt repayments	90.2	98.7	103.7	110.2	120.0
Gross Financing Sources	438.4	435.9	393.9	387.8	336.5
Debt issuance	438.4	435.9	393.9	387.8	336.5
External	263.2	356.1	339.0	330.7	279.6
Domestic	175.2	79.8	54.9	57.1	57.0
Financing Gap	86.3	0	0	0	0
o/w Rapid Credit Facility	43.1	…	…	…	…
	(percent of GDP)				
Gross Financing Needs	6.4	5.3	4.7	4.5	3.7
Overall deficit of the NFPS	5.3	4.1	3.5	3.2	2.4
Debt repayments	1.1	1.2	1.2	1.3	1.3
Gross Financing Sources	5.3	5.3	4.7	4.5	3.7
Debt issuance	5.3	5.3	4.7	4.5	3.7
External	3.2	4.3	4.0	3.8	3.1
Domestic	2.1	1.0	0.7	0.7	0.6
Financing Gap	1.1	0	0	0	0
o/w Rapid Credit Facility	0.5	…	…	…	…

Source: Fund staff estimates and projections.

Table 4. Haiti: Summary Accounts of the Banking System, 2013/14–2020/21

(Fiscal year ending September 30, in millions of gourdes, unless otherwise indicated)

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Prov.	IMF Country Report No. 15/157	Est.	IMF Country Report No. 15/157	Proj.	Pre-Mathew	Post-Mathew	Proj.	Proj.	Proj.	Proj.
					I. Central Bank						
Net foreign assets	74,279	72,074	79,788	76,410	100,405	110,475	98,854	103,588	114,616	124,362	134,734
(In millions of US$)	1,630	1,492	1,530	1,521	1,540	1,569	1,487	1,443	1,506	1,556	1,637
Net international reserves [1/]	1,016	860	841	890	820	871	741	767	846	906	976
Commercial bank forex deposits	731	751	799	750	831	809	856	786	770	760	771
Net domestic assets	-25,980	-22,494	-16,276	-23,341	-37,585	-42,738	-31,117	-31,778	-37,433	-41,358	-45,313
Net credit to the nonfinancial public sector	12,372	21,209	23,941	22,828	27,526	29,622	40,903	42,487	44,072	46,231	47,389
Of which: Net credit to the central government	16,126	24,007	26,267	25,326	29,852	31,437	42,717	44,302	45,887	48,046	49,204
Of which: IMF PCDR Debt Relief	-7,430	-4,721	-6,952	-2,828	-5,793	-4,634	-4,634	-3,476	-2,317	-1,159	0
Liabilities to commercial banks (excl gourde deposits)	-37,990	-43,258	-46,586	-43,155	-64,185	-64,913	-63,913	-61,431	-63,625	-65,763	-68,465
BRH bonds/Open market operations	-4,709	-7,000	-4,975	-5,500	-10,000	-8,000	-7,000	-5,000	-5,000	-5,000	-5,000
Commercial bank forex deposits	-33,281	-36,258	-41,611	-37,655	-54,185	-56,913	-56,913	-56,431	-58,625	-60,763	-63,465
Other	-362	-444	6,369	-3,014	-926	-7,447	-8,106	-12,835	-17,880	-21,826	-24,237
Base Money	48,298	49,580	63,512	53,069	62,820	67,737	67,737	71,810	77,183	83,004	89,422
Currency in circulation	23,940	26,365	28,618	28,963	33,912	37,185	37,185	40,410	43,914	47,723	51,862
Commercial bank gourde deposits	24,359	23,216	34,894	24,105	28,908	30,552	30,552	31,400	33,269	35,282	37,560
					II. Consolidated Banking System						
Net foreign assets	95,528	94,254	112,558	98,759	141,368	154,715	140,636	148,712	162,448	174,586	186,465
(In millions of US$)	2,097	1,952	2,162	1,966	2,169	2,198	2,115	2,071	2,134	2,185	2,265
Of which: Commercial banks NFA	466	459	628	445	628	628	628	628	628	628	628
Net domestic assets	78,929	92,858	89,212	102,573	89,256	100,125	114,203	126,896	135,622	147,778	162,171
Credit to the nonfinancial public sector	7,520	20,608	18,572	23,989	24,083	30,055	40,836	44,827	47,715	51,240	54,751
Of which: Net credit to the central government	11,727	23,696	21,548	26,777	27,059	32,519	43,301	47,291	50,179	53,704	57,216
Credit to the private sector	84,913	88,837	87,624	98,998	91,475	106,731	106,856	121,181	135,549	150,319	165,253
In gourdes	48,150	50,645	54,887	56,508	59,997	71,581	71,705	83,125	96,856	112,888	131,610
In foreign currency	36,763	38,192	32,737	42,490	31,478	35,150	35,150	38,056	38,693	37,432	33,644
In millions of US$	807	791	628	846	483	499	529	530	508	468	409
Other	-13,504	-16,587	-16,984	-20,413	-26,303	-36,661	-33,488	-39,112	-47,641	-53,781	-57,833
Broad money	174,457	187,112	201,770	201,332	230,624	254,839	254,839	275,608	298,071	322,363	348,636
Currency in circulation	23,940	26,365	28,618	28,963	33,912	37,185	37,185	40,410	43,914	47,723	51,862
Gourde deposits	64,709	66,392	71,706	71,769	75,291	83,573	83,573	91,931	101,308	111,844	121,910
Foreign currency deposits	85,808	94,356	101,446	100,600	121,420	134,081	134,081	143,268	152,848	162,797	174,865
In millions of US$	1,884	1,954	1,946	2,003	1,863	1,905	2,017	1,995	2,008	2,037	2,124
					(12-month percentage change)						
Currency in circulation	12.1	10.5	19.5	9.9	18.5	9.6	9.6	8.7	8.7	8.7	8.7
Base money	0.8	3.0	31.5	7.0	-1.1	7.8	7.8	6.0	7.5	7.5	7.7
Gourde money (M2)	8.5	4.7	13.2	8.6	8.9	10.6	10.6	9.6	9.7	9.9	8.9
Broad money (M3)	9.8	7.3	15.7	7.6	14.3	10.5	10.5	8.1	8.2	8.1	8.2
Gourde deposits	7.3	2.6	10.8	8.1	5.0	11.0	11.0	10.0	10.2	10.4	9.0
Foreign currency deposits	11.2	10.0	18.2	6.6	19.7	10.4	10.4	6.9	6.7	6.5	7.4
Credit to the private sector	11.4	4.7	3.2	11.4	4.4	16.7	16.8	13.4	11.9	10.9	9.9
Credit in gourdes	5.8	5.3	14.0	11.6	9.3	19.3	19.5	15.9	16.5	16.6	16.6
Credit in foreign currency	19.8	3.9	-11.0	11.3	-3.8	11.7	11.7	8.3	1.7	-3.3	-10.1
Memorandum items:											
Foreign currency deposits (percent of total private deposits)	57.0	58.7	58.6	58.4	61.7	61.6	61.6	60.9	60.1	59.3	58.9
Foreign curr. credit to priv. sector (percent of total)	43.3	43.0	37.4	42.9	34.4	32.9	32.9	31.4	28.5	24.9	20.4
Commercial Banks' Credit to Private Sector (percent of GDP)	20.9	20.1	19.8	20.4	18.1	19.3	18.7	19.7	20.4	21.0	21.3

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

1/ Program definition. Excludes commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and U.S. dollar-denominated bank reserves. The SDR allocation is not netted out of NIR.

Table 5a. Haiti: Balance of Payments, 2013/14–2020/21

(In millions of US$ on a fiscal year basis, unless otherwise indicated)

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Prov.	IMF Country Report No. 15/157	Est.	IMF Country Report No. 15/157	Proj.	Pre-Mathew	Post-Mathew	Proj.	Proj.	Proj.	Proj.
Current account (including grants)	-551	-254	-219	-298	36	-77	-321	-207	-213	-161	-139
Current account (excluding grants)	-1,114	-796	-708	-832	-234	-327	-909	-680	-643	-571	-529
Trade balance	-2,481	-2,277	-2,415	-2,347	-2,170	-2,262	-2,726	-2,657	-2,631	-2,613	-2,635
Exports of goods	963	1,004	1,030	1,058	1,020	1,071	1,021	1,075	1,132	1,192	1,257
Of which: Assembly industry	868	911	943	960	934	981	983	1,034	1,089	1,147	1,209
Imports of goods	-3,443	-3,281	-3,445	-3,406	-3,189	-3,332	-3,747	-3,732	-3,763	-3,806	-3,892
Of which: Fossil Fuels	-1,039	-663	-672	-735	-466	-567	-635	-659	-683	-706	-729
Of which: Food Products	-733	-842	-955	-819	-980	-949	-1,070	-1,028	-990	-990	-1,028
Services (net)	-374	-288	-250	-287	-161	-157	-324	-279	-244	-211	-187
Receipts	701	729	734	769	734	778	778	819	862	908	957
Payments	-1,075	-1,017	-984	-1,056	-895	-936	-1,102	-1,098	-1,107	-1,119	-1,145
Income (net)	12	-4	10	-7	-10	-16	-16	-14	-6	-5	-9
Of which: Interest payments	-15	-20	-15	-22	-20	-22	-22	-21	-21	-23	-24
Current transfers (net)	2,291	2,314	2,436	2,343	2,376	2,358	2,745	2,743	2,668	2,669	2,693
Official transfers (net)	563	542	488	534	270	250	588	473	430	410	390
Of which: budget support [1/]	112	64	64	64	28	43	163	23	0	0	0
Private transfers (net)	1,728	1,772	1,948	1,810	2,106	2,108	2,157	2,270	2,238	2,259	2,303
Capital and financial accounts	525	108	130	301	-28	103	264	160	274	208	217
Capital transfers	26	42	25	25	0	30	20	20	10	0	0
Public sector capital flows (net)	349	146	144	167	60	78	175	267	242	226	162
Loan disbursements	375	188	173	225	115	169	266	370	349	339	284
Amortization	-25	-42	-29	-58	-55	-91	-91	-103	-107	-113	-122
Foreign direct investment (net)	99	104	104	166	60	133	141	85	99	115	134
Banks (net) [2/]	51	7	-162	14	0	0	0	0	0	0	0
Other items (net)	0	-192	19	-71	-148	-138	-72	-213	-78	-133	-79
Errors and omissions	-144	0	-17	0	0	0	0	0	0	0	0
Overall balance	-170	-146	-107	3	8	25	-57	-47	60	47	78
Financing	170	146	107	-3	-8	-25	57	47	-60	-47	-78
Change in net foreign assets (+ is decrease)	162	140	101	-9	-11	-29	54	44	-63	-50	-81
o/w Change in gross reserves	465	132	107	-27	-94	-23	60	55	-51	-37	-70
o/w Liabilities	-303	8	-6	18	83	-6	-6	-11	-12	-13	-11
Utilization of Fund credits(net)	2	12	12	18	-3	14	36	-11	-12	-13	-11
Other liabilities [3/]	-305	-4	-18	0	86	-20	-43	1	1	0	0
Debt rescheduling and debt relief	7	6	6	6	3	4	4	3	3	3	3
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	43.1	0.0	0.0	0.0	0.0
Memorandum items:											
Change in US$-denominated reserve deposits at BRH (+ is decrease)	-45	-20	-69	1	-32	23	-25	70	16	10	-11
Change in NIR (NFA - US$ reserve deposits + SDR) (+ is decrease)	203	150	175	-30	22	-52	78	-26	-79	-60	-70
Current account (in percent of GDP)	-6.3	-2.8	-2.5	-3.1	0.4	-1	-3.9	-2.4	-2.5	-1.8	-1.5
Excluding official transfers	-12.7	-8.8	-8.1	-8.8	-2.8	-4	-11.0	-8.0	-7.4	-6.4	-5.7
Exports of goods, f.o.b (percent change)	4.9	5.0	7.0	5.4	-1.0	5	5.2	5.3	5.3	5.4	5.4
Imports of goods, f.o.b (percent change)	3.4	-4.7	0.1	3.8	-7.4	4	17.5	-0.4	0.8	1.2	2.3
Projected average oil price (US$ per barrel, APSP)	96.2	61.2	50.8	64.4	43.0	51	50.6	53.1	54.4	56.3	57.6
Debt service (in percent of exports of goods and services)	2.4	3.7	2.5	4.6	4.3	6	5.9	6.6	6.8	6.9	6.9
Gross International reserves (in millions of US$) [4/]	1,919	1,782	1,812	1,808	1,906	1,835	1,846	1,791	1,842	1,879	1,949
(in months of next year's imports of goods and services)	5.2	4.8	5.3	4.6	4.7	5.0	4.6	4.4	4.5	4.5	4.5

