INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/48

HAITI

January 2023

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

In the context of the First Review Under the Staff-Monitored Program (SMP), the following documents have been released and are included in the package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information following discussions that ended on December 8, with the officials of Haiti on economic developments and policies underpinning the First Review Under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on December 22.

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

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
Washington, D.C.

IMF Management Completed the First Review of the Staff Monitored Program with Haiti

FOR IMMEDIATE RELEASE

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

- Management of the International Monetary Fund (IMF) approved the first review of Haiti's Staff-Monitored Program (SMP) on December 21, 2022. The SMP will help the government restore macroeconomic stability and lower inflation—a key goal given the burden of high inflation on the poor.
- The SMP seeks to advance decisive governance reforms to enhance accountability. In particular, it emphasizes greater accountability through stronger public finance management, revenue administration, transparency, and anti-corruption measures.
- The program comprises realistic measures suited to Haiti's fragility to help the authorities build a track record of policy implementation.

Washington, DC – January 23, 2023: Management of the International Monetary Fund (IMF) approved on December 21, 2022 the first review of Haiti's Staff-Monitored Program (SMP). Discussions for the review took place during October-December, 2022[1]. The SMP takes into account Haiti's fragility and capacity constraints. It was designed to support the authorities' economic policy objectives and build a track record of reform implementation.

Haiti is mid-way through a SMP that has been an important anchor for Haitian policymakers, despite one of the most challenging economic environments in many years. Haiti is faced with many difficulties, which have been worsened by higher food and fuel prices stemming the war in Ukraine, which have increased its economy's fragility. The external shocks and deterioration of the security situation have resulted in a macroeconomic outlook worse than at the time of the program's approval by IMF management in June 2022.

Despite the more difficult macroeconomic conditions and downside risks, recent data and progress on structural reforms suggest that the authorities are making meaningful efforts to ease the country's multiple challenges. In this difficult context, the authorities have committed

[1] The SMP was approved on June 17, 2022 and runs through May 31, 2023. SMPs are arrangements between country authorities and the IMF to monitor the implementation of the authorities' economic program but are not accompanied by financial assistance.

to continue implementing policies that would begin to restore macroeconomic stability and growth, strengthen governance, and to provide relief to the most vulnerable households. The SMP has been instrumental in catalyzing forthcoming external financing and its implementation has been broadly satisfactory, despite obstacles in meeting quantitative targets due to a less favorable environment than initially anticipated.

The Haitian authorities have adopted a budget for FY2023 that is consistent with agreed targets under the SMP and in the context of a medium-term budget. They ensured that a meaningful budget allocation is used to protect the most vulnerable and are implementing public financial management systems to monitor the use of public funds. The authorities are committed to reduce central bank financing of the deficit to levels consistent with low inflation and limit foreign exchange intervention to smoothing excess volatility.

In line with the reforms under the SMP, the authorities took measures aimed at raising domestic revenues, approving in December a new tax code and following through with the adoption of the customs and tax administration reforms. In particular, the tax code—a primer in the country's history—entails the rationalization and simplification of the personal income tax and corporate income tax, including through the broadening of the tax base and elimination of many exemptions.

Progress on governance is key to ensure inclusive growth. The authorities have taken steps to strengthen accountability in the collection and use of public resources and have boosted the transparency of public procurement for emergency resources. They are working to bring AML/CFT laws up to international standards supported by Fund's capacity development.

IMF staff will continue to work closely with the authorities to support implementation of their program and help them build public support. Indeed, most elements of the authorities' program are underpinned by ongoing IMF technical assistance. The Fund will also continue to coordinate closely with Haiti's other development partners to leverage efforts in support of common objectives. SMP are only subject to formal IMF management review.

INTERNATIONAL MONETARY FUND

HAITI

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM

December 22, 2022

EXECUTIVE SUMMARY

Context: Haiti is faced with many difficulties, which have been worsened by higher food and fuel prices stemming from Russia's war in Ukraine. Because of this global shock and a deterioration of the domestic security situation, the economy has become even more fragile, and the macroeconomic situation and outlook are more challenging than in June 2022, when the Staff Monitored Program was approved by IMF Management. In line with global trends, growth has been weaker than expected and inflation higher. Despite the more difficult macroeconomic situation and downside risks, recent data and progress on structural reforms suggest that the authorities are making meaningful efforts to ease the country's multiple challenges.

Program implementation: The implementation under the SMP has been broadly satisfactory—despite obstacles in meeting quantitative targets (QTs) due to a less favorable environment—and it has been instrumental in catalyzing forthcoming external financing. The authorities met one end-June QT and missed three other targets. They met two of three continuous QTs on arrears. They also met the two recurrent structural benchmarks. Of the five end-September structural benchmarks, although none was met on time, four were completed with some delay. Staff proposes to reset one structural benchmark that was not completed as well as the end-December and end-March structural benchmarks, and to adjust QTs to reflect the less favorable environment. The review focused on identifying corrective actions to support program implementation.

Policy recommendations:

- Adopt a budget for FY2023 that is consistent with agreed targets under the SMP and in the context of a medium-term budget framework for FY2023–25.
- Ensure a meaningful budget allocation to protect the most vulnerable and implement public financial management systems to monitor the use of public funds.
- Reduce central bank financing of the deficit to levels consistent with low inflation and limit foreign exchange intervention to smoothing excess volatility.
- Sustain recent efforts to boost revenue collection, including by following through with the adoption of the tax code and customs and tax administration reforms.
- Address the Fund's safeguards recommendations, including on strengthening the central bank 's law and transitioning to International Financial Reporting Standards.

Approved By
Patricia Alonso-Gamo (WHD) and Andrea Schaechter (SPR)

Discussions began in person during the week of the Annual meetings (October 10-15), continued with weekly virtual meetings in November, and concluded from Washington during a remote mission during December 1-8, 2022. The team comprised Ms. Tumbarello (Head), Mr. Noah Ndela, Mses. Bhattacharya and Aliperti (all WHD), Ms. Osorio-Buitron (FAD), Mr. Shenai (SPR), and Messrs. Duvalsaint and Wata (Port-au-Prince office). Ms. Coquillat (WHD) assisted with logistics and document preparation. Mr. Saraiva and Ms. Florestal (OED) joined the discussions. The team met with Mr. Michel Patrick Boisvert (Minister of Finance), Mr. Jean Baden Dubois (Governor of the Bank of the Republic of Haiti, BRH), Mr. Pierre Ricot Odney (Minister of Social Affairs and Labor), other senior officials, and throughout the process with the international community.

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CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

1. **Haiti is at a critical juncture**. It has been strongly impacted by the spillovers of Russia's war in Ukraine, which heightened the economy's fragility. While Haiti's population was already experiencing malnutrition before the war in Ukraine, its suffering has been compounded by the surge in food prices, leading to acute hunger.

2. **Political uncertainty and the security crisis persist**. Prime Minister Henry, who has faced several months of widespread protests, has pledged to hold elections as soon as it is safe to do so. Violence escalated sharply in recent months with internal displacement of thousands of Haitians. The security situation constrained economic activity, particularly during September and October, hampering efforts to control the recent cholera outbreak.[1] The UN Security Council approved a sanction regime targeting gang leaders, followed by the Central Bank of Haiti's instructions to financial institutions to support its implementation.

3. **Against this backdrop and a deteriorating global outlook, macroeconomic conditions remain challenging**. Real GDP likely contracted for the fourth consecutive year in FY2022, ending in September, by about -1.5 percent. Year-on-year inflation reached 38.7 percent in September 2022, driven by high international food and import prices, drought-related supply disruptions, and monetary financing of the budget deficit (Table 1). The non-financial public sector (NFPS) fiscal deficit (including grants) is estimated to have expanded slightly—to 2.2 percent of GDP relative to 1.5 percent envisaged at the time of the SMP approval. This was due to budget strains linked to the cost of petroleum product subsidies prior to the price increase in September. Despite the riots in September, recent data suggest that domestic revenue in FY2022 was 90 percent of the value expected in June (Tables 2a and 2b). The current account deficit is estimated at 2.4 percent of GDP in FY2022. The gourde and the foreign exchange market came under pressure in the summer, partly because of a temporary slowing in remittance inflows that aggravated the shortage of foreign exchange. Gross international reserves are still estimated at 4.6 months of projected imports, but net international reserves have declined, by some US$240 million since the end of FY2021.

4. **The authorities have nonetheless demonstrated strong commitment under the SMP and have taken important policy measures**. To tackle inflation and prevent further depreciation of the gourde, the *Banque de la République d'Haïti* (BRH) raised short-term interest rates to 11.5 percent in August (from 10 percent since March 2020); boosted mandatory reserve requirements on liabilities, in US dollar terms, to 53 percent; and increased interest rates on credit lines. The BRH has moved also to ease loan repayment obligations—extending them for three months for households and six months for corporates. The authorities have prepared a detailed strategy to tackle food insecurity and strengthen the social safety net, leveraging ongoing programs.

[1] Protests were further inflamed by the government's announcement on September 14 to raise fuel prices. The announcement was for the kerosene prices to rise from 353 HTG per gallon to 670 HTG and diesel prices from 352 HTG per gallon to 665 HTG—a level that would cover costs, margins, and statutory taxes. The price of gasoline was announced to be increased from 250 to 570 HTG per gallon—implying a subsidy of 60 HTG per gallon (about US$0.80 per gallon). These price increases were passed on to consumers at the pump in November.

PROGRAM IMPLEMENTATION UNDER THE SMP

5. **Program performance has been broadly satisfactory**. Policies, supported by the SMP, have moved in the right direction, notably on the structural front. Progress has not been linear, however, with strong momentum until mid-September, slowing after a deterioration in the security situation, and picking up again in the second half of October.

i. **Quantitative and indicative targets**. The authorities met one June quantitative target (net credit to the government) and missed three other targets, with one missed by a small margin (Appendix 1. Table 1). They met two of three continuous QTs on arrears, missing one on domestic arrears accumulation by a large amount, owing to a build-up of obligations to fuel companies. While data on spending on social programs remain preliminary, spending appears to be below the agreed target of HTG3 billion, owing to institutional bottlenecks. The deteriorating security situation delayed the rollout of excise tax increases, whose collection underperformed through the end of June. At the same time, the rise in world oil prices and weakening of the gourde led to higher-than-expected fuel subsidies and their corresponding tax expenditures. As a result, the authorities missed the end-June indicative target on government tax revenues by about 6 billion HTG (0.3 percent of GDP).

ii. **Structural benchmarks supported by capacity development**. Although the September riots worsened the macroeconomic outlook, the authorities continued to be highly engaged with staff through the high-level Program Monitoring Committee (*Comité de Suivi),* which met weekly. This Committee has enabled staff to work closely with the authorities and to provide implementation support. The authorities have taken broadly satisfactory steps on structural reforms, capacity building, and governance, meeting the two monthly and quarterly structural benchmarks (SB). The SB for end-June (completion and publication of the financial audit statements of the central bank) was met. The authorities completed four of the five end-September SBs with delay. For the remaining end-September SB, staff proposes to reset it as good progress is underway. Efforts related to one benchmark for end-December and one for end-March are also proceeding and staff proposes to reset them to end-March 2023 and end-April 2023, respectively. Overall, continuous ownership of the SMP has led to real progress in certain areas, notably in strengthening public finance institutions and governance:

a. **Public financial management (PFM)**. The FY2023 budget was adopted on December 19, 2022, together with a three-year medium-term framework with the NFPS as the anchor (end-September SB). Technical assistance support from the IMF Fiscal Affairs Department has been critical in providing operational and technical guidance and maintaining momentum. In addition, thanks to IMF support, the coverage of the Treasury Single Account has been expanded and completed in early November.

b. **PFM/Governance**. The authorities re-convened the governing board of the agency Economic and Social Assistance Fund (FAES) and published the first quarterly report on its operations (end-June SB). FAES is an off-budget agency that implements social projects funded with external assistance and some domestic resources. Publication of the reports greatly enhances oversight and accountability, as indicated in earlier audits by the Supreme Audit Court.

c. **Governance**. The authorities have been publishing, on a monthly basis, procurement contracts awarded, including the names of beneficial owners of bidders. With assistance from the IMF Legal Department experts, staff has been reviewing these reports and providing feedback to the authorities. Staff finds that this reform has helped raise the transparency of public procurement and better define the roles of the procurement agency (CNMP) and Supreme Audit Court. The central bank's external audit, conducted by KPMG, was published. The central bank is revising the Central Bank law with assistance from the IMF Legal Department. A revised draft has been shared with staff in November and the authorities are working to finalize the draft in consultation with IMF staff to strengthen the independence of the central bank. The technical assistance program with the IMF, in coordination with EU assistance, to revise the AML/CFT legal framework (originally set for end-March 2023 SB) is under way.

d. **Tax and revenue administration**. With important technical assistance support from the IMF's Fiscal Affairs Department (FAD), the consultations on the draft Tax Code and Draft Tax Procedure Code have been completed as of early-September,[2] a meeting to explain to stakeholders the amendments to the codes following their comments took place on December 15, and the codes were adopted by decree on December 19. The authorities produced the nomenclature on the Tax Identification Number (TIN) and national identification, which appear adequate based on preliminary review by FAD experts. In response to a protracted weakening in revenue and possible external pressure, senior management at the revenue agency was replaced; this was followed by an immediate jump in revenue collection in July-August.

OUTLOOK AND RISKS

6. The near-term outlook remains challenging. The economy is expected to recover slowly, assuming an improvement in security, and inflation to decline over the medium term, contingent upon adequate macroeconomic policies and continued implementation of structural reforms. Staff

[2] The new tax code, a primer in the country's history, entails the rationalization and simplification of the personal income tax and corporate income tax and broadening their bases by eliminating many exemptions; a new tax system for small businesses; rationalization of excises and small taxes and increases in their rates; the integration of local taxes, of the Investment Code and the Special Economic Zone Regime into the tax code as well as the tax procedure code.

assesses a financing gap only in FY2023.[3] Growth is projected at 0.3 percent in FY2023, weaker than 1.4 percent forecast at the time of the SMP approval in June 2022, reflecting mainly the downward revision of the global outlook. A marginal recovery would be driven by a modest security improvement and a small pick-up in key sectors, particularly agriculture (after the recent drought that has lowered harvests); and reach 1.5 percent over the medium term. After surging in 2022, inflation would decline to 21 percent by end-FY2023. A worsening security situation and fuel price increases would keep inflationary pressures high in the first quarter of FY2023, but inflation would moderate gradually as the impact of lower monetary financing of the fiscal deficit comes into effect and world market prices for food and fuel stabilize. The fiscal deficit of the NFPS is projected at 2 percent of GDP in FY2023, 0.3 percentage point lower than envisaged at the time of the SPM approval. Spending would increase due to higher outlays on transfers to provide food to vulnerable households and health expenditure to address the cholera outbreak. The deficit would increase slightly to around 2.7-2.8 percent of GDP over the medium term, driven primarily by capital spending. The current account deficit is expected to narrow only to 0.8 percent of GDP in FY2023 as a result of the food price shock but would narrow further to 0.6 percent of GDP in the medium term.

7. The balance of risks is tilted to the downside. Domestic risks include intensified political instability, gang-related disruptions to activity, public health emergency (further spreading of cholera), and natural disasters. Externally, Haiti is vulnerable to volatile remittance flows, lower-than-expected external financing as well as renewed surges in global food and energy prices. However, the reduction in fuel subsidies is expected to provide some fiscal relief. Should the authorities move to regular adjustments that follow global market conditions, the fiscal outlook would improve, permitting higher public investment and raising growth, while reducing pressures on the public finances. Further normalization of the security situation would also improve the outlook.

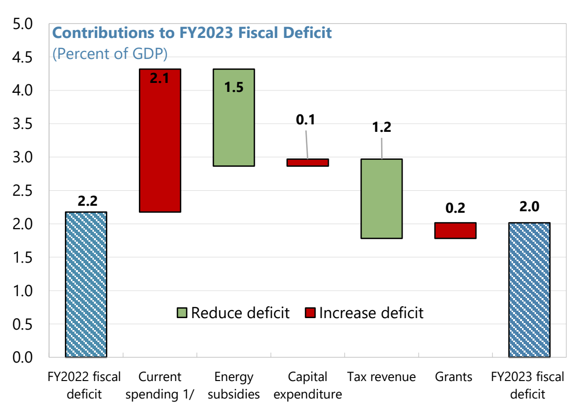
REACHING THE OBJECTIVES OF THE SMP

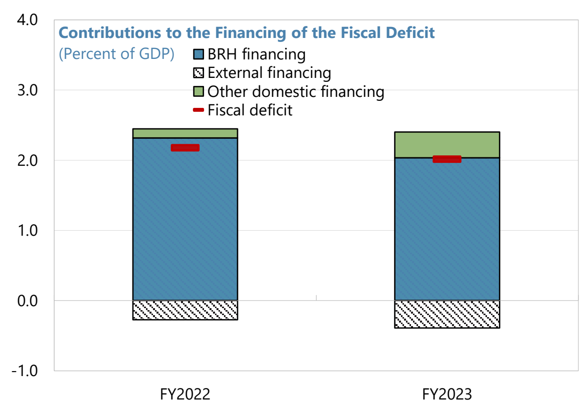
8. The overall objectives of the program remain achievable. Discussions focused on identifying corrective actions that will support program implementation and enable the authorities to meet the objectives of the SMP. First, the authorities are committed to sustain recent efforts on revenue collection to reach revenue targets and intensify efforts to implement reforms on revenue mobilization and social spending. Second, the authorities' fuel price reform (while not part of program conditionality), needs to include mitigating measures that shield the most vulnerable while adopting gradual and automatic pricing mechanisms that limit the reemergence of fuel subsidies—and be supported by an enhanced communication strategy. Third, continued implementation of the monetary and exchange rate framework laid out in the SMP is key to releasing pressures on the markets and preserving Net International Reserves (NIR). Fourth, continuing to strengthen banking supervision by moving to risk-based supervision would also be key. Finally, further advancing reforms on governance would be critical for improving the efficiency and productivity of public resources and maintaining engagement with donors.

[3] The authorities are requesting financial assistance under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF).

A. Fiscal Policy

9. The FY2023 budget, adopted on December 19, is consistent with the program objective of reducing the monetary financing of the deficit to lower inflation and help restore stability (MEFP, ¶9). The authorities maintain a floor on the primary balance of the NFPS (quantitative target) and target a deficit of 1.5 percent of GDP in FY2023, slightly below staff projections, despite very difficult economic conditions. New spending on food transfers is expected to reach 0.5 percent of GDP, funded by forthcoming external financing. The fuel price increase announced in September has been reflected in the prices at the pump starting in mid-November, as indicated by a recent communiqué by the Minister of Trade and Industry. As a result, net fuel revenues are estimated at 1.1 percent of GDP in FY2023 (vs. -1.5 percent in FY2022), assuming that prices at the pump would remain above their cost and that global oil prices moderate in line with WEO projections. The additional budget space is expected to raise non-fuel transfers to 1.2 percent of GDP and pro-growth capital spending to 3.5 percent of GDP (1.4 percent domestically funded). The authorities agreed to use these resources to limit the monetary financing of the deficit in FY2023 and to compensate those most affected by food price rises, including through their *Programme d'urgence*, which should be rolled out expeditiously.





Sources: National authorities and Fund staff calculations.
1/Non-energy transfers financed from resources from the requested Food Shock Window are estimated at about 0.5 percent of GDP in FY2023.

10. Recent efforts to boost revenue collection should be sustained. Weaker-than-expected revenue collections at end-June, prompted the implementation of administrative measures in August, including strengthening the control of invoices submitted for imported goods and replacing the management of the revenue agency. These measures raised domestic revenues to a monthly average of 6.4 billion gourdes, from an average of 2.2 billion gourdes in April-June to 3.4 billion gourdes in July-August. Despite the authorities' commendable efforts, worsening security undermined the revenue agency's capacity to collect taxes in September-October, as a result, monetary financing increased to 2.3 percent of GDP (49.5 billion gourdes)—0.1 percentage point larger than programmed in FY2022. The slippage does not undermine the SMP's goal of reducing monetary deficit financing to a level consistent with low inflation, after taking into account imported inflation, as the revenue decline was accompanied by meaningful contractions in spending (non-energy sector transfers and public investment)—which, however, was not growth friendly. Staff encouraged the authorities to sustain the measures put in place in August—to help anchor monetary financing—and follow through with the implementation of the tax code (and the tax procedure code) and customs and tax administration reforms.

11. **Meaningful progress has been achieved on revenue mobilization and on PFM to increase the transparency of public spending and improve the quality of spending**. The authorities finalized the new customs tariffs with help from Fund technical assistance which will be published later in December; worked toward consolidating in the Treasury Single Account (TSA) all bank accounts of the central budgetary units; and also prepared a medium-term budget framework, with the NFPS deficit as the main anchor that will be adopted together with FY2023 budget. These policy reform priorities are meant to simplify the tax and customs systems and enhance transparency, accountability, and audit capacity. The authorities are committed to advance further on the publication of: (i) TIN data and make its use compulsory for finance agencies (SB originally set for end-December), and (ii) customs codes and tariffs to help raise accountability and improve audit capacity (end-September SB). Larger payoffs from these reforms would materialize over the medium term since they require institutional changes at the revenue agency.

12. **To mitigate fiscal risks, the authorities and staff have formulated a contingency plan.** Since the scope for raising revenue could be limited in the near-term, shortfalls in revenue or external budget support need to be offset by cutting back on planned increases in current and capital spending in FY2023, while preserving social spending targeted to the most vulnerable. The authorities agreed to avoid running domestic arrears to finance shortfalls, clear existing domestic arrears, and preserve FX reserves at the current adequate level.

13. **The authorities agreed to report transparently on the use of the SDR allocation**. Prior to converting about half of their SDR allocation into freely usable currencies, staff engaged with the authorities on best practices as laid out in the Fund Guidance Note. The BRH and Ministry of Finance signed a memorandum of understanding consistent with domestic legal and institutional frameworks, clarifying the obligations of each party arising from the use of the SDR allocation for fiscal purposes. The authorities agreed to communicate publicly any future conversion of their SDR allocation into freely usable currencies on the BRH or MEF websites.

B. Social Assistance

14. **Fuel price reforms should include mitigating measures to protect the most vulnerable in conjunction with a gradual and well-communicated approach**. As discussed at the time of the SMP approval, fuel subsidy reform is essential to ensure medium-term fiscal sustainability. Given the political and social implications, the authorities are taking the lead both in terms of the modalities and timing of the reform. The September ad hoc increases in fuel prices have eliminated fuel subsidies for now, but a comprehensive and transparent policy framework for future price adjustments still needs to be laid out. Thus, while the SMP does not include conditions on the

specific timing of the reform, staff continues to underscore its importance, as well as reiterate key good practices, such as the adoption of an automatic pricing mechanism, including that price adjustments should be predictable and take place regularly to reflect global market prices changes, and include a smoothing mechanism (to help dampen volatility). Upward price increases should be accompanied with mitigating measures to protect the most vulnerable and good policy principles. Staff and the authorities agreed that an elaborated communication policy would greatly help the authorities' reform strategy. Establishing a regulatory framework for the petroleum products sector and strengthening related regulatory institutions should remain amongst the authorities' reform priorities.

15. The authorities are taking steps to cushion the impact of the shocks on the population. The Ministry of Social Affairs and Labor (MAST) and the Ministry of Economy and Finance have prepared a detailed strategy to tackle food insecurity and strengthen the social safety (see text Table 1), also leveraging ongoing programs. The plan aims to expand programs that improve living conditions and enhance social inclusion, focusing on the most vulnerable groups (children, pregnant women, the disabled, and the elderly). The Ministry of Finance is planning to support workers in the textile sector and to increase cash transfers and food rations for households. The authorities have begun making cash transfers to about 50,000 of the most vulnerable households. They have also begun school feeding programs and providing hot meals for vulnerable households and community restaurants. They also plan to wave school fees and are considering leveraging digital tools for cash transfers, thanks to support from the Word Bank and the Inter-American Development Bank. These measures are in line with Fund advice. Staff welcomed the emphasis on improving the social safety net by increasing social programs—particularly in poorer regions—in line with absorption capacity, while stressing that additional coverage is critical given the widespread poverty.

16. The authorities have increased the transparency of the FAES as a program objective. The governing board of the agency FAES was re-convened, and the authorities published the first quarterly report on its operations. But the report lacked detail and did not follow accounting standards. Staff indicated that significant improvements were needed for subsequent reports (quarterly SB) and shared a template of financial statements for public institutions as an example. The authorities agreed to improve FAES quarterly reports going forward and to communicate on proceedings for future governing board meetings.

17. Missing the floor on social spending reflects structural problems and underscores the need to build a coherent and adequate social safety net. As noted above, the authorities missed the quantitative target on social spending that allocated resources equivalent to 0.15 percent of GDP to social benefits, including under the *Programme d'urgence*. This illustrates the fragmented social programs and agencies (IMF 2020) and underscores the need to centralize social spending design and execution under the Ministry of Social Affairs and Labor. With respect to the quantitative target, the authorities have taken steps to improve the execution of programs, including on procurements and absorption capacity. Staff urged the authorities to:

- implement the governance structure envisaged in the National Policy for Social Protection and Promotion (PNPPS), approved in 2020 but not yet implemented, and

- working with IFIs and the Système Informatique du Ministère des Affaires Sociales et du Travail (SIMAST), elaborate by March 2023 an action plan to implement the PNPPS, which includes at least one universal benefit registered in the FY2023 budget and expands the World Bank-supported *Projet de Protection Sociale Adaptative pour une Résilience Accrue* (PSARA)—targeting households with pregnant women, children under five, and persons with disabilities—to at least one other department (province).

Text Table 1. Haiti: Measures to Support Vulnerable Households in FY2023

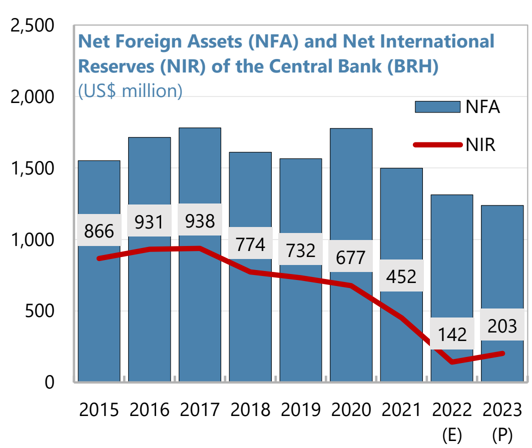
Executing party	Financing	Measure	Purpose	Scope
Ministry of Social Affairs and Labor (MAST)	Budget	Expansion of social assistance programs for vulnerable households	Food security	250 community restaurants with (300 meals/day) 100,000 dry rations (per month) Hot meals (mobile canteens) Subsidies to industrial park workers for food and transportation
		Temporary job creation for the unemployed (prioritization of vulnerable households)	Food security	Creation of more than 57,000 temporary jobs in agriculture, environment, and public sectors country-wide
		School feeding program (food and transportation support)	Food security	25,000 parents, each receiving an allowance of HTG 10,000 HTG 375,000,000 subsidy to transportation company for the purchase of 50 new buses
Ministry of Social Affairs and Labor (MAST)	Budget	Public transit subsidy program for registered buses	Social safety net	Fuel for registered buses
		Youth vocational training programs in high-growth sectors	Social safety net	5,000 young people country wide
		Support artisans and small businesses, and reinforce their value chains and production capacity	Social safety net	5,000 artisans receiving an allowance of HTG 5,000 for two months
		Socio-cultural and sports-based activities for youth in vulnerable neighborhoods	Social safety net	100 projects
Ministry of Economy and Finance (MEF)	Budget, WB, IDB, USAID, WFP	Register more than 200,000 new households in SIMAST country-wide	Social safety net	Six cash transfer cycles, each reaching 50,000 households
		Enhance the current digital payment system to facilitate money transfers	Social safety net	

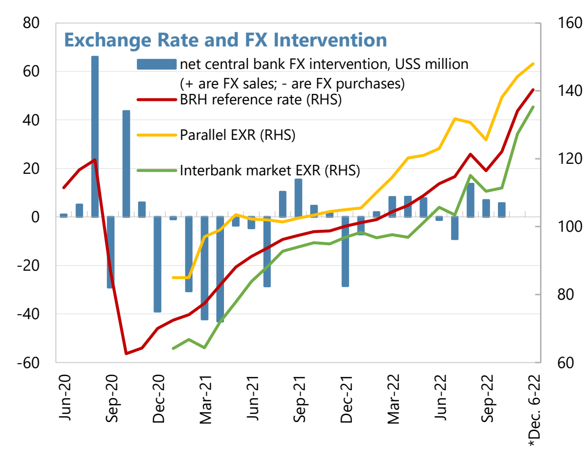
Sources: Ministry of Economy and Finance and Ministry of Social Affairs and Labor.

C. Monetary and Exchange Rate Policies

18. The monetary policy framework has been strengthened and efforts should continue to

enhance exchange rate flexibility. Monetary performance at end-June has been looser than programmed, owing mainly to lower-than-programmed liquidity absorption. The BRH met the ceiling on credit to government at the end of June, but the gourde and the foreign exchange (FX) market came under pressure in the summer, in part because of a slowdown in remittance inflows that aggravated the shortage of FX. The BRH acted in August to provide dollars and absorb gourde liquidity. Staff and the authorities agreed that the framework laid out in the SMP remains relevant. This includes greater exchange rate flexibility, a ceiling on credit to the NFPS as the main anchor to limit monetary financing of the deficit to 1.5 percent of GDP, and short-term liquidity operations at a fixed rate with full allotment—including at seven-days—to manage excess liquidity in the banking system and strengthen policy transmission. Staff urged the authorities to raise short-term rates further to spur disinflation, given the large negative real rate at about 15 percent and the cost of inflation for the poor. The authorities reiterated that they stand ready to increase the short-term rate further to stem inflationary pressures but are also taking into account the fallout on an economy that has contracted for the fourth consecutive year and the asymmetric effect of rate hikes on lending and deposit rates.





Sources: BRH and Fund staff calculations.

19. The BRH should continue to limit its interventions in the FX market to smoothing excessive or volatile exchange rate fluctuations. The gourde downswing resulted in an increase in the volume of FX interventions, adding pressure to NIR. The BRH managed the exchange rate adjustment gradually using prudential measures, including interest rate increases and reserve requirements. With respect to the QT on the NIR, staff urged the authorities to boost NIR (QT), including through less FX sales while ensuring the exchange rate remains primarily an external shock absorber and reserves are preserved. The unwinding of FX surrender requirements with Circular 114.3 is a positive step. In consultation with the IMF's Monetary and Capital Market Department (MCM), the BRH considers to: (i) put in place an appropriate mechanism for FX interventions, such as well-designed weekly FX auctions, in lieu of the FX allocation system, (ii) advance its ongoing work on a FX market intervention rule, and (iii) complete the revision of banks' net open positions (NOP) limits. Staff and the authorities agreed that advancing these reforms would enhance the transparency of interventions and encourage banks to improve their liquidity management in a more forward-looking manner.