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

1/ Includes previously-programmed multilateral budget support that could be delayed.
2/ Change in net foreign assets of commercial banks.
3/ Includes repurchase operations contracted in FY2013 and unwound in FY2014.
4/ Includes gold; reflects unwinding of repurchase operations in FY2014.

Table 5b. Haiti: Balance of Payments, 2013/14–2020/21

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

	2013/14	2014/15		2015/16		2016/17	2016/17	2017/18	2018/19	2019/20	2020/21
	Prov.	IMF Country Report No. 15/157	Est.	IMF Country Report No. 15/157	Proj.	Pre-Mathew	Post-Mathew	Proj.	Proj.	Proj.	Proj.
Current account (including grants)	-6.3	-2.8	-2.5	-3.1	0.4	-0.9	-3.9	-2.4	-2.5	-1.8	-1.5
Current account (excluding grants)	-12.7	-8.8	-8.1	-8.8	-2.8	-3.9	-11.0	-8.0	-7.4	-6.4	-5.7
Trade balance	-28.2	-25.1	-27.7	-24.8	-26.3	-27.3	-32.9	-31.1	-30.4	-29.5	-28.6
Exports of goods	11.0	11.1	11.8	11.2	12.3	12.9	12.3	12.6	13.1	13.5	13.6
Of which: Assembly industry	9.9	10.1	10.8	10.1	11.3	11.8	11.8	12.1	12.6	13.0	13.1
Imports of goods	-39.2	-36.2	-39.5	-35.9	-38.6	-40.2	-45.2	-43.7	-43.6	-43.0	-42.2
Of which: Fossil Fuels	-11.8	-7.3	-7.7	-7.8	-5.6	-6.8	-7.7	-7.7	-7.9	-8.0	-7.9
Of which: Food Products	-8.3	-9.3	-11.0	-8.6	-11.9	-11.4	-12.9	-12.0	-11.5	-11.2	-11.2
Services (net)	-4.3	-3.2	-2.9	-3.0	-2.0	-1.9	-3.9	-3.3	-2.8	-2.4	-2.0
Receipts	8.0	8.1	8.4	8.1	8.9	9.4	9.4	9.6	10.0	10.3	10.4
Payments	-12.2	-11.2	-11.3	-11.1	-10.8	-11.3	-13.3	-12.8	-12.8	-12.6	-12.4
Income (net)	0.1	0.0	0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Of which: Interest payments	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.3	-0.3
Current transfers (net)	26.1	25.6	28.0	24.7	28.8	28.4	33.1	32.1	30.9	30.1	29.2
Official transfers (net)	6.4	6.0	5.6	5.6	3.3	3.0	7.1	5.5	5.0	4.6	4.2
Of which: budget support	1.3	0.7	0.7	0.7	0.3	0.5	2.0	0.3	0.0	0.0	0.0
Private transfers (net)	19.7	19.6	22.4	19.1	25.5	25.4	26.0	26.6	25.9	25.5	25.0
Capital and financial accounts	6.0	1.2	1.5	3.2	-0.3	1.2	3.2	1.9	3.2	2.3	2.4
Capital transfers	0.3	0.5	0.3	0.3	0.0	0.4	0.2	0.2	0.1	0.0	0.0
Public sector capital flows (net)	4.0	1.6	1.6	1.8	0.7	0.9	2.1	3.1	2.8	2.5	1.8
Loan disbursements	4.3	2.1	2.0	2.4	1.4	2.0	3.2	4.3	4.0	3.8	3.1
Amortization	-0.3	-0.5	-0.3	-0.6	-0.7	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3
Foreign direct investment (net)	1.1	1.2	1.2	1.7	0.7	1.6	1.7	1.0	1.2	1.3	1.5
Banks (net) 1/	0.6	0.1	-1.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items (net)	0.0	-2.1	0.2	-0.7	-1.8	-1.7	-0.9	-2.5	-0.9	-1.5	-0.9
Errors and omissions 2/	-1.6	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.9	-1.6	-1.2	0.0	0.1	0.3	-0.7	-0.6	0.7	0.5	0.8
Financing	1.9	1.6	1.2	0.0	-0.1	-0.3	0.7	0.6	-0.7	-0.5	-0.8
Change in net foreign assets	1.8	1.6	1.2	-0.1	-0.1	-0.3	0.6	0.5	-0.7	-0.6	-0.9
Change in gross reserves	5.3	1.5	1.2	-0.3	-1.1	-0.3	0.7	0.6	-0.6	-0.4	-0.8
Liabilities	-3.4	0.1	-0.1	0.2	1.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Utilization of Fund credits(net)	0.0	0.1	0.1	0.2	0.0	0.2	0.4	-0.1	-0.1	-0.2	-0.1
Other liabilities 3/	-3.5	0.0	-0.2	0.0	1.0	-0.2	-0.5	0.0	0.0	0.0	0.0
Debt rescheduling and debt relief	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Memorandum items:											
Exports of goods, f.o.b (percent change)	4.9	5.0	7.0	5.4	-1.0	5.0	5.2	5.3	5.3	5.4	5.4
Imports of goods, f.o.b (percent change)	3.4	-4.7	0.1	3.8	-7.4	4.5	17.5	-0.4	0.8	1.2	2.3
Projected average oil price (US$ per barrel, APSP)	96.2	61.2	50.8	64.4	43.0	50.6	50.6	53.1	54.4	56.3	57.6
Debt service (in percent of exports of goods and services)	2.4	3.7	2.5	4.6	4.3	5.7	5.9	6.6	6.8	6.9	6.9
Gross liquid international reserves (in millions of US$) 4/	1,919	1,782	1,812	1,808	1,906	1834.6	1846.0	1,791	1,842	1,879	1,949
(in months of next year's imports of goods and services)	5.2	4.8	5.3	4.6	4.7	5.0	4.6	4.4	4.5	4.5	4.5

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

1/ Includes previously-programmed multilateral budget support that could be delayed.
2/ Change in net foreign assets of commercial banks.
3/ Includes repurchase operations contracted in FY2013 and unwound in FY2014.
4/ Includes gold; reflects unwinding of repurchase operations in FY2014.

Table 6a. Haiti: Indicators of Capacity to Repay the Fund (Existing Fund Credit), 2016/17–2029/30

(Units as indicated)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Fund obligations based on existing credit (in millions of SDRs)														
Principal	4.3	6.7	7.5	8.0	8.0	5.3	2.9	2.1	1.6	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing credit														
In millions of SDRs	4.3	6.7	7.5	8.0	8.0	5.3	2.9	2.1	1.6	0.0	0.0	0.0	0.0	0.0
In millions of US$	6.0	9.5	10.7	11.4	11.3	7.6	4.1	2.9	2.2	0.0	0.0	0.0	0.0	0.0
In percent of														
exports	0.3	0.5	0.5	0.5	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
government revenue	0.5	0.8	0.8	0.9	0.8	0.5	0.3	0.2	0.1	0.0	0.0	0.0	0.0	0.0
reserves	0.3	0.6	0.6	0.6	0.6	0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
debt service	5.0	7.1	7.7	7.7	7.2	4.5	2.2	1.5	1.1	0.0	0.0	0.0	0.0	0.0
quota	2.6	4.1	4.6	4.9	4.9	3.3	1.8	1.3	1.0	0.0	0.0	0.0	0.0	0.0
Outstanding Fund credit (end of period)														
In millions of SDRs	42.1	35.4	27.8	19.8	11.8	6.5	3.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
In millions of US$	59.1	49.8	39.4	28.0	16.7	9.2	5.1	2.2	0.0	0.0	0.0	0.0	0.0	0.0
In percent of														
exports	3.3	2.6	2.0	1.3	0.8	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
government revenues	5.1	4.0	3.1	2.1	1.2	0.6	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
reserves	3.4	3.0	2.3	1.6	0.9	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
quota	25.7	21.6	17.0	12.1	7.2	4.0	2.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:														
Exports [1/ 2/]	1.8	1.9	2.0	2.1	2.2	2.3	2.5	2.6	2.7	2.9	3.1	3.2	3.4	3.6
Government revenues [1/ 3/]	1.2	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.4
Reserves [1/ 4/]	1.7	1.7	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.4	2.5
Debt service [1/]	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Quota (in millions of SDRs)	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8
GDP [1/]	8.3	8.5	8.6	8.9	9.2	9.6	10.0	10.4	10.8	11.3	11.7	12.2	12.7	13.2

Sources: Haitian authorities; and Fund staff estimates and 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.

Table 6b. Haiti: Indicators of Capacity to Repay the Fund (Existing and Proposed Credit) 2016/17–2029/30

(Units as indicated)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Fund obligations based on existing credit (in millions of SDRs)														
Principal	4.3	6.7	7.5	8.0	8.0	8.4	9.0	8.2	7.7	6.1	3.1	0.0	0.0	0.0
Interest	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit (in millions of SDRs)														
Principal	4.3	6.7	7.7	8.9	7.1	11.5	9.0	8.0	6.8	6.1	0.0	0.0	0.0	0.0
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective credit														
In millions of SDRs	4.3	6.8	7.8	9.0	7.2	11.6	9.1	8.1	6.9	6.2	0.1	0.1	0.1	0.1
In millions of US$	6.1	9.5	11.1	12.7	10.2	16.3	12.8	11.4	9.7	8.8	0.1	0.1	0.1	0.1
In percent of														
exports	0.3	0.5	0.6	0.6	0.5	0.7	0.5	0.4	0.4	0.3	0.0	0.0	0.0	0.0
government revenue	0.5	0.8	0.9	1.0	0.7	1.1	0.8	0.7	0.5	0.5	0.0	0.0	0.0	0.0
reserves	0.4	0.6	0.6	0.7	0.6	0.9	0.7	0.6	0.5	0.4	0.0	0.0	0.0	0.0
debt service	5.1	7.2	8.0	8.6	6.5	9.7	7.1	5.9	4.7	4.0	0.0	0.0	0.0	0.0
quota	2.6	4.1	4.8	5.5	4.4	7.1	5.5	4.9	4.2	3.8	0.0	0.0	0.0	0.0
Outstanding Fund credit (end of period)														
In millions of SDRs	72.8	66.1	58.5	50.5	42.6	34.2	25.1	16.9	9.2	3.1	0.0	0.0	0.0	0.0
In millions of US$	102.2	93.1	82.8	71.5	60.2	48.3	35.5	23.9	13.0	4.3	0.0	0.0	0.0	0.0
In percent of														
exports	5.7	4.9	4.2	3.4	2.7	2.1	1.4	0.9	0.5	0.2	0.0	0.0	0.0	0.0
government revenues	8.9	7.6	6.4	5.4	4.2	3.2	2.2	1.4	0.7	0.2	0.0	0.0	0.0	0.0
reserves	6.0	5.6	4.8	4.1	3.3	2.6	1.8	1.2	0.6	0.2	0.0	0.0	0.0	0.0
quota	44.4	40.3	35.7	30.8	26.0	20.8	15.3	10.3	5.6	1.9	0.0	0.0	0.0	0.0
Memorandum items:														
Exports 1/ 2/	1.8	1.9	2.0	2.1	2.2	2.3	2.5	2.6	2.7	2.9	3.1	3.2	3.4	3.6
Government revenues 1/ 3/	1.2	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0	2.1	2.2	2.4
Reserves 1/ 4/	1.7	1.7	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1	2.2	2.3	2.4	2.5
Debt service 1/	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Quota (in millions of SDRs)	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8
GDP 1/	8.3	8.5	8.6	8.9	9.2	9.6	10.0	10.4	10.8	11.3	11.7	12.2	12.7	13.2

Sources: Haitian authorities; and Fund staff estimates and 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

Port-au-Prince, Haïti

November 11, 2016

Ms. Christine Lagarde

Managing Director

International Monetary Fund

Washington, D.C. 20431

Dear Ms. Lagarde,

On October 4, 2016, Hurricane Matthew struck Haiti with strong Category 4 winds of 230 km/h, killing more than 500 people and causing widespread destruction, notably in the southwestern *départements* of Grand Anse, Sud, and Nippes. Many towns in the storm's path sustained extensive damage, with most structures destroyed or requiring major repairs. More than 175,000 people were forced into temporary shelters, and over 1.4 million required humanitarian assistance.

The draft Rapid Damage and Impact Assessment Report prepared by the Government of Haiti with support from the World Bank and the Interamerican Development Bank estimates total damage and loss at US$1.9 billion, (approximately 125 billion gourdes, or 23 percent of Haiti's GDP). This includes not only the damage to roads, bridges, hospitals, churches, schools, and houses, but also the loss of private sector productive assets, such as fruit trees and livestock, and other losses from widespread environmental destruction.

A full recovery will take more than one year. While real GDP growth is still projected to be positive in FY 2016/17, the forecast has been lowered by 0.7 percent of GDP relative to the pre-hurricane outlook reflecting both the negative impact of the hurricane damage on production, and the expected positive impact on the economy of substantial recovery investment, much of which will be funded from donor resources. The recovery effort will necessitate a significant increase in imports, so that the external current account deficit (excluding grants) is projected to widen substantially, by as much as 7 percent of GDP, depending in part on the availability of grant and concessional loans for reconstruction. As crops are replanted, recovery efforts advance, and normal activities resume, output is expected to recover in FY 2017/18. Reconstruction activities will boost growth in the near term.

Our fiscal situation has been fundamentally changed by the storm. Cleanup and reconstruction expenditures, and lower tax revenue as a result of the hurricane-related shock to economic activity are putting pressure on the fiscal accounts.

Total public sector recovery and reconstruction costs for roads and bridges, airports, water and sanitation infrastructure, and health and education facilities, plus humanitarian assistance provided through the budget, are preliminarily estimated at US$556 million (about 37 billion gourdes) in the current fiscal year. However, we intend to remain prudent in mobilizing financial resources and avoid excessive debt accumulation, in order to ensure long-term debt sustainability. Accordingly, we will seek to fund the reconstruction costs via external grants, concessional loans, and budget support.

The FY 2016/17 (October-September) overall budget deficit is now projected at around 5.3 percent of GDP, including external grants. It is expected that financing for the recovery will be achieved through grants from key bilateral and multilateral development partners. Despite the anticipated funding from donors this year, the extent of damage to infrastructure and private property will necessitate a multiyear recovery effort.

Against this background, the Government of Haiti requests emergency financing from the IMF in the equivalent of SDR 30.7125 million (about US$42 million), equivalent to a disbursement of 18.75 percent of quota under the Rapid Credit Facility (RCF). The IMF assistance will help meet the urgent foreign exchange needs stemming from the disaster and ease the immediate pressure on our government accounts and balance of payments. It may also facilitate unlocking of additional grants and concessional loans. We anticipate that our net international reserves may decline by as much as US$100 million to accommodate government recovery spending, but that NIR will nonetheless remain above US$700 million, and that gross reserves will remain adequate to cover at least 4 months of imports. We are committed to establishing a strong track record of adequate macroeconomic policies and maintaining close dialogue with the Fund on the appropriate modalities for supporting Haiti in addressing its balance-of-payments problems going forward.

To speed up and increase transparency of the reconstruction effort, all financial support from donors and lenders will be channeled through the single treasury account (*compte unique du Trésor*) and will be closely coordinated with the annual budget process. In addition, as part of a broader effort to improve capital budget monitoring and execution, we will publish monthly and quarterly reports on post-hurricane recovery expenditures. In this regard, Haiti intends to take advantage of the continued provision of technical assistance in public financial management from the IMF's Fiscal Affairs Department and other donors.

Even as we contemplate the large increase in government spending needed to carry out this reconstruction effort, we are aware of the urgent need to contain risks that existed before Hurricane Matthew and that would jeopardize our development gains. In particular, fiscal policy settings will need to be held tight in order to prevent public debt from climbing rapidly as a share of GDP. Accordingly, we affirm our determination to limit the non-hurricane budget deficit to the level provided in the government's FY 2016/17 budget, of approximately 2.3 percent of GDP.

Recognizing that our risk of debt distress has increased, due in part to the need to increase expenditure for hurricane recovery, we reaffirm our commitment, made under previous Fund arrangements, not to take on any nonconcessional debt. We affirm that we will not contract nonconcessional loans during FY 2016/17. Regarding our existing financial obligations, we affirm that we will not permit the accumulation of arrears on public sector foreign debts. Furthermore, we will endeavor to avoid the accumulation of public sector domestic arrears.

Haiti commits to undergo a safeguard assessment, provide Fund staff with access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with Fund staff.

We will revise our strategy for growth and social protection to ensure that recovery from the storm will not interrupt our efforts to reduce poverty and strengthen growth. We also will continue with efforts to boost private sector development, improve efficiency in the electricity sector, and increase the share of poverty-reducing expenditures in the government budget.

We will implement policies that strengthen the resilience of the financial sector. With the damages and losses from the storm, NPLs in financial institutions – including microfinance institutions - could rise and this situation will have to be monitored closely. We will further strengthen our compliance with international standards, particularly with the AML/CFT framework.

The fiscal program for hurricane recovery will be included in a supplementary budget for FY 2016/17. At present, our immediate focus is on emergency rehabilitation and reconstruction activities to restore normalcy to the lives of our citizens as soon as possible. However, we will subsequently start work on the formulation of next year's budget and the specification of a medium-term macroeconomic plan, including policies to achieve fiscal consolidation over the medium term, in order to reverse the trend increase in the ratio of public sector debt to GDP. We are strongly committed to adopting prudent policies to guide our recovery efforts in the aftermath of Hurricane

Matthew. In this context, we would welcome Fund staff to visit in upcoming months to assist us in this effort, and with the formulation of a staff-monitored program.