D. Financial Sector Policies

20. The BRH has advanced on reforms to improve payment systems. With Fund's technical assistance, the BRH has been strengthening banking supervision to upgrade the regulatory framework and move to risk-based supervision. Reform efforts on the financial sector focus on:

- **Banking supervision**. The BRH has reinforced human capital through external hiring and training of supervisors. It finalized the pre-draft of risk assessment grids and the rating matrix for financial institutions, a step toward risk-based supervision. The authorities are finalizing new regulations on risk concentration, classification, and provisioning of credits, as well as the new chart of accounts for financial institutions. Staff commended recent progress and urged the BRH to continue its work to establish risk-based supervision supported by TA.

- **Digital money**. The BRH has benefited from IMF technical assistance in analyzing key issues related to a central bank digital currency. Staff strongly recommended that the BRH consider all aspects of the project's desirability and feasibility, including a robust evaluation of costs and risks, before proceeding to the prototype phase. Furthermore, Haiti lacks the regulatory framework and/or updated national payment system needed to facilitate mobile payments and operators. Modernization efforts should include migration toward new international messaging standards, which would support interoperability and financial integrity.

- **Anti-money laundering**. An interim technical assistance report by the IMF Legal Department and detailed comments on the draft AML/CFT bill was produced in late November 2022, with a follow-up mission expected early next year to agree on key amendments and reforms. Given widespread deficiencies in the legal framework and potential correspondent banking relationship pressures, revision of the AML/CFT law should be approved by the Council of Ministers by April 2023 (SB). Progress in meeting the requirements of its Action Plan under the FATF's International Co-operation Review Group (ICRG) is essential to prevent negatively impact on correspondent banking relationships and remittance flows.

E. Governance and Safeguards

21. The authorities have made solid progress on governance, but further efforts are needed. Since the adoption of November 2021 decree on the transparency requirements, the authorities have published public procurement contracts, including the publication of tenders, contracts, and the beneficial owners of successful bidders (monthly SB). They committed to strictly enforce these governance arrangements to procurement contracts awarded on the spending of emergency resources. Staff followed through the implementation of this continuous SB. To monitor the implementation of social programs, the authorities committed to follow good PFM practices, in line with recent technical assistance from the IMF. They agreed to introduce all social expenditure into the budget and all associated financing in the Single Treasury Account at the central bank, in compliance with procurement, execution, and expenditure control procedures. Moreover, they agreed to strengthen transparency and audit capacity in the spending of emergency resources for the most vulnerable households to ensure accountability. To this end, they have activated budgetary mechanisms to carefully monitor, record, and publish all expenditure related to the emergency response and will publish comprehensive monthly reports on the execution of the budget, no later than 45 days after the end of each month, while carrying out internal audits of expenditure by all the ministries concerned with the requested use of the emergency resources provided in the framework of the IMF Food Shock Window. Staff welcomed these measures and stressed that adequate transparency and recording of funding allocation is essential to catalyze further donor support. Finally, staff urged the authorities to finalize the reform of the anti-corruption laws to ensure effective implementation and compliance with the United Nations Convention against Corruption and international best practices.

22. With a view to strengthen its governance and operations, the BRH should resume its efforts to implement the remaining overdue 2019 safeguards recommendations. Some recommendations have been implemented, including the publication of the FY 2021 financial statements (end-June 2022 structural benchmark). The BRH also progressed towards an agreement with the MEF on consolidating government debt and the internal audit function plans to verify program monetary data at program test dates, as recommended. The BRH also recently submitted drafting amendments to its organic act for IMF staff's review (end-September 2022 structural benchmark). While these would improve the Act in some respects, some areas, including on governance arrangements, mandate, and autonomy safeguards, need further strengthening. Moreover, other priority recommendations, such as the adoption of International Financial Reporting Standards and development of a medium-term plan to phase-out BRH's involvement in development activities, as well as the alignment of the foreign investment strategy with best practices, remain in progress. Staff will continue to monitor the implementation of the recommendations.

PROGRAM MONITORING

23. Quantitative targets. Staff proposes to revise the December 2022 quantitative targets (QTs) and March 2023 indicative targets on the NFPS primary balance floor; the NIR floor, BRH net credit to the NFPS ceiling; and a floor on budget allocations to the Ministry of Social Affairs and Labor (the key agency delivering social assistance) to reflect the more adverse economic environment (Appendix 1, Table 1). The continuous QTs will remain in place and consist of a zero ceiling on: non-concessional borrowing (below 35 percent grant element), domestic arrears accumulation, and external arrears accumulation. Staff proposes to slightly lower the indicative target on central government tax revenue, consistent with the improved fiscal outlook (¶9). Given the deterioration of the global outlook and Haiti's fragility, this will permit some flexibility to support the authorities' spending capacity, while ensuring they continue to meet the original objectives set out in the SMP.

24. Adjustors. The QTs continue to include an asymmetric adjustor on the NFPS primary balance and NIR for shortfalls in external budget support. More specifically, if a shortfall in budget support grants arises, the floors on both the primary balance and NIR target would be reduced by the amount of the shortfall. As the ceiling on BRH financing to the government would not change, the government would need to raise financing from domestic sources or use concessional external financing to cover the lower primary balance. If external budget support grants are above projections, the primary balance and NIR floors would not change. This would permit the government to spend the excess, which is justified by the need to increase spending and Haiti's debt sustainability. The program started in June 2022 and ends May 31, 2023, with test dates being the ends of June 2022 and December 2022. Provision of timely data for program monitoring has improved and the team will emphasize that efforts should continue.

25. Structural benchmarks (SBs). Staff proposes to reset to end-March 2023 both the end-September SB on the approval by the BRH Board of Directors of draft amendments of the BRH law and end-December SB on a decree making use of TIN compulsory for all finance departments (Appendix 1 Table 2). Staff also proposes to reset the end-March SB on the approval by the council of ministries of the amendments on the AML/CFT law to end April 2023 to allow for additional progress. The team has coordinated closely with Fund's functional departments, and also with the EU, the Inter-American Development Bank (IDB) the World Bank (WB), and the World Food Program (WFP) on the structural reform agenda related to capacity development.

STAFF APPRAISAL

26. Haiti is mid-way through a Staff-Monitored Program that has been an important anchor for policymakers, despite one of the most challenging economic environments in many years. Haiti has been hit by the spillovers from a worsening global outlook and the war in Ukraine, which have increased the economy's fragility. The external shocks and deterioration of the security situation have resulted in a macroeconomic outlook worse than at the time of the program's approval and macro slippages.

27. The authorities have nonetheless demonstrated commitment under the SMP, despite the overwhelming circumstances, and have adopted important policy measures. They have adopted measures to boost revenue collection, tightened monetary policy toward tackling rising inflation though real interest rate remained highly negative, and made additional efforts to strengthen the policy framework producing for the first time a medium-term fiscal framework. The authorities should sustain these corrective actions to help restore macroeconomic stability. In addition, in order to strengthen the fiscal framework and improve the spending mix, the fuel price reform should be a top priority of the government. A comprehensive fuel reform strategy is necessary to avoid ad hoc price adjustments and to ensure that the most vulnerable are shielded.

28. Improvements in PFM and revenue administration are welcome and seen necessary to promote macroeconomic stability. The successful completion of the consolidation of central budgetary agencies in one Treasury Single Account and the Medium-Term Budgetary framework will permit greater accountability and transparency in public finances and reduce fiscal dominance. Progress has been made in achieving reforms relating to the tax identification numbers (TIN).

29. **Clarification of the monetary policy framework is urgently needed in view of declining net international reserves**. The needed reforms will allow greater exchange rate flexibility and permit the central bank to focus on its core policy goals of stabilizing prices while maintaining adequate liquidity and financial stability to support growth. In this respect, staff urged the authorities to finalize the amendments to the central bank's law. Staff welcomes the authorities' readiness to raise the policy rate to stem inflationary pressures but urges them to move firmly to meet the program objectives of maintaining NIR levels and reducing monetary financing.

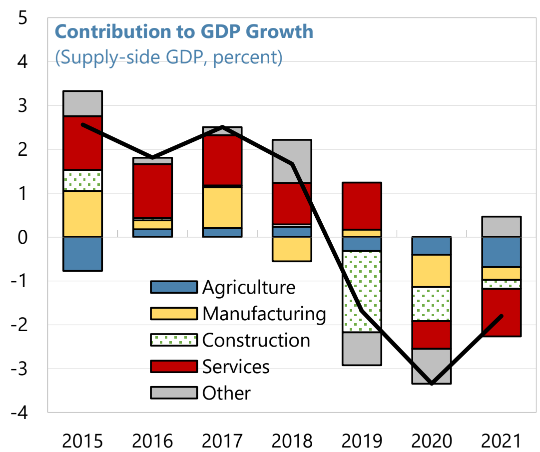
30. **Continuing to strengthen the social safety nets will be vital for cushioning the impact of the shocks on the population and alleviating widespread poverty**. Staff considers the authorities' detailed strategy to tackle food insecurity to be a good step forward in enhancing the social safety net, leveraging ongoing programs, with the support of the development partners including the EU, the IADB, the WB, and the WFP. Elaborating an action plan in support of the National Policy for Social Protection and Promotion will further strengthen the social safety net. During the current fiscal year, and in coming years, budget resources to support social spending—including allocations to Ministry of Social Affairs and Labor (MAST) and SIMAST—should increase, as should the efficiency in executing social spending supported by Fund's capacity development. This will enable the authorities to better assist vulnerable populations.

31. **Staff welcomes progress on governance and anti-corruption measures, which are key to ensure inclusive growth and urges the authorities to make steady and continuous progress on reforms to strengthen governance**. The authorities have taken steps to strengthen accountability in the collection and use of public resources, including with extra-budgetary agencies, and have boosted the transparency of public procurement for emergency resources. They are working to bring AML/CFT laws up to international standards supported by Fund's capacity development. The authorities have been publishing, on a monthly basis, awards of procurement contracts, including the names of beneficial owners of bidders. This has helped enhance the transparency of public procurement and better define the roles of the procurement agency (CNMP) and the Supreme Court (La Cour Superieure des Comptes et du Contentieux Administratif). Sustaining progress on governance is paramount for building the trust of the public and of development partners.

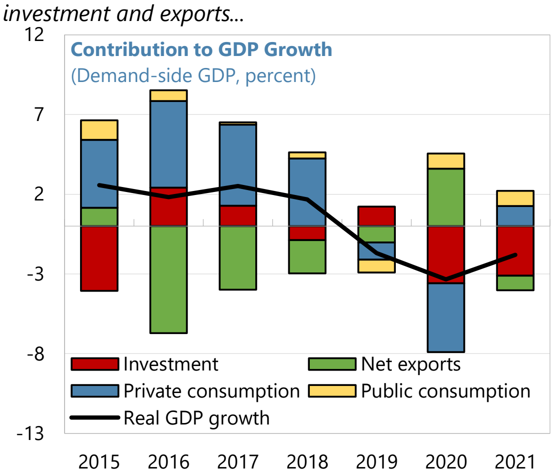
32. **Based on Haiti's performance under the SMP, and the authorities' corrective actions and forward-looking commitments to advance structural reforms, staff supports the completion of the first Review**. Staff supports resetting the quantitative targets, the indicative targets and the structural benchmarks as indicated in paragraphs 23 and 25.

Figure 1. Haiti: Real Sector Developments, 2015–22

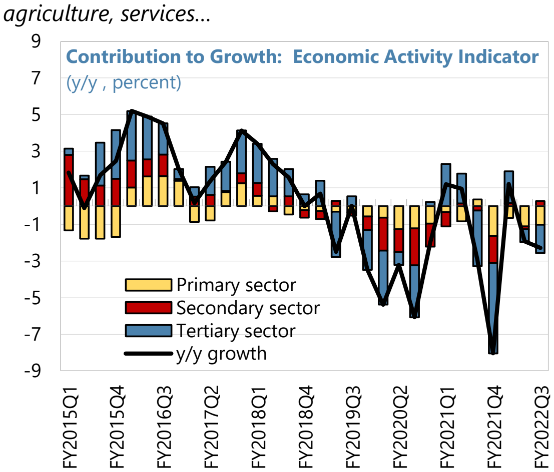
Real GDP continues to contract[1]...



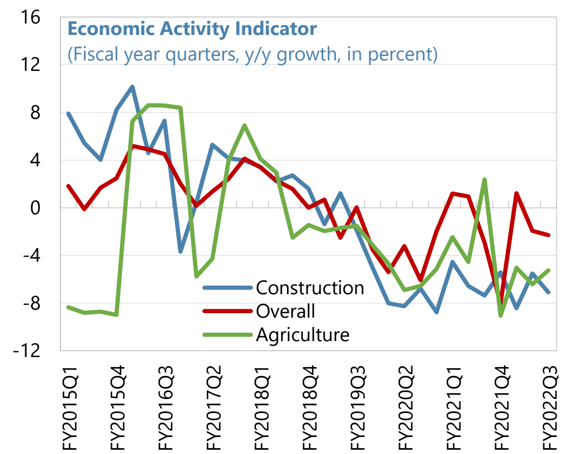
...reflecting, for the most part, a sharp decline in investment and exports...



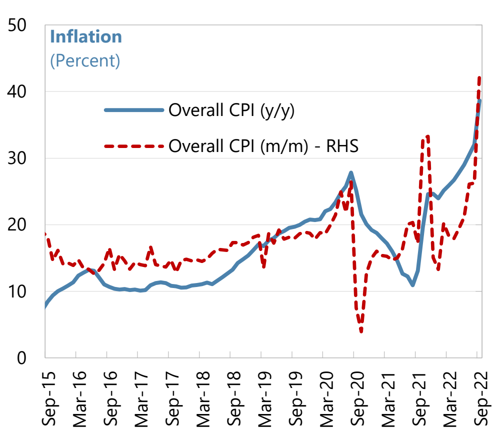
...and negative growth in all key sectors, particularly in agriculture, services...



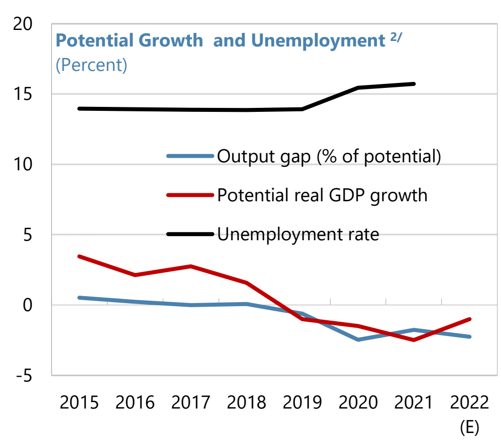
...and construction.



Inflation rose sharply reaching 38.7 percent y/y in September.



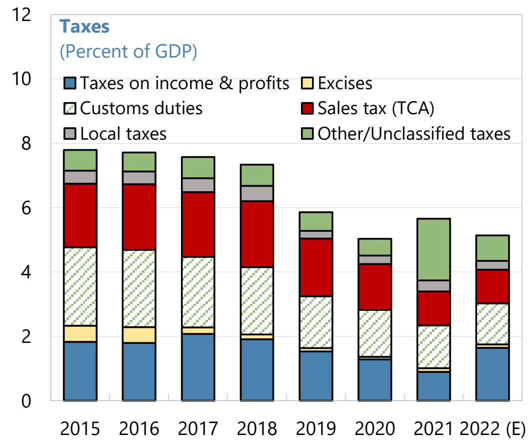
The output gap widened and unemployment increased.