The Banque de la République d'Haïti (BRH) affirms that it will support the recovery efforts, in its capacity as the counterparty for Fund lending to Haiti. The local currency counterpart of resources provided under the RCF will be lent to the Treasury, and expenditure of these resources will, in general, be sterilized. The BRH will avoid monetary financing of government credit operations, while maintaining exchange rate flexibility.

The Government of Haiti values its cooperation with the IMF. We do not intend to introduce measures or policies that would exacerbate balance-of-payments difficulties. We do not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance-of-payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

The challenge before us is great but we are determined to succeed. We hope that the international community will support our efforts to restore our economy and accelerate the recovery from the terrible effects of Hurricane Matthew. We look forward to an early approval of financial assistance by the IMF.

We authorize the Fund to publish this Letter of Intent and the staff report for the request for disbursement under the RCF.

Sincerely yours,

/s/
Yves Romain Bastien
Minister of Finance

/s/
Jean-Baden Dubois
Governor, Banque de la République d'Haïti

HAITI

November 11, 2016

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
Robert Rennhack, Zuzana Murgasova (IMF) and Paloma Anos-Casero (IDA)

Prepared by staffs of the International Monetary Fund and the International Development Association.

The Debt Sustainability Analysis (DSA) was prepared in accordance with the revised joint Bank-Fund debt sustainability framework (DSF) for low-income countries (LICs).[1] Haiti's risk of debt distress has increased from moderate to high[2], due to a decline in long-term growth prospects, an increase in projected borrowing, and the impact of devastating Hurricane Matthew. Reconstruction following the hurricane is expected to require large increases in public spending, with budget revenues remaining broadly flat. While aid inflows may lead to some real appreciation and improvement in debt ratios over the short term, the real exchange rate will eventually depreciate towards its long-run equilibrium, contributing to an eventual increase in debt ratios. Similarly, real output growth is expected to return eventually to its historical average annual pace of 2 percent. This baseline scenario assumes that improvements in energy policies will allow for fiscal gains from lower global oil prices, and that there will be a gradual rise in public investment spending outside of post-hurricane reconstruction efforts.

There are risks to this baseline scenario. Haiti's debt profile is vulnerable to fluctuations in exchange rates, external financing terms, output growth, and oil prices. A customized scenario assuming weak output performance (accompanied by lower export growth and reduced FDI flows) is used to inform the external risk rating. In order to improve its debt profile, lock in advances in public financial management, and deepen growth-enhancing structural reforms, Haiti needs to maintain prudent macroeconomic policies, avoid contracting debt on nonconcessional terms, and move towards greater political stability.

[1] IMF and World Bank (2012), "Revisiting the Debt Sustainability Framework for Low-Income Countries," (SM/12/10). In line with the guidance note, "a change in the external risk rating or in the assessment of the overall risk of debt distress since the previous DSA would warrant a full DSA". Accordingly, this full DSA was prepared jointly by IMF and World Bank staff. Previously, a full DSA prepared in May 2015 classified Haiti's risk of debt distress as "moderate".

[2] Haiti is classified as "weak" policy performer, based on the quality of its policies and institutions as measured by a three-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) Index. Haiti's average CPIA score (2013–15) is 2.86. The relevant indicative thresholds for "weak performers" for external debt sustainability are PV of debt-to-GDP ratio of 30 percent and 27 percent when remittances are included; PV of debt-to-exports ratio of 100 percent and 80 percent when remittances are included, PV of debt-to-revenue ratio of 200 percent, debt service-to-exports ratio of 15 percent and 12 percent with remittances; and debt service-to-revenue ratio of 25 percent.

BACKGROUND

1. **At the end of 2016, Haiti's stock of public sector debt totaled US$2.4 billion (28.8 percent of GDP), composed mainly of external debt on concessional terms** (Text Table 1). External public debt accounts for the majority of total outstanding public debt (24 percent of GDP), about three-quarters of which is debt stemming from oil imports financed by Venezuela's Petrocaribe, generally on concessional terms. The remainder is largely concessional debt from multilateral institutions. Domestic public debt amounts to US$112 million, mostly in the form of medium term treasury bills held by commercial banks. External arrears to Venezuela accumulated in FY 2015/16 for unpaid fuel deliveries from Petrocaribe (approximately US$47 million) are in the process of being restructured.

Text Table 1. Haiti: Structure of External Public Debt at end-2016

(Fiscal-year basis)

		in percent of	
	US$ millions	total debt	GDP 1/
Total	**2038.6**	**100.0**	**24.7**
Multilateral creditors	**163.2**	**8.0**	**2.0**
o/w IMF	65.3	3.2	0.8
o/w OPEC	43.9	2.2	0.5
o/w IFAD	54.0	2.6	0.7
o/w IDA	0.0	0.0	0.0
Bilateral creditors	**1875.4**	**92.0**	**22.7**
Venezuela	1790.4	87.8	21.7
o/w PetroCaribe	1763.7	86.5	21.4
o/w BANDES	26.7	1.3	0.3
Taiwan, Province of China	84.9	4.2	1.0
Other borrowing	**0.0**	**0.0**	**0.0**

Sources: Haitian authorities, and Fund staff estimates.

1/ The debt ratio differs slightly from that in Table 3 given the use of average, instead of end-of-period, exchange rates.

2. **In October 2016, Haiti was hit by Hurricane Matthew.** The damage caused by the hurricane will have a significant impact on real output growth and debt burden indicators. The Rapid Damage and Loss Assessment (RDLA) report estimated the total damage and losses to the economy caused by Hurricane Matthew at US$1.9 billion, or about 23 percent of GDP, of which the damage to physical assets accounts for 15 percent of GDP, while production losses account for 7 percent of GDP – mostly due to losses in agriculture.

3. **Post-hurricane reconstruction needs are substantial and will require external assistance as well as a protracted increase in fiscal deficits.** Although some of the external assistance will be provided on grant terms and part of the reconstruction costs will be borne by the private sector, the overall fiscal deficit is expected to be higher compared to the trajectory projected in the previous DSA (Text Table 2).

MACROECONOMIC ASSUMPTIONS, 2016–2036

4. **Haiti's fiscal consolidation is expected to be reversed in the aftermath of Hurricane Matthew.** The fiscal consolidation effort reduced the primary deficit from an average of 6.4 percent of GDP in 2013–2014 to 1.7 percent of GDP in 2015–2016. The adjustment was mostly based on a reduction in primary capital spending. As a result of the hurricane, a previously anticipated rebound in growth to an average of 3.7 percent over the next four years has been adjusted downward to an average below 3 percent, and the country is expected to move down to a lower growth path in the long term. Consumer prices are expected to move up in the short term relative to previous forecasts, forced up by increases in domestic food prices arising from the destruction of productive capacity.

5. Specifically, the baseline scenario is based on the following assumptions (Text Table 2):

- Real GDP is expected to grow by 2.5 percent in 2017, accelerating to 3 percent from 2018 to 2021 as investment associated with reconstruction efforts raises economic output and agricultural production recovers. Over the long run, the average annual growth rate is expected to return to 2 percent in the absence of deeper structural reforms that would allow for more robust long-term growth.

- A stable real exchange rate vis-à-vis the US dollar is expected over the longer term, after some initial movement caused by the rise in prices of domestically produced goods. Over the medium to longer term, inflation is expected to stabilize at 5 percent.

- Oil prices are projected to decline in real terms in line with WEO forecasts during 2016-20 and to remain constant thereafter.

- Although the positive fiscal impact of lower oil prices is locked in, damage caused by Hurricane Matthew will reverse the fiscal gains achieved in 2014 and 2015. Primary spending (including EDH's deficit) is set to pick up from 18 percent of GDP in 2016 to close to 23 percent of GDP in 2017–20, while revenues excluding grants are assumed to remain on the order of 14 to 15 percent of GDP over the medium term.

- The steady improvement in the external balance of goods and services that has been underway since 2010 is expected to reverse, due to reconstruction activity. Subsequently, the trade deficit is expected to gradually narrow through the projection period, while the current account deficit converges to about 2 percent of GDP.

Text Table 2. Haiti: 2015 DSA vs. 2016 DSA

	2016		2017-20 Avg		2021-35 Avg	
	Previous DSA	Current DSA	Previous DSA	Current DSA	Previous DSA	Current DSA
(annual percentage change, unless otherwise indicated)						
Real GDP	3.2	1.5	3.7	2.9	3.3	2.1
Consumer prices (period average)	6.5	13.3	5.1	7.0	5.0	5.0
(in percent of GDP, unless otherwise indicated)						
Total revenue and grants	21.9	17.0	22.5	20.0	20.5	19.1
Of which: Revenue	16.2	13.9	17.5	14.6	17.1	17.4
Primary expenditure	26.4	18.0	25.7	22.9	23.5	21.5
Of which: Capital expenditure	14.1	6.4	13.1	11.9	10.9	10.0
Overall balance	-2.3	-1.6	-2.1	-3.4	-1.9	-3.0
Current account balance	-3.8	0.4	-3.6	-2.6	-3.4	-1.9
Exports of goods and services	19.3	21.2	19.8	22.7	22.4	26.5
Imports of goods and services	-47.1	-49.5	-46.6	-56.7	-41.8	-52.1

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

6. After falling by half in 2015, the fiscal gross financing need is expected to rise sharply over the medium term. The fiscal gross financing need dropped from 4.5 percent of GDP in 2015 to 3.0 percent in 2016. Following Hurricane Matthew, the gross financing need is set to increase to about 6 percent of GDP in 2017 rising to almost 13 percent of GDP by 2031 as public debt accumulates and declining thereafter as reliance on concessional borrowing is gradually replaced by FDI inflows.

DEBT SUSTAINABILITY OUTLOOK, 2016–2036

7. The previous DSA cautioned against Haiti's vulnerabilities even as it assigned a moderate level of distress risk. Although providing a more favorable assessment than the present DSA, the 2015 DSA underscored that the balance of risks remained to the downside. Some of these risks have materialized since the last assessment. In 2015 and 2016, growth has slowed down against a background of a severe drought affecting the agricultural sector, and lower investments stemming from public financing constraints amid continued political uncertainty. The exchange rate also depreciated faster than expected, and consumer price inflation accelerated relative to expectations. Finally, the country has suffered major losses in the aftermath of Hurricane Matthew. Reconstruction efforts should allow growth to pick up in the short term and would also improve access to concessional financing. Those factors have weighed on the country's outlook and external debt assessment.