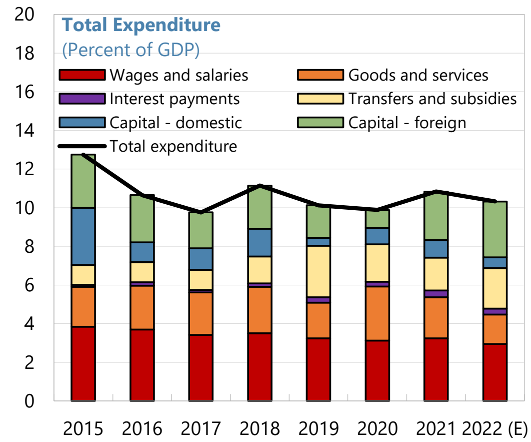
Sources: National authorities; World Bank; International Labour Organization (ILO) and Fund staff estimates.
1/ Data on fiscal-year basis, ending on September 30.
2/ Unemployment is ILO estimates.

Figure 2. Haiti: Fiscal Sector Developments, 2015–22

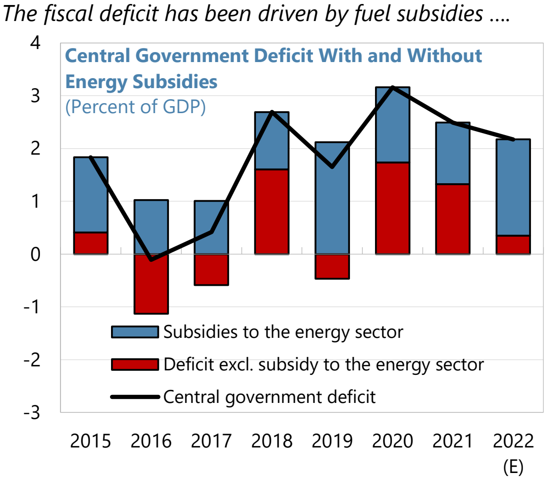
Tax revenue has fallen after 2018[1]*...*



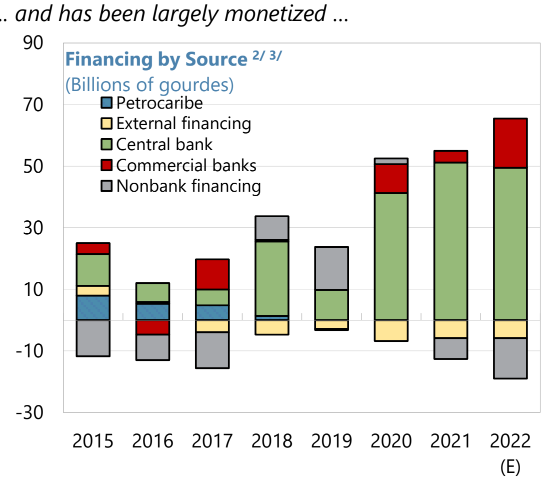
...while expenditure has remained stable.



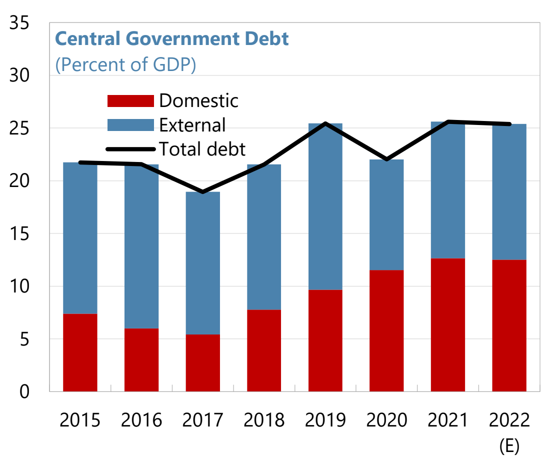
The fiscal deficit has been driven by fuel subsidies ....



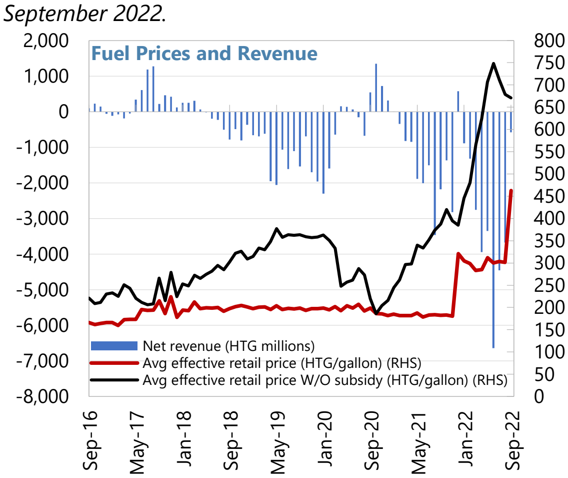
.. and has been largely monetized ...



... raising also domestic debt.



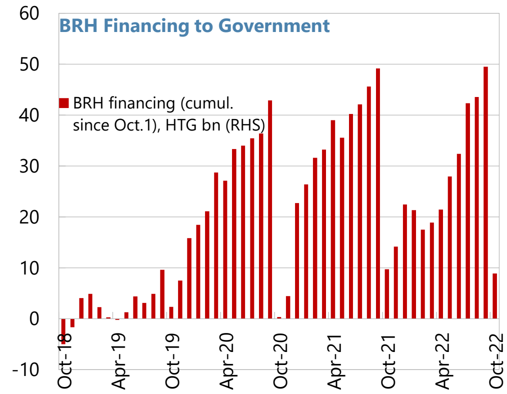
Fuel price adjustments took place in December 2021 and September 2022.



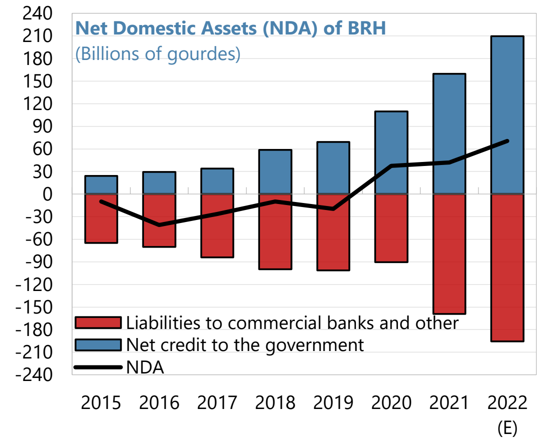
Sources: National authorities and Fund staff estimates.
1/ Data on fiscal-year basis, ending on September 30.
2/ External financing includes project loan disbursements and external arrears net of amortization.
3/ Non bank financing includes domestic supplier credits and domestic arrears.

Figure 3. Haiti: Monetary Sector Developments, 2015–22

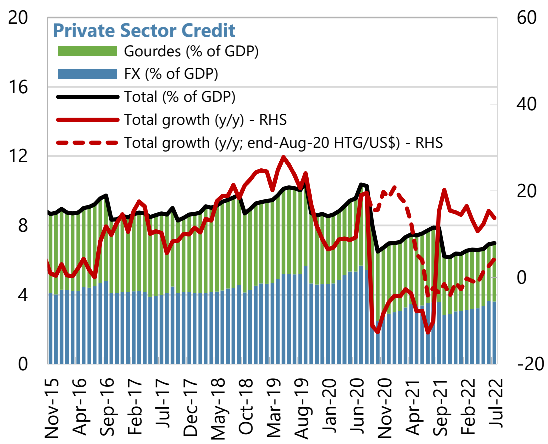
BRH financing to the government…



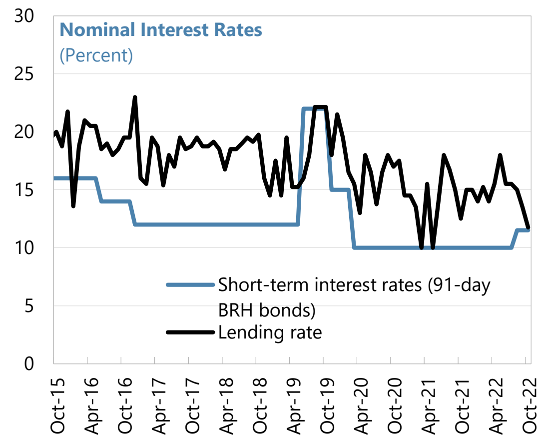
…increased the net credit to the government.



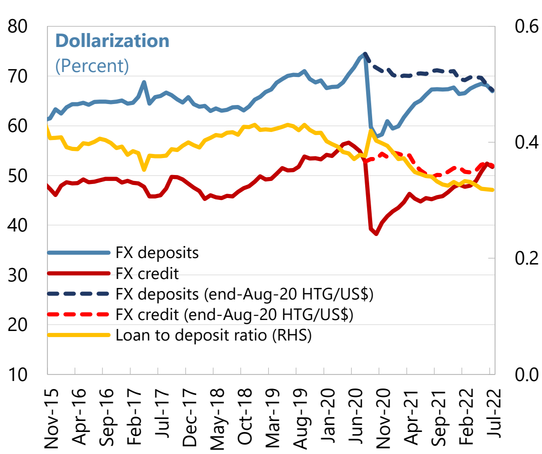
Private sector credit picked up in late 2021.



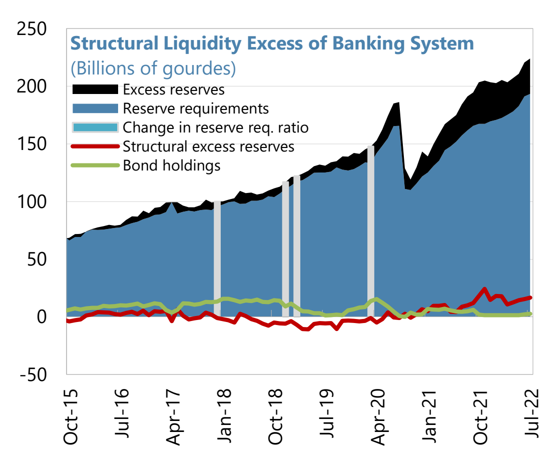
Lending rates are volatile and periodically decouple from the BRH policy rate.



Dollarization of deposits and credit has been stable in terms of the constant exchange rate…



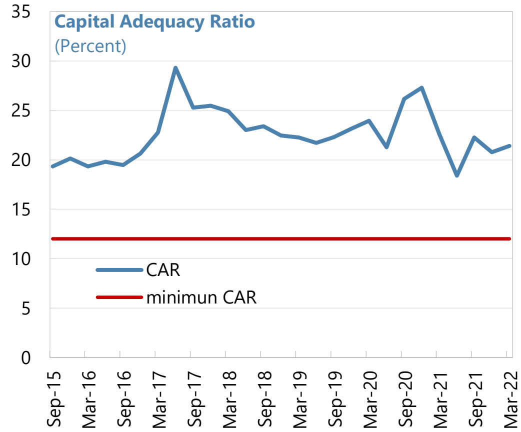
… while excess structural liquidity is rising in the banking system.



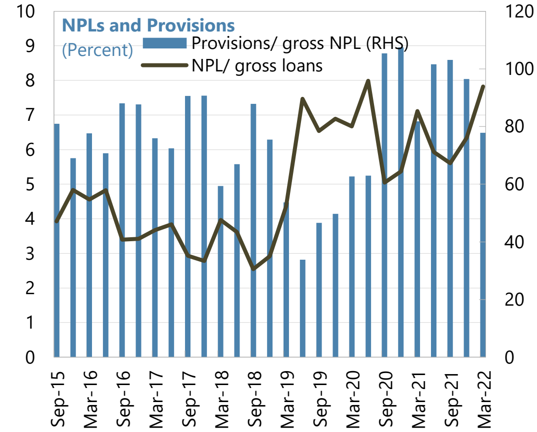
Sources: National authorities and Fund staff estimates.

Figure 4. Haiti: Financial Sector Indicators, 2015–22

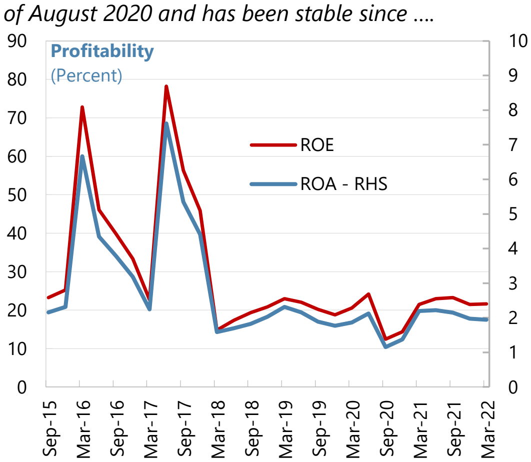
The banking system has adequate reported capital buffers...



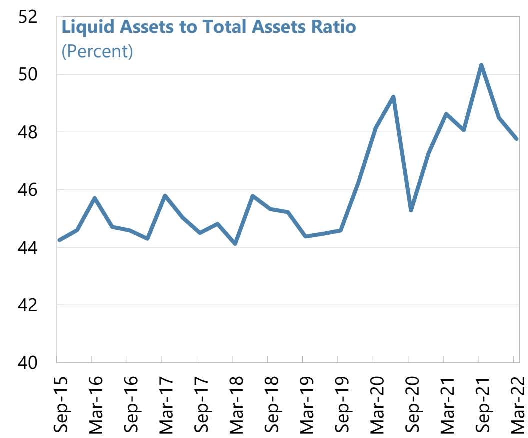
...but relatively high NPLs and related provisions.



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



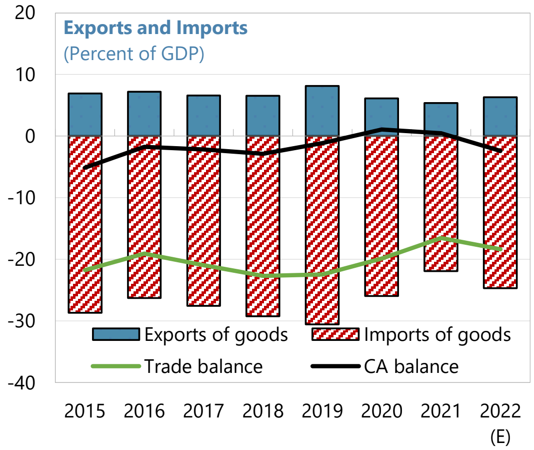
… while liquidity conditions remain favorable.



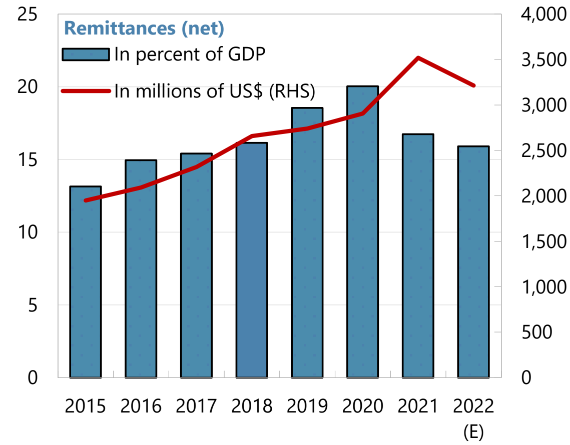
Sources: National authorities and Fund staff estimates.

Figure 5. Haiti: External Sector Developments, 2015–22

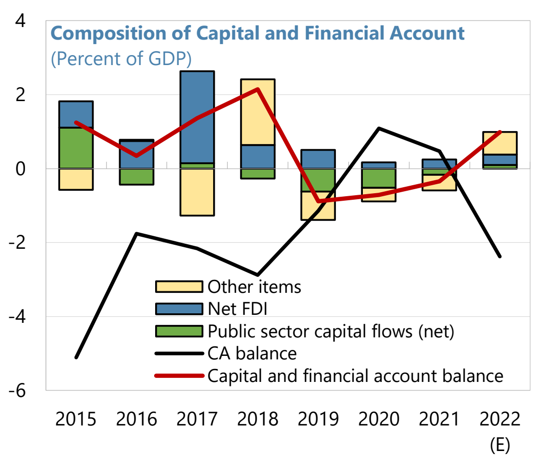
The trade balance improved as imports compressed amid the security crisis…



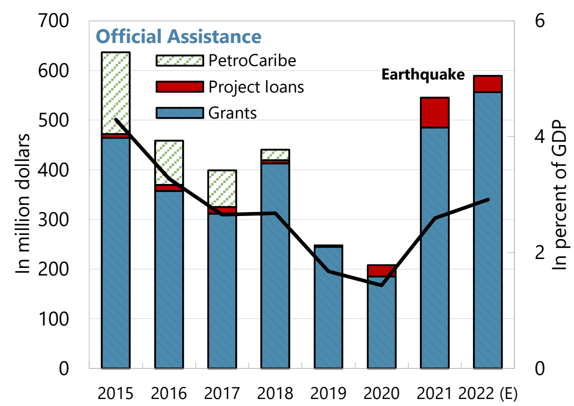
… while remittances (in percent of GDP) returned to pre-pandemic trends.



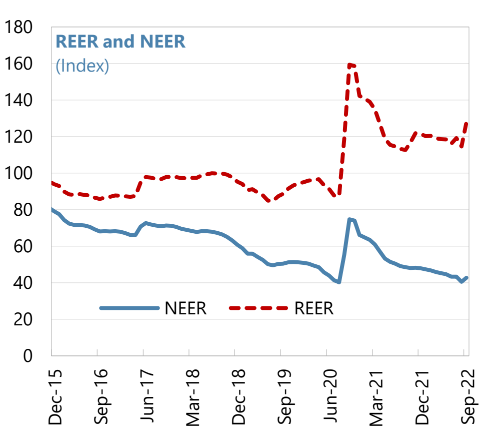
The current account net of grants remained in surplus…



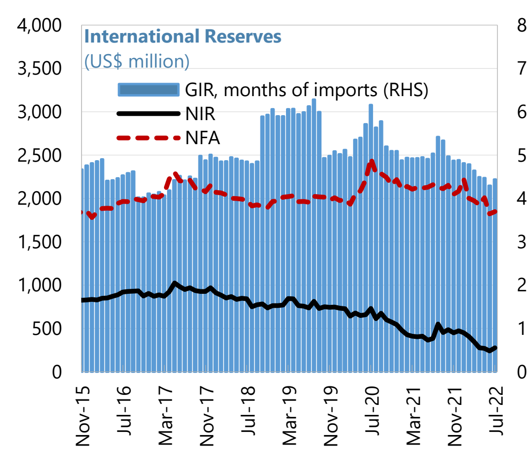
…and donor flows increased following August 2021 earthquake.



The REER depreciated after its sharp appreciation in September 2020, though it has recently trended up.



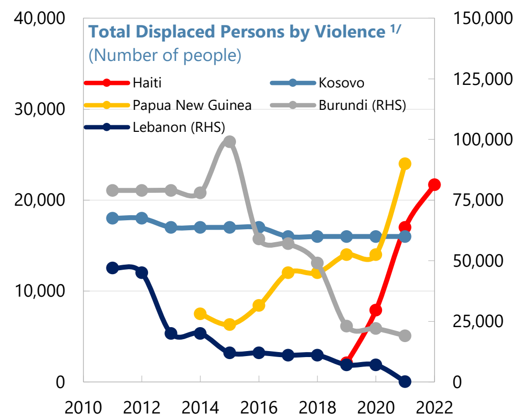
Foreign reserves coverage remains stable, but NIR has been declining with rising external liabilities to banks.



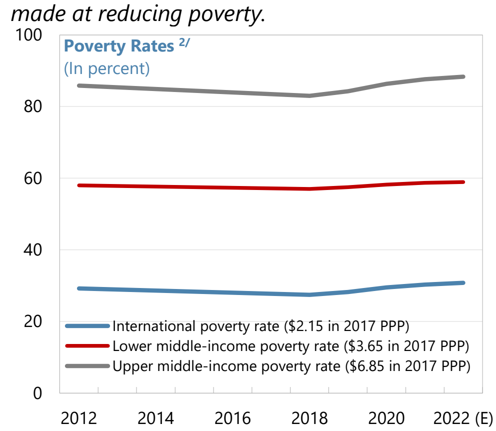
Sources: National authorities and Fund staff estimates.
1/ Data on a fiscal-year basis, ending on September 30.

Figure 6. Haiti: Social Indicators

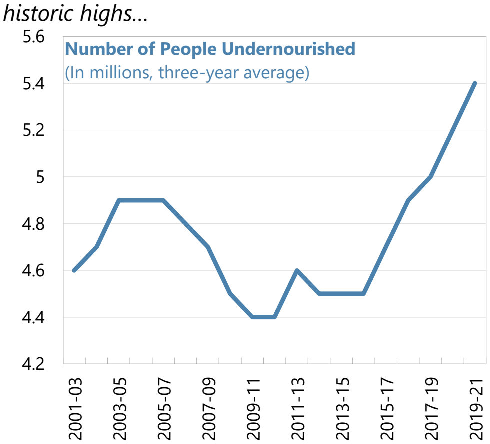
Political instability and security problems have taken a heavy toll on Haitian society…



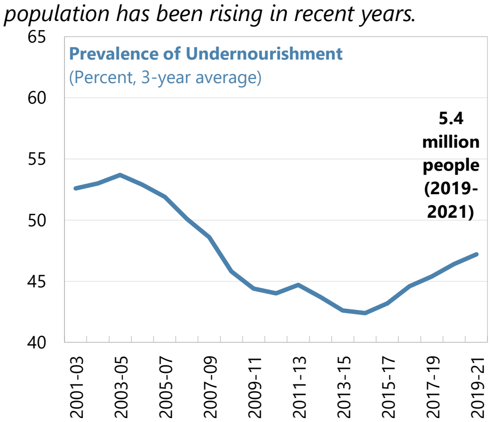
…and have reversed since 2018 the small progress made at reducing poverty.



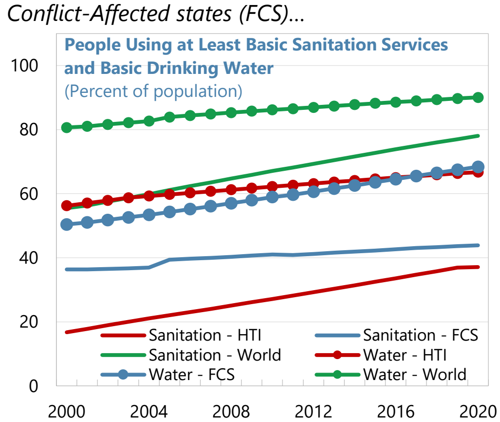
The absolute number of people undernourished has reached historic highs…



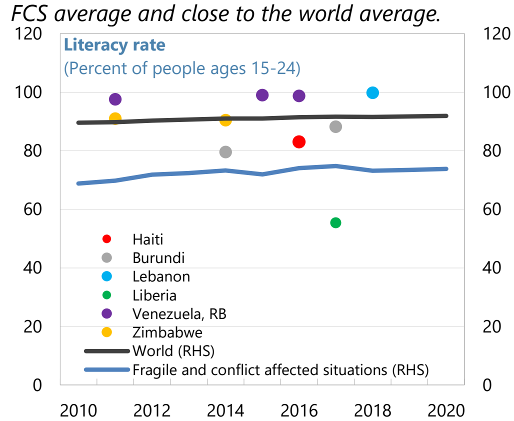
… and the undernourished as percent of the population has been rising in recent years.



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



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



Sources: International Organization for Migration (IOM) Displacement Tracking Matrix, FAO, World Bank, World Development Indicators, and Fund staff calculations.

1/ Data for Haiti for 2022 is an estimate by IOM as of September 2022. The estimates for 2022 for other countries are not available.

2/ Data was extracted from the World Bank, Macro Poverty Outlook – October 2022. Data is not available from 2013-17.

Table 1. Haiti: Selected Economic and Financial Indicators, FY2019–25

(Fiscal year ending September 30)

Nominal GDP (2021): US$21.0 billion — GDP per capita (2021): US$1,765

Population (2021): 11.9 million — Percent of population below poverty line (2021): 52.3

	FY2019	FY2020	FY2021	FY2022	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)							
National income and prices								
GDP at constant prices	-1.7	-3.3	-1.8	0.3	-1.5	0.3	1.2	1.5
GDP deflator	17.6	20.6	19.3	26.1	27.6	33.4	14.0	12.9
Consumer prices (period average)	17.3	22.9	15.9	26.1	27.6	33.4	14.0	12.9
Consumer prices (end-of-period)	19.7	25.2	13.1	27.5	38.7	21.0	13.4	12.4
External Sector								
Exports (goods, valued in U.S. dollars, f.o.b.)	11.4	-26.3	27.7	7.0	13.1	4.8	6.1	6.2
Imports (goods, valued in U.S. dollars, f.o.b.)	-6.0	-16.7	22.3	12.8	8.4	7.6	5.2	4.6
Remittances (valued in U.S. dollars)	3.2	6.0	21.1	5.0	-8.6	0.0	5.2	5.7
Real effective exchange rate (eop; + appreciation)	-11.0	34.2	-5.2		…	…	…	…
Money and credit (valued in gourdes)								
Credit to private sector (in U.S. dollars and gourdes)	24.0	-11.2	15.2	5.8	6.5	9.4	11.2	12.5
Base money (currency in circulation and gourde deposits)	22.9	22.4	21.5	21.5	14.9	13.8	13.3	11.6
Broad money (excl. foreign currency deposits)	20.4	-0.3	38.2	20.8	14.2	13.0	12.5	11.2
	(In percent of GDP; unless otherwise indicated)							
Central government								
Overall balance (including grants)	-2.1	-2.4	-2.6	-1.5	-2.2	-2.0	-2.5	-2.7
Domestic revenue	6.4	6.2	5.9	5.8	5.4	6.6	6.9	7.3
Grants	1.7	1.3	2.3	2.7	2.8	2.5	2.3	2.2
Expenditures	10.1	9.9	10.8	10.1	10.3	11.1	11.7	12.2
Current expenditures	8.0	8.1	7.4	6.6	6.9	7.6	7.8	8.0
Capital expenditures	2.1	1.8	3.4	3.5	3.4	3.5	3.9	4.1
Overall balance of the nonfinancial public sector 1/	-1.7	-3.2	-2.5	-1.5	-2.2	-2.0	-2.5	-2.7
Savings and investment								
Gross investment	20.3	17.7	18.0	19.4	18.7	15.3	15.2	15.9
Of which: public investment	2.1	1.8	3.4	3.5	3.4	3.5	3.9	4.1
Gross national savings	19.2	18.8	18.5	20.2	16.3	14.5	14.7	15.3
External current account balance (incl. official grants)	-1.1	1.1	0.5	0.8	-2.4	-0.8	-0.5	-0.6
Net fuel exports	-7.5	-5.0	-3.1	-6.1	-5.0	-4.2	-3.5	-3.3
Public debt								
External public debt (medium and long-term, eop)	15.8	10.5	12.9	11.2	12.9	11.1	11.1	11.2
Total public sector debt (end-of-period)	26.5	23.3	28.5	27.3	29.4	25.3	25.5	25.9
External public debt service 2/	6.6	12.5	9.5	9.3	8.8	8.6	8.0	8.1
Memorandum items:	(In millions of dollars, unless otherwise indicated)							
Overall balance of payments	-207	139	-4	-36	-282	-73	25	25
Net international reserves (program definition)	732	677	452	492	142	203	242	285
Gross international reserves	2,100	2,501	2,534	2,574	2,328	2,348	2,373	2,398
In months of imports of the following year	6.0	5.8	5.4	5.0	4.6	4.5	4.4	4.3
Nominal GDP (millions of gourdes)	1,244,014	1,449,888	1,699,208	2,149,404	2,135,272	2,857,327	3,295,019	3,776,214
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	20,223	24,236	25,192	26,128

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

1/ Includes transfers to the state-owned electricity company (EDH), and unsettled payment obligations.

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

Table 2a. Haiti: Non-Financial Public Sector Operations, FY2019–25

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

	FY2019	FY2020	FY2021	FY2022	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	Proj.
Total revenue and grants	**99,665**	**108,524**	**139,852**	**184,082**	**173,689**	**259,708**	**302,124**	**357,280**
Domestic revenue	79,071	90,046	100,635	125,552	114,919	187,736	226,608	275,792
Domestic taxes	53,299	52,378	74,012	87,286	82,525	115,961	137,052	166,130
Customs duties	20,098	21,127	22,613	31,166	27,341	64,842	81,363	100,046
Of which: fuel taxes	52	0	0	0	0	30,554	35,232	28,298
Other current revenue	5,674	16,541	4,009	7,099	5,053	6,933	8,193	9,616
Grants	20,594	18,478	39,217	58,530	58,770	71,972	75,515	81,488
Budget support 1/	0	3,868	1,321	1,930	445	9,432	5,886	6,504
Project grants	20,594	14,610	37,897	56,600	58,325	62,540	69,630	74,985
Total expenditure 2/	**125,952**	**143,265**	**184,164**	**217,344**	**220,400**	**317,276**	**384,959**	**459,694**
Current expenditure	99,835	117,479	126,058	142,405	146,835	216,159	255,837	303,753
Wages and salaries	40,280	45,333	55,130	68,134	63,030	94,292	112,031	132,167
Goods and services	23,022	32,119	35,472	32,899	32,504	57,147	65,900	75,524
Interest payments	3,398	3,604	6,014	4,401	6,596	6,181	6,480	8,540
Transfers and subsidies	33,134	27,984	28,842	36,970	44,706	58,540	71,426	87,521
Of which: Transfers to EDH	13,395	11,838	9,111	9,111	7,644	10,506	12,116	13,885
Of which: Fuel direct subsidies to oil companies	12,974	8,844	10,682	22,736	31,242	0	0	0
Exceptional expenditures 3/	0	8,439	600	0	0	0	0	0
Capital expenditure	26,117	25,786	58,107	74,939	73,564	101,117	129,122	155,941
Domestically financed	5,264	12,334	15,359	14,889	11,789	38,577	46,413	63,614
Foreign-financed	20,853	13,452	42,748	60,050	61,775	62,540	82,709	92,328
Central government balance including grants	**-26,286**	**-34,741**	**-44,313**	**-33,262**	**-46,710**	**-57,568**	**-82,835**	**-102,414**
Excluding grants and externally financed projects	-26,028	-39,767	-40,782	-31,742	-43,706	-67,000	-75,642	-91,574
Primary balance of NFPS, incl. grants and other transfers to EDH	**-22,888**	**-31,138**	**-38,298**	**-28,860**	**-40,115**	**-51,387**	**-76,356**	**-93,874**
Adjustment (unsettled payment obligations)	-5,746	11,058	-2,031	0	-256	0	0	0
Overall balance of NFPS, including grants	**-20,540**	**-45,800**	**-42,282**	**-33,262**	**-46,454**	**-57,568**	**-82,835**	**-102,414**
Financing, NFPS	**20,540**	**45,800**	**42,282**	**33,262**	**46,454**	**57,568**	**82,835**	**102,414**
External net financing	-2,780	-6,728	-5,865	-7,490	-5,822	-11,110	648	3,658
Loans (net)	-6,790	-6,728	-2,640	-7,490	-5,822	-11,110	648	3,658
Disbursements	259	2,281	4,851	3,450	3,450	0	13,079	17,343
Amortization	-7,049	-9,009	-7,491	-10,940	-9,272	-11,110	-12,431	-13,685
Arrears (net)	4,010	0	-3,225	0	0	0	0	0
Internal net financing	23,320	52,527	48,147	40,752	52,276	68,678	82,187	98,756
Banking system	9,434	50,584	54,916	58,808	65,464	56,299	82,187	98,756
BRH 4/	9,823	41,255	51,165	46,533	49,515	45,803	65,900	75,524
Commercial banks	-388	9,329	3,751	12,275	15,950	10,496	16,287	23,232
Expected financing						12,379		
Nonbank financing 5/	13,886	1,943	-6,769	-18,056	-13,188	0	0	0
Memorandum items								
Forgone fuel taxes and fuel direct subsidies	32,754	29,332	31,984	53,840	62,553	2,021	-1,569	7,575
o/w Forgone fuel taxes	19,780	20,488	21,302	31,104	31,311	2,021	-1,569	7,575
o/w Fuel direct subsidies to oil companies	12,974	8,844	10,682	22,736	31,242	0	0	0
Health, education and agriculture spending	18,801	29,050	28,173	36,540	36,300	50,003	59,310	69,860
Nominal GDP	1,244,014	1,449,888	1,699,208	2,149,404	2,135,272	2,857,327	3,295,019	3,776,214

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

1/ Includes previously-programmed multilateral budget support that could be delayed, as well as CCRT debt relief.