8. After graduating from high to moderate risk rating in 2015, shocks sustained due to Hurricane Matthew shift Haiti back to high risk of external debt distress. Given the importance of remittances in enhancing Haiti's capacity to repay its external debt, remittances are included in external debt thresholds in this DSA (Figure 1). Under the baseline scenario with added remittances, there is one breach, and two near-breaches of the policy-related indicative thresholds. The breach occurs to the present value (PV) of external debt divided by the sum of GDP and remittances from 2029 until the end of the projection period. Furthermore, by 2028, the PV of external debt is projected to rise above 32 percent of GDP, exceeding the upper band for thresholds determining borderline cases (2013 Guidance Note, Table 7 on p. 39), indicating high risk of debt distress.[3] When remittances are excluded from the denominator as a sensitivity check, debt indicators also breach the threshold for PV of debt-to-exports ratio from 2020 onwards (Figure 2).

9. Public sector debt indicators point to an overall high risk of debt distress. Under the baseline scenario, the PV of total public debt-to-GDP ratio breaches the indicative threshold of 38 percent from 2027 onward (Figure 3). This ratio rises to peak at 43 percent in 2032–33 and declines thereafter until the end of the projection period. Two factors drive the increase in this ratio over the next ten to fifteen years.

[3] While Haiti's high risk of debt distress is well-defined by the traditional approach of the DSA, the assessment through the probability approach also confirms this result. Under the probability approach, Haiti is clearly at high risk of debt distress, with all three solvency debt burden indicators continuously above the indicative threshold. The probability approach differs from the traditional approach by providing indicative thresholds based on country-specific CPIAs rather than performance groups (weak, medium, strong performer). In light of Haiti's relatively low policy and institutional capacity within the weak performance group, all three solvency as well as the liquidity indicators breach the indicative thresholds. While the solvency indicators remain well above the indicative thresholds throughout the projection period, the liquidity indicators breach the thresholds toward the end of the projection period.

The first is the reversion of the GDP growth rate down to an annual average rate of 2 percent, closer to, although still much better than, the 30-year average growth rate of 0.8 percent. The second factor working to increase the ratio is a continued reliance on debt-creating (although nonetheless concessional) flows to fund the current account deficit. The debt-service-to-revenue ratio also increases under the baseline scenario, rising from 11 percent in 2016 to peak at 18 percent in 2035. After that peak, it begins to shift downward, tracking the trajectory of the public-debt-to-GDP ratio, but with a lag of a few years.

10. **In the long run, debt sustainability indicators are expected to improve gradually.** Absent major shocks, deterioration in macroeconomic policies, or extra borrowing on nonconcessional terms, the trajectory of Haiti's public and external debt sustainability indicators is expected to improve towards the end of the projection period. As Haiti develops its export capacity, including through the planned expansion of its light-manufacturing Free Trade Zones (FTZs), foreign direct investment inflows will eventually rise commensurate with a decline in external borrowing, improving the composition of external financing and benefiting Haiti's debt ratios in the longer term. The number of FTZs is projected to increase gradually over time, as the political situation stabilizes, and the damage from the hurricane and the 2010 earthquake is fully replaced.

11. **Increased-stress scenarios paint a more pessimistic picture.** As Table 2 indicates, public debt is most sensitive to real growth assumptions. The low-growth alternative scenario assumes real output growth at only 0.5 percent in FY 2016/17 and 1 percent thereafter[4], accompanied by weak import and export growth, and anemic FDI inflows stabilizing at 2 percent of GDP in the long run. Under this scenario, the debt distress threshold of 30 percent for PV of public debt-to-GDP ratio is breached one year sooner than in the baseline, and the projected path of various debt indicators does not improve throughout the projection period (Figure 2). Under the historical scenario which preserves key macroeconomic indicators at their ten-year average level, the PV of debt-to-GDP + remittances ratio breaches its indicative threshold sooner than under the baseline scenario, while its path does not improve over the projection horizon. In the historical scenario, the PV of debt-to-exports + remittances ratio breaches its distress threshold in 2029, which does not happen using baseline assumptions (Figure 1). These increased-stress scenarios underscore Haiti's vulnerability to policy shocks, which can send its debt burden on an upward trend. Furthermore, they show that the debt profile remains sensitive to non-debt creating flows, in this case, the assumptions on FDI in the financing mix.

CONCLUSION AND AUTHORITIES' VIEWS

12. **The updated DSA indicates that Haiti's risk of debt distress has shifted from moderate to high.** Reconstruction efforts and production losses following Hurricane Matthew are expected to set public spending on an upward trajectory, with budget revenues remaining broadly flat. In addition, real output growth is likely to slow and possibly place Haiti on a permanently lower growth path compared to the outlook shown in the last DSA. With little domestic financing available, the rising gross financing need will be satisfied with external grants and concessional borrowing. The latter will send debt burden indicators on

[4] Real output growth averaged 0.8 percent annually between 1986 and 2016.

an upward trajectory, which under the traditional approach results in the breach of one indicative threshold (PV of debt-to-GDP ratio).

13. The authorities broadly concurred with the main findings of the DSA. Staff and the authorities discussed the main assumptions and conclusions of the updated DSA, and the authorities broadly agreed with the risk of debt distress assessment.

Table 1. Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2013–36 1/

(In percent of GDP, unless otherwise indicated; fiscal-year basis)

	Actual					Estimate			Projections						
	2013	2014	2015	Average 5/	Standard Deviation 5/	2016	2017	2018	2019	2020	2021	2016-21 Average	2026	2036	2022-36 Average
Public sector debt 1/	19.0	24.1	26.2			28.8	28.9	32.7	35.3	37.2	37.7		48.6	53.9	
of which: foreign-currency denominated	17.7	21.2	24.3			27.4	27.0	30.4	32.8	34.6	34.9		42.2	45.3	
Change in public sector debt	5.2	5.1	2.1			2.6	0.1	3.8	2.5	1.9	0.6		2.4	-1.0	
Identified debt-creating flows	6.1	6.3	1.4			3.6	1.7	3.3	2.2	1.7	0.4		1.9	-2.4	
Primary deficit	6.9	6.2	2.2	3.4	1.9	1.2	4.1	3.0	2.3	2.1	1.6	2.4	3.1	1.0	2.2
Revenue and grants	20.9	18.9	19.3			17.0	20.6	20.0	19.9	19.7	19.8		19.1	19.7	
of which: grants	8.1	6.4	5.4			3.1	6.8	5.5	5.0	4.6	4.2		2.1	0.0	
Primary (noninterest) expenditure	27.8	25.0	21.4			18.2	24.7	22.9	22.1	21.8	21.3		22.2	20.7	
Automatic debt dynamics	-0.8	-0.5	1.2			2.6	-2.3	0.4	-0.1	-0.5	-1.2		-1.2	-1.8	
Contribution from interest rate/growth differential	-0.8	-0.6	0.2			1.5	0.2	-0.4	0.1	-0.3	-0.8		-1.2	-1.8	
of which: contribution from average real interest rate	-0.2	-0.1	0.5			1.9	0.9	0.5	1.1	0.7	0.2		-0.3	-0.7	
of which: contribution from real GDP growth	-0.6	-0.5	-0.3			-0.4	-0.7	-0.8	-1.0	-1.0	-1.1		-0.9	-1.1	
Contribution from real exchange rate depreciation	0.0	0.1	1.0			1.1	-2.5	0.8	-0.3	-0.1	-0.3		...	...	
Other identified debt-creating flows	0.0	0.6	-1.9			-0.1	-0.1	0.0	0.0	0.0	0.0		0.0	-1.6	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	-1.6	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.6	-1.9			-0.1	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-0.9	-1.1	0.7			-1.1	-1.5	0.5	0.4	0.2	0.2		0.5	1.4	
Other Sustainability Indicators															
PV of public sector debt	...	...	18.4			20.3	20.6	23.4	25.1	26.5	27.1		36.2	41.7	
of which: foreign-currency denominated	...	...	16.4			19.0	18.8	21.0	22.7	24.0	24.3		29.9	33.2	
of which: external	...	...	16.4			19.0	18.8	21.0	22.7	24.0	24.3		29.9	33.2	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	7.8	8.3	4.5			3.0	6.1	5.9	6.1	6.1	5.8		11.0	11.8	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	95.3			119.7	100.0	117.0	126.6	134.5	137.2		190.1	211.3	
PV of public sector debt-to-revenue ratio (in percent)	...	...	132.8			146.4	148.9	162.0	169.0	175.8	174.5		214.1	211.3	
of which: external 3/	...	...	118.8			136.7	135.6	145.9	152.6	158.8	156.2		176.4	168.0	
Debt service-to-revenue and grants ratio (in percent) 4/	4.2	5.0	5.6			9.2	8.9	9.3	10.0	9.2	9.3		12.9	14.8	
Debt service-to-revenue ratio (in percent) 4/	6.9	7.5	7.9			11.3	13.2	12.9	13.3	12.0	11.9		14.5	14.8	
Primary deficit that stabilizes the debt-to-GDP ratio	1.7	1.0	0.1			-1.4	3.9	-0.9	-0.3	0.2	1.0		0.7	2.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.2	2.8	1.2	2.1	3.0	1.5	2.5	3.0	3.0	3.0	3.0	2.7	2.0	2.0	2.0
Average nominal interest rate on forex debt (in percent)	1.2	1.0	0.8	1.0	0.4	0.9	1.2	1.3	1.3	1.4	1.4	1.2	1.3	1.2	1.3
Average real interest rate on domestic debt (in percent)	...	-2.5	-4.6	-2.8	1.7	-1.6	3.7	7.0	6.7	4.9	4.5	4.2	-1.6	...	-1.3
Real exchange rate depreciation (in percent, + indicates depreciation	-0.4	0.6	4.6	-0.3	4.3	4.1	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	6.6	4.7	7.2	7.6	3.6	12.1	10.0	5.0	5.0	5.0	5.0	7.0	5.0	5.0	5.0
Growth of real primary spending (deflated by GDP deflator, in percer	1.7	-7.5	-13.4	-1.8	4.8	-14.0	39.4	-4.4	-0.5	1.6	0.7	3.8	1.6	4.8	1.8
Grant element of new external borrowing (in percent)	...	...	...	...	...	33.6	37.0	38.3	37.9	37.7	36.6	36.9	38.8	38.2	...