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

3/ Includes all COVID-related expenditures for FY2020 and FY2021.

4/ Amounts include RCF financing for FY2020 and the full two-year debt-relief under the CCRT and for FY2021 half of the SDR allocation.

5/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

Table 2b. Haiti: Non-Financial Public Sector Operations, FY2019–25
(Fiscal year ending September 30; percent of GDP)

	FY2019	FY2020	FY2021	FY2022	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	Proj.
Total revenue and grants	**8.0**	**7.5**	**8.2**	**8.6**	**8.1**	**9.1**	**9.2**	**9.5**
Domestic revenue	6.4	6.2	5.9	5.8	5.4	6.6	6.9	7.3
Domestic taxes	4.3	3.6	4.4	4.1	3.9	4.1	4.2	4.4
Customs duties	1.6	1.5	1.3	1.5	1.3	2.3	2.5	2.6
Of which: fuel taxes	0.0	0.0	0.0	0.0	0.0	1.1	1.1	0.7
Other current revenue	0.5	1.1	0.2	0.3	0.2	0.2	0.2	0.3
Grants	1.7	1.3	2.3	2.7	2.8	2.5	2.3	2.2
Budget support 1/	0.0	0.3	0.1	0.1	0.0	0.3	0.2	0.2
Project grants	1.7	1.0	2.2	2.6	2.7	2.2	2.1	2.0
Total expenditure 2/	**10.1**	**9.9**	**10.8**	**10.1**	**10.3**	**11.1**	**11.7**	**12.2**
Current expenditure	8.0	8.1	7.4	6.6	6.9	7.6	7.8	8.0
Wages and salaries	3.2	3.1	3.2	3.2	3.0	3.3	3.4	3.5
Goods and services	1.9	2.2	2.1	1.5	1.5	2.0	2.0	2.0
Interest payments	0.3	0.2	0.4	0.2	0.3	0.2	0.2	0.2
Transfers and subsidies	2.7	1.9	1.7	1.7	2.1	2.0	2.2	2.3
Of which: Transfers to EDH	1.1	0.8	0.5	0.4	0.4	0.4	0.4	0.4
Of which: Fuel direct subsidies to oil companies	1.0	0.6	0.6	1.1	1.5	0.0	0.0	0.0
Exceptional expenditures 3/	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	2.1	1.8	3.4	3.5	3.4	3.5	3.9	4.1
Domestically financed	0.4	0.9	0.9	0.7	0.6	1.4	1.4	1.7
Foreign-financed	1.7	0.9	2.5	2.8	2.9	2.2	2.5	2.4
Central government balance including grants	**-2.1**	**-2.4**	**-2.6**	**-1.5**	**-2.2**	**-2.0**	**-2.5**	**-2.7**
Excluding grants and externally financed projects	-2.1	-2.7	-2.4	-1.5	-2.0	-2.3	-2.3	-2.4
Primary balance of NFPS, incl. grants and other transfers to EDH	**-1.8**	**-2.1**	**-2.3**	**-1.3**	**-1.9**	**-1.8**	**-2.3**	**-2.5**
Adjustment (unsettled payment obligations)	-0.5	0.8	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance of NFPS, including grants	**-1.7**	**-3.2**	**-2.5**	**-1.5**	**-2.2**	**-2.0**	**-2.5**	**-2.7**
Financing, NFPS	**1.7**	**3.2**	**2.5**	**1.5**	**2.2**	**2.0**	**2.5**	**2.7**
External net financing	-0.2	-0.5	-0.3	-0.3	-0.3	-0.4	0.0	0.1
Loans (net)	-0.5	-0.5	-0.2	-0.3	-0.3	-0.4	0.0	0.1
Disbursements	0.0	0.2	0.3	0.2	0.2	0.0	0.4	0.5
Amortization	-0.6	-0.6	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4
Arrears (net)	0.3	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Internal net financing	1.9	3.6	2.8	1.9	2.4	2.4	2.5	2.6
Banking system	0.8	3.5	3.2	2.7	3.1	2.0	2.5	2.6
BRH 4/	0.8	2.8	3.0	2.2	2.3	1.6	2.0	2.0
Commercial banks	0.0	0.6	0.2	0.6	0.7	0.4	0.5	0.6
Expected financing						0.6		
Nonbank financing 5/	1.1	0.1	-0.4	-0.8	-0.6	0.0	0.0	0.0
Memorandum items								
Forgone fuel taxes and fuel direct subsidies	2.6	2.0	1.9	2.5	2.9	0.1	0.0	0.2
o/w Forgone fuel taxes	1.6	1.4	1.3	1.4	1.5	0.1	0.0	0.2
o/w Fuel direct subsidies to oil companies	1.0	0.6	0.6	1.1	1.5	0.0	0.0	0.0
Health, education and agriculture spending	1.5	2.0	1.7	1.7	1.7	1.8	1.8	1.9
Nominal GDP (millions of gourdes)	1,244,014	1,449,888	1,699,208	2,149,404	2,135,272	2,857,327	3,295,019	3,776,214

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

1/ Includes previously-programmed multilateral budget support that could be delayed, as well as CCRT debt relief.

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

3/ Includes all COVID-related expenditures for FY2020 and FY2021.

4/ Amounts include RCF financing for FY2020 and the full two-year debt-relief under the CCRT and for FY2021 half of the SDR allocation.

5/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

Table 3. Haiti: Summary Accounts of the Banking System, FY2019–25

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

	FY2019	FY2020	FY2021	FY2022 Prog.	FY2022 Est.	FY2023 Proj.	FY2024 Proj.	FY2025 Proj.
				I. Central bank				
Net foreign assets	146,120	117,208	146,005	175,822	145,574	151,422	172,907	197,069
(In millions of U.S. dollars)	1,566	1,778	1,499	1,553	1,312	1,237	1,272	1,317
Of which: Net international reserves (in millions of U.S. dollars) 1/	732	677	452	492	142	203	242	285
Of which : Commercial bank forex deposits (in millions of U.S. dollars)	914	1,160	1,324	1,338	1,447	1,331	1,326	1,328
Net domestic assets	-19,709	37,550	42,096	52,710	70,475	94,475	105,740	113,912
Net credit to the nonfinancial public sector	69,108	109,964	159,923	206,456	209,638	255,441	321,341	396,865
Of which: Net credit to the central government	70,939	112,194	162,197	208,730	211,911	257,714	323,615	399,139
Claims on central government	107,087	143,984	200,974	247,332	250,489	296,292	362,192	437,716
Central government deposits	36,148	31,791	38,777	38,602	38,577	38,577	38,577	38,577
Of which: IMF PCDR debt relief	-4,776	-4,686	-2,634	-3,279	-3,279	-4,119	-4,958	-5,798
Liabilities to commercial banks (excl. gourde deposits)	95,156	81,390	138,460	170,923	167,329	179,381	197,770	217,251
BRH bonds/Open market operations	6,200	841	3,525	13,453	800	10,453	11,453	12,453
Commercial bank forex deposits	88,956	80,549	134,935	157,470	166,529	168,928	186,317	204,798
Other	6,339	8,976	20,632	17,176	28,166	18,416	-17,830	-65,703
Base money	126,411	154,758	188,101	228,532	216,049	245,898	278,647	310,980
Currency in circulation	66,530	96,234	108,670	120,944	121,126	134,590	148,208	161,849
Commercial bank gourde deposits	59,881	58,524	79,431	107,588	94,923	111,307	130,438	149,131
				II. Consolidated banking system				
Net foreign assets	188,238	150,596	205,868	282,144	208,208	214,894	238,396	264,156
(In millions of U.S. dollars)	2,017	2,285	2,114	2,491	1,877	1,756	1,753	1,765
Of which: Commercial banks NFA (in millions of U.S. dollars)	451	506	615	939	565	519	482	448
Net domestic assets	182,592	219,132	305,095	334,893	375,126	444,112	502,805	559,942
Credit to the nonfinancial public sector	80,286	130,870	199,795	258,603	265,459	321,758	403,945	502,701
Of which: Net credit to the central government	80,286	130,870	195,957	254,765	261,622	317,921	400,108	498,864
Claims on central government	133,988	178,659	252,599	311,231	318,063	374,362	456,549	555,305
Central government deposits	53,702	47,789	56,641	56,466	56,441	56,441	56,441	56,441
Credit to the private sector	130,485	115,840	133,478	141,241	142,109	155,470	172,953	194,583
In gourdes	60,236	70,344	72,552	75,578	76,895	84,093	93,516	105,211
In foreign currency	70,250	45,495	60,926	65,663	65,214	71,376	79,438	89,372
Other	-28,179	-27,577	-28,178	-64,951	-32,442	-33,116	-74,094	-137,343
Broad money	370,830	369,728	510,963	617,036	583,333	659,006	741,201	824,098
Currency in circulation	60,743	85,390	98,150	110,424	110,606	124,070	137,689	151,329
Gourde deposits	90,630	114,581	134,373	166,210	139,670	158,548	177,078	197,209
Foreign currency deposits	215,530	165,194	270,986	322,188	322,644	370,768	419,035	465,983
(In millions of U.S. dollars)	2,310	2,506	2,782	2,845	2,909	3,030	3,082	3,114
				(12-month percentage change)				
Currency in circulation	28.7	40.6	14.9	12.5	12.7	12.2	11.0	9.9
Base money	22.9	22.4	21.5	21.5	14.9	13.8	13.3	11.6
Broad money (M3)	20.4	-0.3	38.2	20.8	14.2	13.0	12.5	11.2
Gourde deposits	-5.3	26.4	17.3	23.7	3.9	13.5	11.7	11.4
Foreign currency deposits	32.6	-23.4	64.0	18.9	19.1	14.9	13.0	11.2
Credit to the private sector	24.0	-11.2	15.2	5.8	6.5	9.4	11.2	12.5
Credit in gourdes	7.5	16.8	3.1	4.2	6.0	9.4	11.2	12.5
Credit in foreign currency	42.9	-35.2	33.9	7.8	7.0	9.4	11.3	12.5
Memorandum items:								
Foreign currency deposits (% of total private deposits)	71.0	59.7	67.4	65.9	69.7	70.0	70.3	70.2
Foreign curr. credit to priv. sector (% of total)	53.7	39.2	45.5	46.5	45.9	45.9	45.9	45.9
Commercial banks' credit to private sector (% of GDP)	10.5	8.0	7.9	6.6	6.7	5.4	5.2	5.2

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

1/ Program definition. Excludes commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and US$ denominated bank reserves. A portion of SDR allocation is in NIR.

Table 4a. Haiti: Balance of Payments, FY2019–25

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

	FY2019	FY2020	FY2021	FY2022	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	Proj.
Current account (including grants)	**-169**	**158**	**98**	**154**	**-481**	**-199**	**-126**	**-147**
Current account (excluding grants)	**-350**	**32**	**-36**	**-389**	**-705**	**-810**	**-703**	**-711**
Trade balance	-3,318	-2,879	-3,474	-3,984	-3,711	-4,030	-4,225	-4,394
Exports of goods	1,202	885	1,130	1,209	1,278	1,339	1,421	1,509
Of which: Assembly industry	1,133	824	1,071	1,159	1,199	1,259	1,332	1,416
Imports of goods	-4,520	-3,764	-4,604	-5,193	-4,989	-5,369	-5,646	-5,903
Of which: Fossil fuels	-1,112	-720	-643	-1,236	-1,016	-1,009	-893	-865
Services (net)	-110	-313	-464	-500	-532	-493	-416	-416
Receipts	531	129	124	118	118	150	156	163
Payments	-641	-441	-589	-618	-650	-643	-573	-579
Income (net)	50	29	23	23	23	61	77	97
Current transfers (net)	3,210	3,321	4,013	4,616	3,739	4,263	4,438	4,566
Official transfers (net)	181	126	135	544	224	610	577	564
Private transfers (net)	2,741	2,906	3,518	3,694	3,215	3,216	3,383	3,574
Other transfers (net)	288	290	360	378	300	437	478	428
Capital and financial accounts	**-131**	**-104**	**-72**	**-190**	**200**	**126**	**151**	**172**
Capital transfers	15	58	54	57	57	13	19	19
Public sector capital flows (net)	-92	-75	-35	20	20	-106	-6	15
Loan disbursements	3	23	60	30	30	0	100	120
Amortization	-95	-98	-95	-10	-10	-106	-106	-105
Foreign direct investment (net)	75	25	51	57	57	97	101	105
Banks (net) 1/	-79	-76	-162	-324	50	46	37	33
Other items (net) 2/	-50	-35	18	0	16	76	0	0
Errors and omissions	**93**	**85**	**-29**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-207**	**139**	**-4**	**-36**	**-282**	**-73**	**25**	**25**
Financing	**207**	**-139**	**4**	**36**	**282**	**73**	**-25**	**-25**
Change in net foreign assets (+ is decrease)	123	-350	-91	-40	206	-20	-25	-25
o/w Change in gross reserves (+ is decrease)	123	-350	-91	-40	206	-20	-25	-25
Change in IMF credit and loans (+ is increase)	-12	106	-5	-10	-10	-12	0	0
Expected financing						105		
Exceptional financing	96	104	101	86	86	0	0	0
o/w Changes in arrears 3/	93	96	90	81	81	0	0	0
o/w Debt rescheduling and debt relief 4/	3	3	-1	0	0	0	0	0
Memorandum items:								
Change in US$ denom. reserve deposits at BRH (+ is decrease)	15	-246	-164	-14	-123	116	5	-2
Change in NIR (program definition) (+ is decrease)	42	55	225	-40	310	-61	-39	-43
Exports of goods, f.o.b (percent change)	11.4	-26.3	27.7	7.0	13.1	4.8	6.1	6.2
Imports of goods, f.o.b (percent change)	-6.0	-16.7	22.3	12.8	8.4	7.6	5.2	4.6
Projected average oil price (U.S. dollars per barrel, APSP)	61.4	41.8	69.2	106.8	96.8	81.1	75.4	71.9
Debt service (in percent of exports of goods and services)	6.6	12.5	9.5	9.3	8.8	8.6	8.0	8.1
Gross international reserves (in millions of U.S. dollars)	2,100	2,501	2,534	2,574	2,328	2,348	2,373	2,398
(in months of next year's imports of goods and services)	6.0	5.8	5.4	5.0	4.6	4.5	4.4	4.3
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	20,223	24,236	25,192	26,128

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

1/ Change in net foreign assets of commercial banks.