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 2. Haiti: Sensitivity Analysis for Key Indicators of Public Debt, 2016–36

(Fiscal-year basis)

		Projections						
	2016	2017	2018	2019	2020	2021	2026	2036
PV of Debt-to-GDP Ratio								
Baseline	20	21	23	25	27	27	36	42
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	20	20	23	26	29	31	42	57
A2. Primary balance is unchanged from 2016	20	18	20	21	22	22	25	28
A3. Alternative Scenario: Low Growth 1/	20	21	24	26	28	29	40	52
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-20	20	22	26	29	31	33	47	61
B2. Primary balance is at historical average minus one standard deviations in 2017-201	20	22	26	28	29	30	39	44
B3. Combination of B1-B2 using one half standard deviation shocks	20	21	26	28	30	31	43	53
B4. One-time 30 percent real depreciation in 2017	20	28	30	32	33	33	41	49
B5. 10 percent of GDP increase in other debt-creating flows in 2017	20	29	31	32	34	34	43	47
PV of Debt-to-Revenue Ratio 2/								
Baseline	120	100	117	127	135	137	190	211
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	120	98	117	132	146	157	220	291
A2. Primary balance is unchanged from 2016	120	89	99	105	109	112	133	140
A3. Alternative Scenario: Low Growth 1/	120	100	117	128	136	141	201	265
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-20	120	104	129	144	157	164	244	311
B2. Primary balance is at historical average minus one standard deviations in 2017-201	120	105	131	140	148	150	203	221
B3. Combination of B1-B2 using one half standard deviation shocks	120	102	127	139	150	155	223	271
B4. One-time 30 percent real depreciation in 2017	120	136	152	160	167	168	217	247
B5. 10 percent of GDP increase in other debt-creating flows in 2017	120	139	156	163	171	172	225	239
Debt Service-to-Revenue Ratio 2/								
Baseline	9	9	9	10	9	9	13	15
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	9	9	9	10	11	16	24
A2. Primary balance is unchanged from 2016	9	9	9	6	5	5	7	7
A3. Alternative Scenario: Low Growth 1/	9	9	9	10	9	9	13	18
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-20	9	9	10	11	12	12	18	26
B2. Primary balance is at historical average minus one standard deviations in 2017-201	9	9	10	12	13	11	14	16
B3. Combination of B1-B2 using one half standard deviation shocks	9	9	10	11	11	11	16	21
B4. One-time 30 percent real depreciation in 2017	9	10	12	14	14	14	19	28
B5. 10 percent of GDP increase in other debt-creating flows in 2017	9	9	12	23	14	14	16	19

Sources: Country authorities; and staff estimates and projections.
1/ Assumes real annual GDP growth at 0.5 percent in 2017 and 1 percent thereafter.
2/ Revenues are defined inclusive of grants.

Table 3. Haiti: External Debt Sustainability Framework, Baseline Scenario, 2013–36 1/

(In percent of GDP, unless otherwise indicated; fiscal-year basis)

	Actual			Historical 6/	Standard 6/	Projections									
	2013	2014	2015	Average	Deviation	2016	2017	2018	2019	2020	2021	2016-2021 Average	2026	2036	2022-20 Averag
External debt (nominal) 1/	**17.7**	**21.2**	**24.3**			**27.4**	**27.0**	**30.4**	**32.8**	**34.6**	**34.9**		**42.2**	**45.3**	
of which: public and publicly guaranteed (PPG)	17.7	21.2	24.3			27.4	27.0	30.4	32.8	34.6	34.9		42.2	45.3	
Change in external debt	3.9	3.5	3.0			3.2	-0.4	3.4	2.4	1.8	0.3		1.9	-1.0	
Identified net debt-creating flows	3.5	4.5	1.5			-1.5	1.5	0.6	0.4	-0.4	-0.9		0.2	-2.5	
Non-interest current account deficit	**6.2**	**6.1**	**2.3**	**3.3**	**2.1**	**-0.6**	**3.6**	**2.1**	**2.1**	**1.4**	**1.1**		**1.5**	**1.6**	
Deficit in balance of goods and services	33.7	32.5	30.6			28.2	36.8	34.4	33.3	31.9	30.6		26.9	20.7	
Exports	18.6	18.9	20.2			21.2	21.7	22.2	23.1	23.7	24.0		25.7	29.7	
Imports	52.3	51.4	50.8			49.5	58.4	56.5	56.4	55.6	54.7		52.6	50.4	
Net current transfers (negative = inflow)	-27.0	-26.1	-28.0	-30.1	7.0	-28.8	-33.1	-32.1	-30.9	-30.1	-29.2		-24.7	-18.6	-2
of which: official	-8.9	-6.4	-5.6			-3.3	-7.1	-5.5	-5.0	-4.6	-4.2		-2.1	0.0	
Other current account flows (negative = net inflow)	-0.5	-0.3	-0.3			-0.1	-0.1	-0.2	-0.3	-0.4	-0.3		-0.6	-0.5	
Net FDI (negative = inflow)	**-1.9**	**-1.1**	**-1.2**	**-1.6**	**0.9**	**-0.7**	**-1.7**	**-1.0**	**-1.2**	**-1.3**	**-1.5**		**-1.1**	**-3.7**	-
Endogenous debt dynamics 2/	**-0.8**	**-0.5**	**0.4**			**-0.2**	**-0.4**	**-0.5**	**-0.5**	**-0.5**	**-0.5**		**-0.3**	**-0.4**	
Contribution from nominal interest rate	0.2	0.2	0.2			0.2	0.3	0.3	0.4	0.4	0.5		0.5	0.5	
Contribution from real GDP growth	-0.5	-0.5	-0.3			-0.4	-0.7	-0.8	-0.9	-1.0	-1.0		-0.8	-0.9	
Contribution from price and exchange rate changes	-0.4	-0.2	0.4			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**0.4**	**-0.9**	**1.5**			**4.7**	**-1.9**	**2.7**	**2.0**	**2.2**	**1.2**		**1.7**	**1.5**	
of which: exceptional financing	-0.1	-0.4	-0.4			0.0	-0.3	-0.3	-0.1	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	16.4			19.0	18.8	21.0	22.7	24.0	24.3		29.9	33.2	
In percent of exports	...	...	81.2			89.4	86.7	94.9	98.4	101.0	101.1		116.2	111.6	
PV of PPG external debt	**...**	**...**	**16.4**			**19.0**	**18.8**	**21.0**	**22.7**	**24.0**	**24.3**		**29.9**	**33.2**	
In percent of exports	**...**	**...**	**81.2**			**89.4**	**86.7**	**94.9**	**98.4**	**101.0**	**101.1**		**116.2**	**111.6**	
In percent of government revenues	**...**	**...**	**118.8**			**136.7**	**135.6**	**145.9**	**152.6**	**158.8**	**156.2**		**176.4**	**168.0**	
Debt service-to-exports ratio (in percent)	**1.8**	**2.4**	**2.5**			**4.2**	**5.9**	**6.2**	**6.4**	**6.7**	**6.7**		**6.5**	**9.8**	
PPG debt service-to-exports ratio (in percent)	**1.8**	**2.4**	**2.5**			**4.2**	**5.9**	**6.2**	**6.4**	**6.7**	**6.7**		**6.5**	**9.8**	
PPG debt service-to-revenue ratio (in percent)	**2.6**	**3.7**	**3.6**			**6.5**	**9.2**	**9.6**	**10.0**	**10.5**	**10.4**		**9.8**	**14.8**	
Total gross financing need (Billions of U.S. dollars)	0.4	0.5	0.1			0.0	0.3	0.2	0.2	0.1	0.1		0.2	0.1	
Non-interest current account deficit that stabilizes debt ratio	2.2	2.6	-0.7			-3.8	4.0	-1.3	-0.3	-0.4	0.8		-0.3	2.6	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.2	2.8	1.2	2.1	3.0	1.5	2.5	3.0	3.0	3.0	3.0	2.7	2.0	2.0	
GDP deflator in US dollar terms (change in percent)	2.8	1.2	-2.0	5.3	6.6	-6.6	-2.0	0.0	-1.8	-0.5	1.0	-1.7	1.9	1.9	
Effective interest rate (percent) 5/	1.2	1.0	0.8	1.0	0.4	0.9	1.2	1.3	1.3	1.4	1.4	1.2	1.3	1.2	
Growth of exports of G&S (US dollar terms, in percent)	18.5	6.0	6.0	11.6	9.2	-0.6	2.6	5.2	5.3	5.4	5.4	3.9	5.5	5.5	
Growth of imports of G&S (US dollar terms, in percent)	5.3	2.2	-2.0	10.2	17.0	-7.8	18.7	-0.4	0.8	1.2	2.3	2.5	3.4	4.1	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	33.6	37.0	38.3	37.9	37.7	36.6	36.9	38.8	38.2	3
Government revenues (excluding grants, in percent of GDP)	12.8	12.5	13.8			13.9	13.9	14.4	14.9	15.1	15.6		16.9	19.7	1
Aid flows (in Billions of US dollars) 7/	18.4	17.6	9.5			0.3	0.7	0.7	0.6	0.6	0.5		0.6	0.3	
of which: Grants	0.7	0.6	0.5			0.3	0.6	0.5	0.4	0.4	0.4		0.2	0.0	
of which: Concessional loans	17.7	17.1	9.0			0.0	0.1	0.2	0.2	0.2	0.1		0.3	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.6	8.0	7.2	6.5	6.1	5.4		3.9	1.2	
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			79.4	79.8	72.9	72.2	71.8	73.3		58.5	38.2	5
Memorandum items:															
Nominal GDP (Billions of US dollars)	8.5	8.8	8.7			8.3	8.3	8.5	8.6	8.9	9.2		11.3	16.6	
Nominal dollar GDP growth	7.1	4.0	-0.9			-5.2	0.5	3.0	1.1	2.5	4.0	1.0	4.0	4.0	
PV of PPG external debt (in Billions of US dollars)			1.3			1.4	1.5	1.7	1.9	2.1	2.2		3.3	5.4	
(PVt-PVt-1)/GDPt-1 (in percent)						0.8	1.6	2.3	2.0	1.9	1.5	1.7	2.5	0.6	
Gross workers' remittances (Billions of US dollars)	1.5	1.7	1.9			2.1	2.2	2.3	2.2	2.3	2.3		2.5	3.1	
PV of PPG external debt (in percent of GDP + remittances)	...	...	13.4			15.1	14.9	16.6	18.0	19.1	19.4		24.4	28.0	
PV of PPG external debt (in percent of exports + remittances)	...	...	38.6			40.6	39.4	43.2	46.4	48.7	49.6		61.8	68.6	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	1.2			1.9	2.7	2.8	3.0	3.2	3.3		3.4	6.0	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 4. Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36

(In percent; fiscal-year basis)

	Projections							
	2016	2017	2018	2019	2020	2021	**2026**	2036
PV of debt-to GDP ratio								
Baseline	19	19	21	23	24	24	**30**	33
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	19	17	19	20	22	23	**29**	38
A2. New public sector loans on less favorable terms in 2016-2036 2	19	19	22	25	27	28	**38**	48
A3. Alternative Scenario : Low growth	17	17	20	22	24	25	**31**	41
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	19	19	22	24	25	26	**32**	35
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	19	19	21	22	24	24	**30**	33
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	19	18	20	22	23	24	**30**	33
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	19	25	33	35	37	37	**40**	35
B5. Combination of B1-B4 using one-half standard deviation shocks	19	22	25	27	29	29	**34**	33
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	19	27	29	32	34	34	**42**	47
PV of debt-to-exports ratio								
Baseline	89	87	95	98	101	101	**116**	112
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	89	80	87	87	91	94	**114**	126
A2. New public sector loans on less favorable terms in 2016-2036 2	89	89	99	107	113	117	**146**	163
A3. Alternative Scenario : Low growth	80	77	87	94	100	105	**135**	193
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	89	86	91	95	98	99	**114**	110
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	89	86	96	100	103	104	**119**	113
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	89	86	91	95	98	99	**114**	110
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	89	118	149	153	155	156	**157**	118
B5. Combination of B1-B4 using one-half standard deviation shocks	89	97	110	114	116	117	**125**	107
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	89	86	91	95	98	99	**114**	110
PV of debt-to-revenue ratio								
Baseline	137	136	146	153	159	156	**176**	168
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	137	125	133	135	142	145	**173**	190
A2. New public sector loans on less favorable terms in 2016-2036 2	137	139	152	165	178	180	**222**	245
A3. Alternative Scenario : Low growth	123	123	136	146	156	159	**182**	209
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	137	139	151	159	166	165	**187**	178
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	137	134	143	151	158	156	**176**	166
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	137	133	141	149	156	155	**174**	166
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	137	184	229	237	244	241	**239**	178
B5. Combination of B1-B4 using one-half standard deviation shocks	137	156	176	184	191	189	**199**	168
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	137	193	202	213	223	221	**250**	238

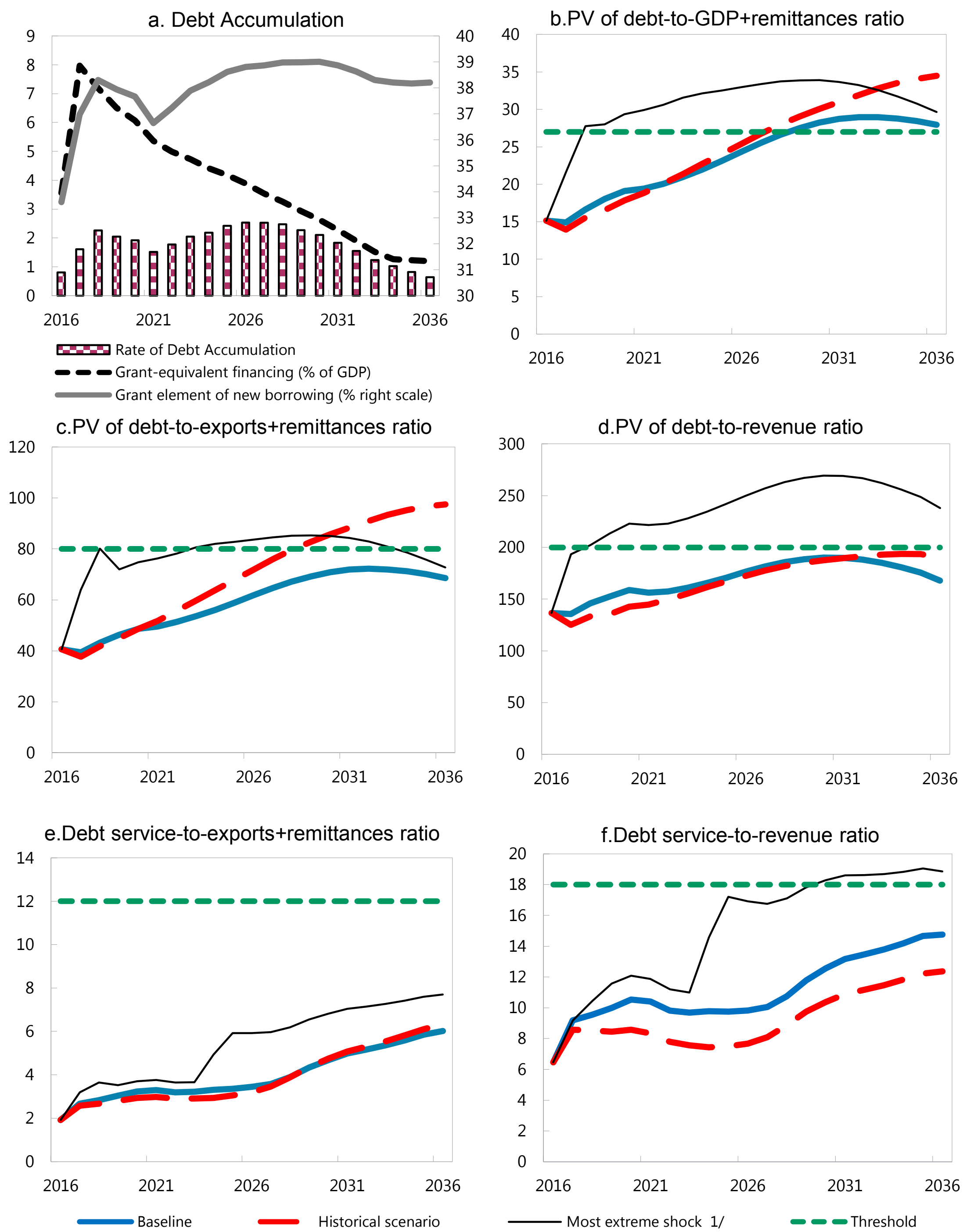
Table 4. Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36 (concluded)

				Debt service-to-exports ratio				
Baseline	4	6	6	6	7	7	**6**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	4	5	6	5	5	5	**5**	8
A2. New public sector loans on less favorable terms in 2016-2036 2	4	6	6	7	7	7	**11**	16
A3. Alternative Scenario : Low growth	4	5	6	6	7	7	**8**	16
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	4	6	6	6	7	7	**6**	10
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	4	6	6	7	7	7	**7**	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	4	6	6	6	7	7	**6**	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	4	6	7	7	8	8	**11**	13
B5. Combination of B1-B4 using one-half standard deviation shocks	4	6	6	6	7	7	**8**	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	4	6	6	6	7	7	**6**	10
				Debt service-to-revenue ratio				
Baseline	6	9	10	10	11	10	**10**	15
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2016-2036 1/	6	9	9	8	9	8	**8**	12
A2. New public sector loans on less favorable terms in 2016-2036 2	6	9	10	10	11	11	**16**	23
A3. Alternative Scenario : Low growth	6	9	9	10	11	11	**10**	17
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	6	9	10	11	11	11	**11**	16
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	6	9	10	10	11	10	**10**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	6	9	10	10	11	10	**10**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	6	9	10	12	12	12	**17**	19
B5. Combination of B1-B4 using one-half standard deviation shocks	6	9	10	10	11	11	**13**	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	6	13	14	14	15	15	**14**	21
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	37	37	37	37	37	37	**37**	37

Sources: Country authorities; and staff estimates and projections.