2/ Includes arrears on oil imports.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes the CCRT debt relief.

Table 4b. Haiti: Balance of Payments, FY2019–25

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

	FY2019	FY2020	FY2021	FY2022	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	Proj.
Current account (including grants)	**-1.1**	**1.1**	**0.5**	**0.8**	**-2.4**	**-0.8**	**-0.5**	**-0.6**
Current account (excluding grants)	**-2.4**	**0.2**	**-0.2**	**-1.9**	**-3.5**	**-3.3**	**-2.8**	**-2.7**
Trade balance	-22.4	-19.8	-16.5	-19.8	-18.3	-16.6	-16.8	-16.8
Exports of goods	8.1	6.1	5.4	6.0	6.3	5.5	5.6	5.8
Of which: Assembly industry	7.7	5.7	5.1	5.8	5.9	5.2	5.3	5.4
Imports of goods	-30.6	-25.9	-21.9	-25.8	-24.7	-22.2	-22.4	-22.6
Of which: Fossil fuels	-7.5	-5.0	-3.1	-6.1	-5.0	-4.2	-3.5	-3.3
Services (net)	-0.7	-2.2	-2.2	-2.5	-2.6	-2.0	-1.7	-1.6
Receipts	3.6	0.9	0.6	0.6	0.6	0.6	0.6	0.6
Payments	-4.3	-3.0	-2.8	-3.1	-3.2	-2.7	-2.3	-2.2
Income (net)	0.3	0.2	0.1	0.1	0.1	0.3	0.3	0.4
Current transfers (net)	21.7	22.9	19.1	22.9	18.5	17.6	17.6	17.5
Official transfers (net)	1.2	0.9	0.6	2.7	1.1	2.5	2.3	2.2
Private transfers (net)	18.5	20.0	16.7	18.3	15.9	13.3	13.4	13.7
Other transfers (net)	1.9	2.0	1.7	1.9	1.5	1.8	1.9	1.6
Capital and financial accounts	**-0.9**	**-0.7**	**-0.3**	**-0.9**	**1.0**	**0.5**	**0.6**	**0.7**
Capital transfers	0.1	0.4	0.3	0.3	0.3	0.1	0.1	0.1
Public sector capital flows (net)	-0.6	-0.5	-0.2	0.1	0.1	-0.4	0.0	0.1
Loan disbursements	0.0	0.2	0.3	0.1	0.1	0.0	0.4	0.5
Amortization	-0.6	-0.7	-0.5	0.0	0.0	-0.4	-0.4	-0.4
Foreign direct investment (net)	0.5	0.2	0.2	0.3	0.3	0.4	0.4	0.4
Banks (net) 1/	-0.5	-0.5	-0.8	-1.6	0.2	0.2	0.1	0.1
Other items (net) 2/	-0.3	-0.2	0.1	0.0	0.1	0.3	0.0	0.0
Errors and omissions	**0.6**	**0.6**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-1.4**	**1.0**	**0.0**	**-0.2**	**-1.4**	**-0.3**	**0.1**	**0.1**
Financing	**1.4**	**-1.0**	**0.0**	**0.2**	**1.4**	**0.3**	**-0.1**	**-0.1**
Change in net foreign assets (+ is decrease)	0.8	-2.4	-0.4	-0.2	1.0	-0.1	-0.1	-0.1
Change in IMF credit and loans (+ is increase)	-0.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Expected financing						0.4		
Exceptional financing	0.7	0.7	0.5	0.4	0.4	0.0	0.0	0.0
o/w Changes in arrears 3/	0.6	0.7	0.4	0.4	0.4	0.0	0.0	0.0
o/w Debt rescheduling and debt relief 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Exports of goods, f.o.b (percent change)	11.4	-26.3	27.7	7.0	13.1	4.8	6.1	6.2
Imports of goods, f.o.b (percent change)	-6.0	-16.7	22.3	12.8	8.4	7.6	5.2	4.6
Projected average oil price (U.S. dollars per barrel, APSP)	61.4	41.8	69.2	106.8	96.8	81.1	75.4	71.9
Debt service (in percent of exports of goods and services)	6.6	12.5	9.5	9.3	8.8	8.6	8.0	8.1
Nominal exchange rate	84.1	99.9	80.9		…	…	…	…
Gross international reserves (in millions of U.S. dollars)	2,100	2,501	2,534	2,574	2,328	2,348	2,373	2,398
(in months of next year's imports of goods and services)	6.0	5.8	5.4	5.0	4.6	4.5	4.4	4.3
Nominal GDP (millions of U.S. dollars)	14,787	14,508	21,017	20,135	20,223	24,236	25,192	26,128

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

1/ Change in net foreign assets of commercial banks.

2/ Includes arrears on oil imports.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes the CCRT debt relief.

Table 5. Haiti: External Financing Requirements and Sources, FY2019–25
(In millions of US$ on a fiscal year basis; unless otherwise indicated) 1/

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
				Est.	Proj.	Proj.	Proj.
Requirements	**445**	**66**	**131**	**715**	**916**	**809**	**816**
Current account deficit, excluding grants	350	-32	36	705	810	703	711
Debt amortization, excluding repayments to the IMF	95	98	95	10	106	106	105
Sources	**361**	**-145**	**36**	**640**	**928**	**809**	**816**
Capital transfers, excluding official transfers	15	58	54	57	13	19	19
Foreign direct investment	75	25	51	57	97	101	105
Official disbursements, excluding budget support	184	116	190	254	530	632	639
Of which: Project loans	3	23	60	30	0	100	120
Other flows, including commercial banks (net)	-36	-27	-173	66	122	37	33
Official budget support 2/	0	33	5	0	197	45	45
Change in central bank's NFA (+ is decrease) 3/	123	-350	-91	206	-20	-25	-25
Additional Financing	**84**	**211**	**95**	**76**	**-12**	**0**	**0**
IMF disbursement under RCF	0	111	0	0	0	0	0
IMF debt relief under CCRT	0	6	11	4	0	0	0
Change in existing obligations to the IMF (+ is increase)	-12	-5	-5	-10	-12	0	0
Debt rescheduling and debt relief, excluding the Fund	3	3	-1	0	0	0	0
Change in arrears 4/	93	96	90	81	0	0	0
Memorandum items:							
Gross international reserves 5/	2,100	2,501	2,534	2,328	2,348	2,373	2,398
(in months of next year's imports of goods and services)	6.0	5.8	5.4	4.6	4.5	4.4	4.3
SDR allocation	0	0	224	0	0	0	0

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.
1/ Components may not exactly match up to totals due to rounding.
2/ Includes previously-programmed multilateral budget support that could be delayed.
3/ Excluding exceptional financing.
4/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.
5/ Includes gold.

Table 6. Haiti: Financial Soundness Indicators, June 2020 – March 2022
(In percent; unless otherwise stated)

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Size and growth								
Asset volume (in US$ millions)	4332.7	4319.1	5754.2	5745.0	5340.4	5341.3	5320.3	5267.8
Deposit volume (in US$ millions)	3554.5	3382.5	4577.6	4613.0	4318.4	4351.5	4327.3	4275.6
Asset growth (in gourde terms), y/y	23.5	-6.7	1.0	3.9	0.9	38.8	32.2	23.7
Credit growth (net, in gourde terms), y/y	5.7	-13.7	-8.3	-5.0	-2.1	21.2	20.6	18.8
Capital adequacy								
Regulatory capital to risk-weighted assets	21.3	26.2	27.3	22.6	18.4	22.3	20.8	21.4
Regulatory capital to assets	7.4	9.2	9.3	8.1	7.0	7.9	7.6	7.5
Asset quality and composition								
Loans (net) to assets	26.8	28.7	27.1	25.8	26.0	25.1	24.8	24.8
NPLs to gross loans	8.0	5.0	5.4	7.1	5.9	5.6	6.3	7.8
Provisions to gross NPLs	63.0	105.4	107.5	81.8	101.6	103.1	96.5	77.8
Earnings and profitability								
Cumulative since beginning of calendar year								
Return on assets (ROA)	2.1	1.2	1.4	2.2	2.2	2.1	2.0	1.9
Return on equity (ROE)	24.1	12.4	14.4	21.4	23.0	23.2	21.5	21.6
Net interest income to gross income	50.1	57.1	55.0	52.6	50.2	51.1	51.6	51.6
Operating expenses to net profits	58.5	71.4	68.1	57.0	57.4	58.6	59.4	63.0
Efficiency								
Interest rate spread 1/	8.6	9.7	8.6	9.9	9.3	9.4	9.1	9.0
Liquidity								
Liquid assets to total assets 2/	49.2	45.3	47.3	48.6	48.1	50.3	48.5	47.8
Liquid assets to deposits 2/	60.0	57.8	59.4	60.6	59.4	61.8	59.6	58.8
Dollarization								
Foreign currency loans to total loans (net)	57.0	40.0	42.8	45.5	43.5	44.9	47.2	47.7
Foreign currency deposits to total deposits	70.6	58.5	59.6	60.1	63.8	66.1	66.5	66.3
Foreign currency loans to foreign currency deposits	26.4	25.1	24.5	24.3	21.9	20.9	21.6	22.0

Sources: BRH Banking System Financial Summary and Fund staff calculations. These indicators reflect the aggregated results of the eight licensed banks in operation in Haiti; thus figures in this table may not exactly match the information in Table 3, which reflect the consolidated banking system.
1/ Defined as the difference between average lending rate and average fixed deposit rate in the banking system.
2/ Liquid assets comprise cash and central bank bonds.

Appendix I. Letter of Intent

Port-au-Prince
December 21, 2022

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

Madam Managing Director:

1. Our country has been hit by multiple shocks in 2022. In particular, Haiti is suffering greatly from the economic spillovers of Russia's invasion of Ukraine, which has made our economy even more fragile. With the global landscape deteriorating, our domestic structural weaknesses have grown more severe and have tested our resilience. The recent cholera outbreak has compounded the suffering of our people. Owing to external shocks and internal escalation of violence, macroeconomic prospects have become more challenging relative to the outlook on June 17, 2022—the date on which you approved our Staff Monitored Program (SMP). Nonetheless, we are making meaningful efforts to overcome the multiple challenges facing our country and continue to be strongly committed to the purposes and goals of the SMP.

2. We remain even more convinced that the implementation of structural reforms and policies to restore macroeconomic stability and strengthen governance must continue in order to promote stronger and more inclusive growth, restore the population's confidence, and reassure our development partners. We hope that our satisfactory implementation of the SMP establishes a favorable track record that will facilitate our negotiations with the Fund over a subsequent upper-credit-tranche program.

3. Performance under the SMP remains satisfactory overall, given the constraints related to the domestic and international context and the political transition we are undergoing. Although, our macroeconomic performance at the end of June 2022 was less favorable than expected, the Fund's capacity development has helped us make steady progress on structural reforms, supported by:

- *Quantitative and indicative targets.* At the end of June 2022, we met the quantitative target (QT) for net central bank credit to the non-financial public sector, but we missed the QTs at end-June 2022 for net international reserves (NIR), the floor on social spending, and the primary balance of the non-financial public sector. We met two of three continuous QTs on arrears, missing one on domestic arrears accumulation because of a build-up of obligations to fuel companies. The end-June indicative target (IT) on government tax revenues has not been met, mainly because of rising global oil prices that led to higher-than-expected tax expenditures. We have already taken several correctives measures to boost the country's macroeconomic performance—including designing a detailed strategy to tackle food insecurity and strengthen the social safety net, making efforts to sustain revenue collection, and raising short-term interest rates in August.

- *Structural benchmarks.* Despite the difficult security situation, we have taken satisfactory steps on structural reform, capacity building, and governance, meeting the two monthly and quarterly structural benchmarks (SBs). We published the financial audit statements of the *Banque de la République d'Haïti* (BRH). We have also completed four of the five end-September SBs with a slight delay. In particular, we expanded the Treasury Single Account at the central bank to include all central budgetary units and concluded public consultations on the tax codes and tax procedures code and then finalized the codes. We also adopted a medium-term budget framework on December 19 and approved the FY2022-23 budget. We request resetting the SB on the amendments of the Central Bank law to March 2023, resetting the benchmark related to the issuance of the decree making use of TIN compulsory for all finance departments to end March 2023, and we also request resetting the benchmark related to the approval by the Council of Ministers of revisions to the AML/CFT law to end-April 2023. Overall, we are committed to maintaining our active engagement with Fund's staff through our high-level *Program Monitoring Committee (Comité de Suivi),* which meets biweekly. This engagement has enabled us to work closely with Fund staff on program implementation.

4. In view of the macroeconomic policies implemented to achieve the program's objectives, the corrective measures specified in the MEFP taken during the summer and fall 2022, and progress on the structural reform agenda (Tables 1 and 2), the government requests the completion of the first review of the SMP. We commit to limiting monetary financing to 1.5 percent of GDP through a ceiling on credit to the NFPS. The government requests the proposed modification of end-December 2022 QTs for net international reserves (NIR); the primary balance of the non-financial public sector; net central bank credit to the non-financial public sector; and the floor on social spending. We also propose to set new ITs for end-March 2023, as described in the attached Memorandum of Economic and Financial Policies (MEFP, Table 1) and Technical Memorandum of Understanding (TMU).

5. This Letter of Intent (LOI) builds on the previous LOI and the MEFP that you approved on June 17, 2022. The attached MEFP elaborates on the main elements of the government's program and the policies planned by the BRH for FY2023. We are confident that the policies described in the attached MEFP are appropriate for achieving the objectives of our economic and social program, which seeks to strengthen governance and promote a foundation for stronger, sustainable, and inclusive economic growth. We intend to satisfactorily complete Haiti's International Co-operation Review Group (ICRG) action plan, including measures to strengthen its AML/CFT legal framework with technical assistance from the Fund and the quality of AML/CFT supervision.

6. We remain determined to apply our program rigorously, while being aware of the difficulties posed by domestic and international circumstances. We are ready to take further measures as needed and will consult Fund staff before any revisions are made to the policies set out in the MEFP, in line with IMF practice.

7. We are committed to not imposing or intensifying restrictions on making payments and transfers for current international transactions and introducing or modifying multiple currency practices. And we are committed to limiting foreign exchange intervention only to smoothing excess volatility. We will inform the Fund staff of any events or developments that may affect the economic program so that we may jointly examine the consequences and optimal measures to address them, without compromising the program's objectives. We will provide, in good time, the necessary data and information to enable the Fund's staff to monitor economic developments and our implementation of the policies set out in the program, in accordance with the attached Technical Memorandum of Understanding or upon request.