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

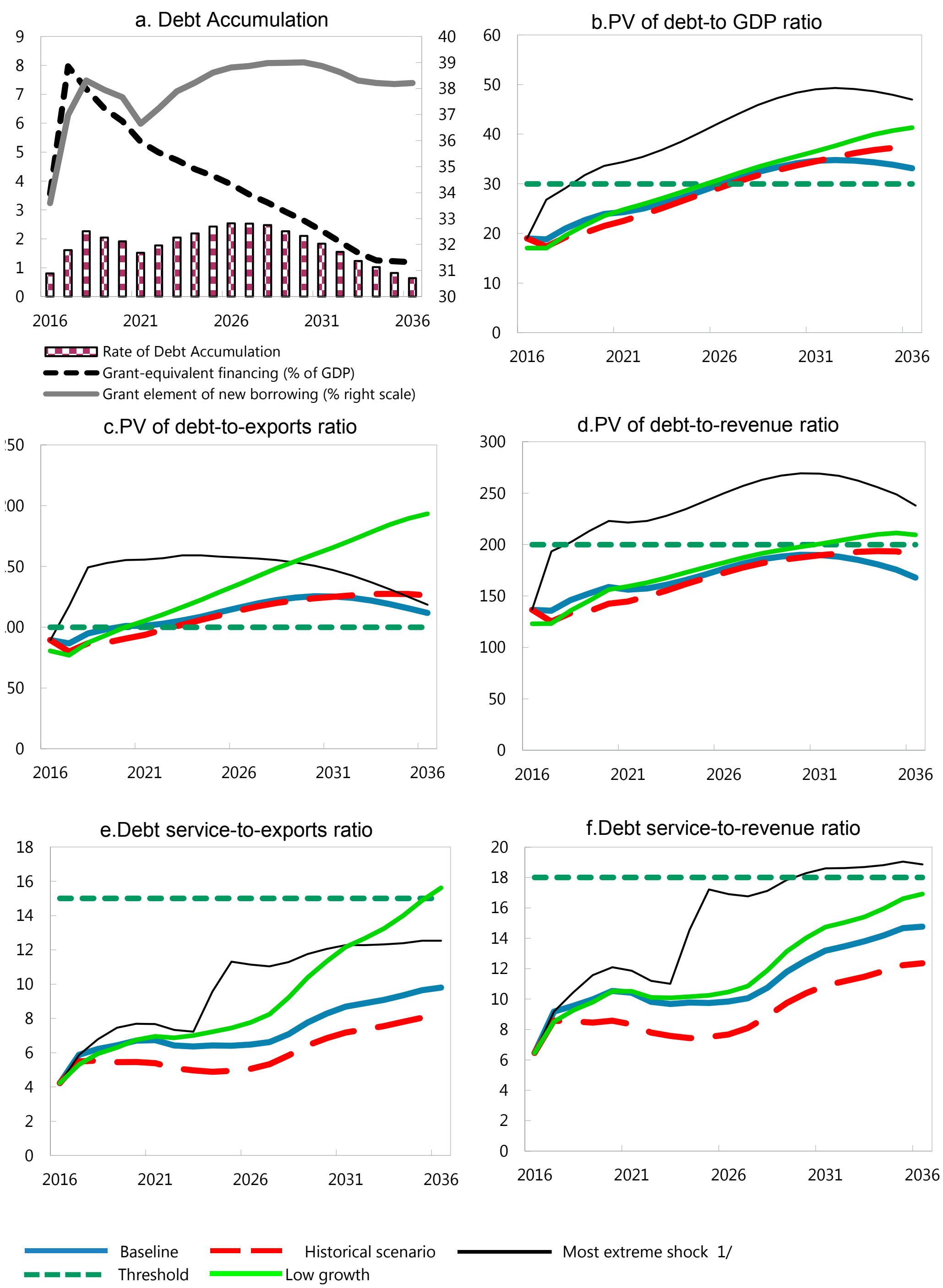
Figure 1. Haiti: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2016–36 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a One-time depreciation shock; in e. to a Non-debt flows shock and in figure f. to a Non-debt flows shock

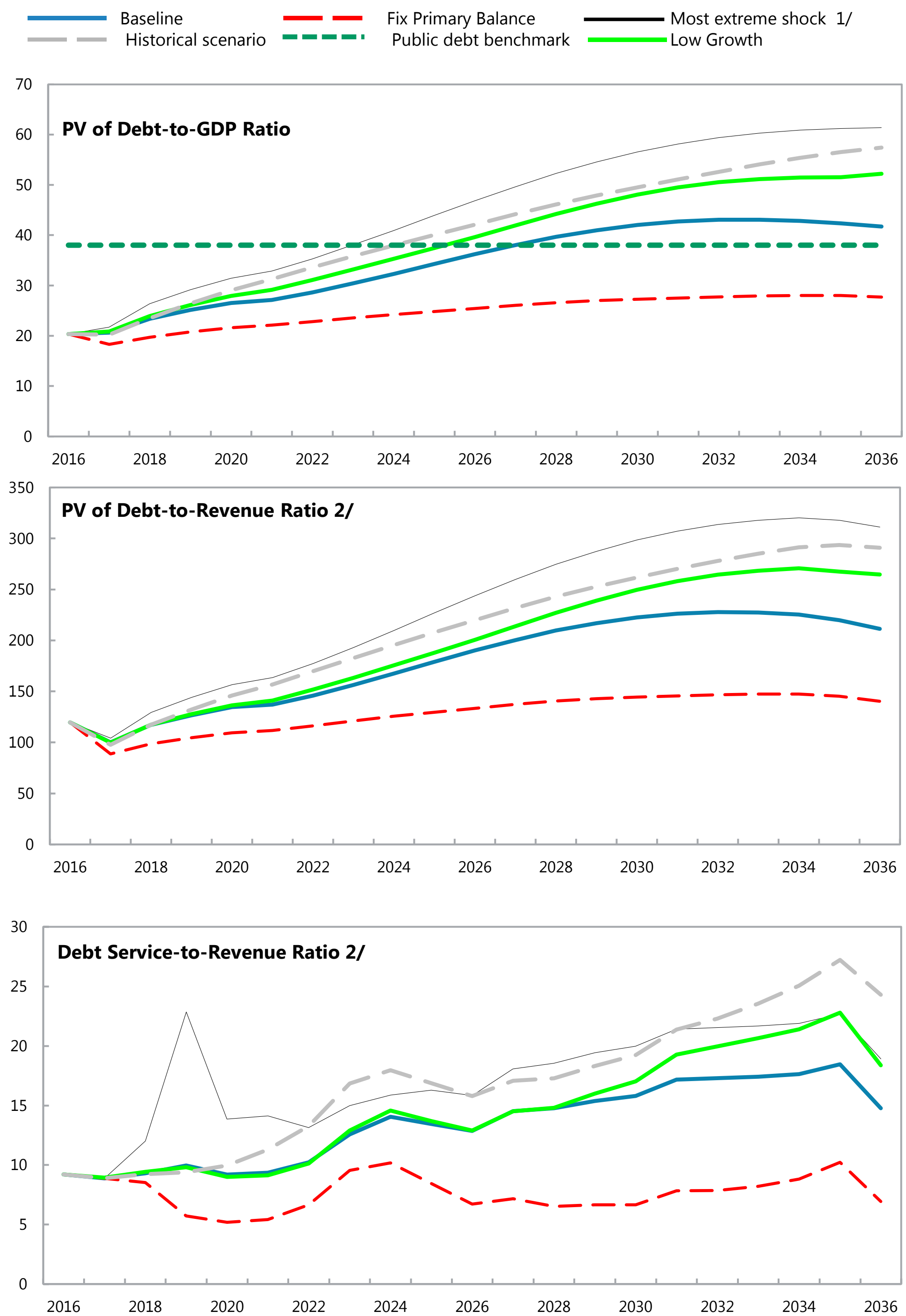
Figure 2. Haiti: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2016-36 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a One-time depreciation shock; in c. to a Non-debt flows shock; in d. to a One-time depreciation shock; in e. to a Non-debt flows shock and in figure f. to a Non-debt flows shock

Figure 3. Haiti: Indicators of Public Debt Under Alternative Scenarios, 2016–36 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.
2/ Revenues are defined inclusive of grants.

Statement by Alexandre Tombini, Executive Director for Haiti and Ketleen Florestal, Advisor to the Executive Director November 18, 2016

1. We thank management and staff for their diligence in engaging in discussions with the Haitian authorities on access to the Rapid Credit Facility (RCF) immediately after Hurricane Matthew hit the country. We also thank Executive Directors for their expressions of sympathy and support to Haiti since the disaster.

2. The devastating effects of the 2010 earthquake are still weighing into social and economic outcomes today. On October 3, 2016, Hurricane Matthew landed in the South of Haiti exacerbating post-earthquake challenges and the 2015 drought-induced supply shock. The hurricane has put in jeopardy recent gains in growth and in fighting poverty. The government's preliminary assessment prepared in collaboration with the World Bank and the Inter-American Development Bank (IDB) estimates losses at 23 percent of GDP. The situation is dramatic. Again last week, after a couple of days of continuous rains, severe flooding was registered in several regions of the country including in the Hurricane Matthew's battered cities of Les Cayes and Jérémie. The need for a strong humanitarian response, robust reconstruction funding, and prudent macroeconomic policies cannot be overstated.

3. As laid out in the staff report, despite the sharp drop in Petrocaribe financing and a challenging political situation, which led to the phasing out of donor support in 2016, Haiti has managed to keep the Non-Financial Public Sector (NFPS) deficit near the 2015 Extended Credit Facility (ECF) program target while the central bank maintained reserves near program levels and limited the pace of currency depreciation. Notwithstanding this effort and in spite of the authorities' determination to work on a plan to bring the ECF back on track, this could not happen as the Fund was primarily considering scenarios that included the completion of the first round of the Presidential elections previously scheduled for October 9, 2016, but postponed to November 20 after Hurricane Matthew hit Haiti.

4. While the impact of Hurricane Matthew on the current account deficit is projected to reach7 percent of GDP, the Fund's disbursement under the present RCF will cover only a small fraction of it but will be instrumental in alleviating the fiscal gap. The authorities are also confident that the RCF will help catalyze additional donor funds. However, they caution against the possibility of other donors gauging their pledges to the level of IMF funding. In this regard, we invite the Fund to consider the possibility of a second RCF operation in the first quarter of 2017 to address remaining needs. Moreover, given the fact that financing needs – including those related to structural factors required to bring the economy on a stronger footing – go well beyond what is being envisaged at

this point, the Fund shall contemplate ways to resume further engagement and financial support to Haiti as soon as feasible.

5. The new Debt Sustainability Analysis highlights Haiti's weak resilience to external shocks although the country's public debt totals less than a third of GDP. Hence, the authorities are convinced that beyond stabilization, the focus needs to also turn to long-term growth. Meanwhile, the government is working tirelessly with local and international partners to develop a strategic and sustainable response to multiple challenges including: (i) providing housing and livelihoods to countless numbers of people suddenly displaced and without a source of income; (ii) countering the dramatic increase in food insecurity and import dependency with the shock to the agricultural sector; (iii) fighting the spread of communicable diseases, particularly Cholera; and (iv) ensuring that remittances and transfers are not jeopardized by the loss of correspondent banks relationships and by the negative perception about the management of certain donations and grants in the recent past.

6. The Haitian authorities also worry that the post-disaster response does not weaken further fiscal sustainability and are requesting the Fund to encourage donors to deliver much needed budget support and to provide external assistance primarily in the form of grants. Moreover, the authorities are also mobilized to avoid additional weakening of domestic institutional and productive capacity. Recovery will require sustained, targeted, and important investment, especially in social and economic infrastructures as well as scaled-up technical assistance. In this regard, the authorities wish to express their appreciation for the Fund's technical support, particularly in the area of public finances.

7. Finally, in the safeguards assessment, the central bank of Haiti (BRH) wishes to underscore that the selection process of an external auditor for a new three-year term has been launched in July 2016, in compliance with its external auditor rotation policy. A short list has been established, following the reception of requests for submission from different firms. The submission of offers and the selection of a firm are the next steps for completion by March 2017.