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

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

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

Attachment I. Memorandum on Economic and Financial Policies

I. Recent Developments and Macroeconomic Outlook

1. Economic growth has been weaker than expected in the fiscal year ending on September 30, 2022. Activity contracted by 1.5 percent relative to the 0.3 percent growth projected when the Staff-Monitored Program (SMP) was approved in June 2022. Russia's invasion of Ukraine has greatly undermined growth prospects and continues to destabilize the Haitian economy. The conflict has also raised food prices on world markets. This increase has put low-income households around the world in dire straits, particularly in low-income countries like Haiti. In addition to the challenging global environment, lower agricultural production owing to drought, fuel shortages, and the security situation have contributed to the lower-than-expected growth. For FY2022-23, growth is projected at 0.3 percent, lower than the 1.4 percent forecast at the time of program approval, but in line with the downward revision of the global economic outlook. The sluggish recovery is expected to be driven by a modest improvement in security and a slight recovery in key sectors, particularly agriculture.

2. Inflation reached 38.7 percent in September, year-on-year, led by a combination of high global food and fuel prices, monetary financing of the fiscal deficit, exchange rate depreciation, and fuel shortages (that raised black market prices 5-10 times above subsidized prices). After this rebound in 2022, inflation should fall to 21 percent by the end of FY2022-23, higher than the 14 percent projected at the time the program approval. The recent deterioration in the security situation and higher fuel prices are expected to keep inflationary pressures strong in the first quarter of FY2022-23. But inflation should moderate gradually as the impact of lower monetary financing of the fiscal deficit takes effect and world food and oil prices stabilize.

3. Public finances have been under stress in FY2021-22, mainly the result of high fuel subsidy costs and lower tax revenues. Fiscal data suggest that the primary fiscal deficit of the non-financial public sector (NFPS) at the end of June was close to the quantitative target, albeit 0.2 percent of GDP above the programmed level. This was due to lower-than-expected revenue collection from excise and customs duties, which was only partially offset by lower-than-expected spending on goods and services, social programs, and capital investment. In addition, fuel subsidies reached 1.5 percent of GDP at end-September, as against 1.1 percent programmed for FY2021-22, which, given the low revenue collection, crowded out capital and social spending. The end-September indicative fiscal targets were missed, with the NFPS fiscal deficit estimated at 2.2 percent of GDP for FY2021-22 – 0.7 percent higher than planned. We responded in August with measures to boost tax revenue collection. For FY2022-23, the NFPS budget deficit is projected at 1.5 percent of GDP. Expenditures are expected to increase as a result of higher spending on transfers to provide food for vulnerable households and on health to address the cholera outbreak.

4. Fuel shortages weakened the economy and worsened social unrest over the summer. Consumers were forced to turn to the black market, where kerosene, gasoline, and diesel were readily available at prices 5-10 times higher than those set by the government. Given the fuel shortages and budgetary pressures, the government decided that kerosene prices would rise from

HTG 353 per gallon to HTG 670 and diesel prices from HTG 352 per gallon to HTG 665–a level that would cover costs, margins, and taxes. At the same time, the price of gasoline would increase from HTG 250 to HTG 570 per gallon, implying a subsidy of HTG 60 per gallon (about US$0.80 per gallon). Protests were further aggravated by the announcement of the fuel price rise on September 14. Armed gangs gained strength and increased their control of the capital, blocking access to the main oil terminal in Varreux until the end of October, exacerbating widespread fuel shortages, temporarily closing hospitals and schools, disrupting food and water distribution, and further hampering efforts to control the cholera outbreak. The government has appealed to the international community and sought international military assistance to restore security, an appeal supported by the UN Security Council. The Council unanimously approved a sanctions regime targeting gang leaders and those who finance them.

5. Monetary policy was tightened in light of fiscal dominance and rampant inflation. The Bank of the Republic of Haiti's (BRH) net credit to the NFPS remained below the program target at the end of June. However, monetary financing reached 2.3 percent of GDP (HTG 49.5 billion) in FY2021-22 (i.e., 0.3 percent more than planned under the program). This was partly because of the shortfall in tax revenue in August-September (some HTG 5 billion) caused by the deteriorating security situation. To address inflationary pressures, the BRH raised short-term interest rates to 11.5 percent in August (from 10 percent since March 2020), boosted reserve requirements on dollar liabilities to 53 percent, and amended Circular 88-1 to raise interest rates on lines of credit. These actions were aimed at reducing gourde liquidity and discouraging dollar arbitrage by banks and customers using lines of credit.

6. The current account deficit widened to 2.4 percent of GDP in FY2021-22, contrary to program projections. This was due to a sharp increase in imports and higher fuel import costs in FY2021-22, combined with lower regular remittance flows. The current account deficit is projected at 0.8 percent of GDP in FY2022-23, owing to the global food price shock. Gross international reserves remained stable in FY2021-22, accounting for about 4.6 months of imports of goods and services next year. But net international reserves (NIR) are declining and are below forecasts—falling to about US$160,000,000 in November, some US$332,000,000 lower than the end of FY2020-21. The shortfall in NIR is due partly to lower prices for fixed-rate bonds held by the BRH, which are denominated in U.S. dollars and marked to market, following rising interest rates in advanced economies.

7. The financial sector appears relatively stable. Given the recent deterioration in the macroeconomic environment, however, the BRH will continue to monitor the sector closely. The capital adequacy ratio at the end of March 2022 stood at 21.4 percent and bank profitability continued to recover at the beginning of FY2021-22, with stronger credit growth and foreign exchange earnings, while nonperforming loans grew slightly to 8.6 percent of total loans at end-August 2022. Following the deterioration of the economic and security environment during August-October, the BRH eased loan repayment obligations, extending them by three months for households and six months for businesses. These measures will help support banks' portfolios during the crisis period. Bank liquidity has contracted in recent months although deposit growth remains an important source of funding.

II. Performance and Strategy Under the Program

8. We are determined to rigorously implement our SMP to improve the country's socioeconomic situation and put the Haitian economy back on a more sustainable and inclusive growth path. The program's objectives remain unchanged, namely: to assess and enhance our macroeconomic management capacity, support efforts to contain inflation and stimulate growth, strengthen the fiscal and monetary policy frameworks, address some governance weaknesses, and take concrete action to improve social protection. Performance under the SMP has been generally satisfactory. In this review, we have focused on the following areas:

A. Fiscal Policy

9. Fiscal policy in FY2022-23 supports our objective of reducing monetary financing of the deficit by the BRH, with the goal of helping reduce inflation and restore stability. As a result, and despite difficult economic conditions, fiscal policy will aim to limit the primary balance of the NFPS (quantitative target) to a deficit of 2 percent of GDP in FY2022-23.[1] New spending on food transfers is expected to reach 0.5 percent of GDP, financed in part by forthcoming external financing. The fuel price rise announced in September was passed on to pump prices beginning in November. As a result, net oil revenue is projected at 1.1 percent of GDP in FY2022-23 (versus -1.5 percent in FY2021-22). This additional fiscal space should raise non-fuel transfers to 1.3 percent of GDP and growth-enhancing capital expenditure to 4.5 percent of GDP (2.1 percent financed from domestic resources). We also plan to use these resources to cap monetary financing at 1.6 percent of GDP in FY2022-23 and to support those most affected by rising food and fuel prices, including through a rapid roll-out of our Emergency Program. Additional financing requirements in FY2022-23 could be met through domestic borrowing since the public debt is sustainable. We will update the financing "*pacte*" between the BRH and the Ministry of Economy and Finance (MEF) in line with these targets.

10. We intend to continue strengthening tax revenue collection. As a result of lower-than-expected revenue collections at end-June 2022, we implemented such administrative measures as increasing control of the invoices submitted for imported goods and the appointment of a new revenue agency's management. These measures expanded tax revenue to a monthly average of HTG 6.4 billion in July-August (from HTG 2.2 billion in April-June). We plan to maintain this monthly revenue level in FY2022-23. We also plan to eliminate several customs exemptions, compensate for delays in the collection of registration fees, further strengthen controls, and identify measures to combat tax and customs fraud—including at the border with the Dominican Republic—to achieve a slight increase.

11. Mobilizing revenue remains a government priority, notably through the adoption of the Tax Code (and the Tax Procedure Code) which was approved on December 19 and reforms of customs and tax administration. The simplification of the tax system proposed in the General Tax Code and

[1] The program includes an asymmetric adjustor to the floor of the NFPS primary balance and to net international reserves (NIR) if external budget support is lower than projected.

the tax administration reforms are priorities given the need to broaden the tax base. We will make progress with revenue administration reforms, particularly by publishing key data on the taxpayer identifier and making its use mandatory for all financial agencies (structural benchmark). We will also publish the Customs Code (structural benchmark).

12. We will continue our long-standing efforts to strengthen public financial management (PFM) and improve the quality of public spending. On the budget side, we adopted on December 19, 2022, a budget for FY2022-23 in line with the SMP goals and finalized a medium-term budget framework for FY2023, FY2024, and FY2025, with the deficit of the NFPS as the fiscal anchor (structural benchmark). This will help us formulate the annual budget and allow for an increase in public investments while remaining on a path consistent with their sustainability.

13. Before converting about half of the allocation of SDRs into freely usable currencies, we discussed with IMF staff best practices as set out in the IMF Guidance Note. We established a Memorandum of Understanding between the BRH and the Ministry of Economy and Finance in accordance with Haiti's legal and institutional frameworks, clarifying the obligations of each party and governing the use of the SDR allocation for budgetary purposes. We intend to report on the use of the SDR allocation in a transparent manner on the BRH or MEF websites.

B. Social Protection

14. We are quickly implementing necessary measures to mitigate the negative impact of rising food and petroleum prices on vulnerable groups. The Ministry of Social Affairs and Labor (MAST) and the Ministry of Economy and Finance (MEF) have prepared a detailed and focused strategy to combat food insecurity and strengthen social security, also building on ongoing programs. This strategy seeks to expand programs that improve living conditions and strengthen social inclusion, focusing on the most vulnerable (children, pregnant women, people with disabilities, and the elderly). We also plan to support textile workers and increase cash transfers and food rations for vulnerable households. We have initiated cash transfers to about 50,000 of the most vulnerable households, launched school meal programs, and provided hot meals to vulnerable households and community restaurants. We also plan to waive some school fees. We intend as well to leverage digital tools for cash transfers, with the support of the World Bank and the Inter-American Development Bank. This will integrate other functions into the SIMAST database and enable the MAST to eventually make automated, secure, and transparent payments through mobile operators or other means.

15. In this context, we have increased the transparency of the Economic and Social Assistance Fund (FAES) as a program objective. The regular functioning of the FAES Board of Directors has been restored with quarterly meetings and we are publishing the consolidated quarterly financial statements of the FAES (quarterly structural benchmark). As a follow-up to the guidance provided by the IMF expert on the consolidated quarterly financial statements of the FAES of June 2022, which called for improvements in future reporting, we are considering preparing the consolidated quarterly financial statements of the FAES in accordance with the model financial statements for public institutions.

16. We intend to implement the governance structure envisaged in the National Policy for Social Protection and Promotion (*Politique Nationale de Protection et de Promotion Sociale* (PNPPS))–approved in 2020–before the end of the SMP (May 2023). The under-utilization of social spending recorded by the end-June 2022 social spending floor (including an allocation equivalent to 0.15 percent of GDP under the Emergency Program) may reflect structural problems in implementing social programs. Specifically, the fragmented nature of the programs and agencies (IMF 2020) underscores the need to centralize the design and implementation of social spending under the responsibility of the MAST, in line with the government's current plan. To this end, we will ensure that the ongoing revision of the organic laws of the ministries guarantee the central role of the MAST (established by the Organic Law of November 24, 1983) to better coordinate the management of social programs and improve their governance and efficiency. In addition, in collaboration with donors and using the SIMAST partial registry, we plan to complete the development of the action plan to implement the National Policy for Social Protection and Promotion by the end of March 2023. We also intend to further increase the budget allocation to the MAST in line with the floor set (excluding transfers to the population) in the SMP. This floor corresponds to the sum of the budget allocation (or expenditure implemented, if lower) for all social programs in the MAST budget (quantitative target)—including resources allocated and implemented by the FAES, the Emergency Program (2022), the *Klere Chimen* project--and the activities of the Office of the State Secretary for the Inclusion of Persons with Disabilities (BSEIPH).

17. As discussed at the time of approval of the SMP, fuel subsidy reform is essential to ensure medium-term fiscal sustainability but given the social implications we would follow a home-grown reform approach in terms of the modalities and timing of the reforms, though guided by good policy principles: price adjustments will take place regularly to reflect global market prices changes, and a smoothing mechanism could help dampen volatility and lessen the need for very large adjustments. We are committed to elaborate a communication policy to explain our reform strategy. Any upward price increases will be accompanied with mitigating measures to protect the most vulnerable.

C. Monetary and Exchange Policy

18. We have already taken steps to strengthen the monetary and exchange rate policy frameworks in the context of a more flexible exchange rate regime. We confirm our objectives of: (i) a ceiling on BRH credit to the NFPS to serve as the main anchor for limiting monetary financing of the budget deficit (quantitative objective); and (ii) short-term liquidity absorption operations with the aim of reducing potential inflationary pressures and strengthening monetary policy transmission.[2] The central bank's net credit to the NFPS was below the end-June target, but above the end-September target. To this end, we plan to limit monetary financing to 1.5 percent of GDP–a level estimated non-inflationary–by adopting a ceiling on the BRH's credit to the NFPS. Any surplus reserves will be sterilized through liquidity absorption. We are prepared to raise short-term interest rates further to initiate disinflation, given the increased inflationary pressures and the significant negative real interest rate (about 15 percent). The implementation of reforms to deepen the

[2] Please see the Technical Memorandum of Understanding, Attachment II.

government securities market, strengthen the monetary policy framework through new facilities, and review foreign exchange regulations is ongoing. We requested IMF technical assistance to support these reforms. The deepening of the government securities market will provide an alternative source of funding to the treasury and a more effective conduit for monetary policy.

19. The BRH will continue to limit its interventions in the foreign exchange (FX) market to smoothing excessive volatility of the exchange rate. To this end, the BRH plans to increase the NIR (quantitative target), including by reducing foreign exchange sales, while ensuring that the exchange rate remains primarily an absorber of external shocks through greater flexibility and that reserves are preserved. The phasing out of the foreign exchange repurchases requirements with Circular 114.3 is a positive step. In consultation with MCM, the BRH is also considering: (i) putting in place an appropriate FX intervention mechanism, such as well-designed weekly FX auctions in lieu of the foreign exchange allocation system; (ii) advancing its ongoing work on an FX market intervention rule; and (iii) completing the revision of the limits on banks' net open foreign exchange positions (NOP). Finally, we commit to not imposing or intensifying restrictions on the making of payments and transfers for current international transactions and introducing or modifying multiple currency practices.

D. Banking Regulation and Financial Policies

20. The BRH continues to strengthen risk-based supervision and improve payment systems and to combat money laundering. To this end:

- The BRH has strengthened its human resources through external hiring and training of supervisors to strengthen the supervision of non-bank financial institutions. It finalized the preliminary draft risk assessment grids and the rating matrix for financial institutions–a step toward risk-based supervision. The BRH will finalize new regulations on risk concentration, credit classification and provisioning, and the new chart of accounts for financial institutions.

- The BRH has received assistance from the IMF's Capital Markets Department to analyze the main issues related to a central bank digital currency. It plans to examine all aspects related to the feasibility and appropriateness of the project, including a solid assessment of the costs and risks, before moving to the prototype phase. Considering the fact that Haiti does not have an updated regulatory framework and national payment system necessary to facilitate mobile payments and operators, our modernization efforts should include migration to new international messaging standards, which would promote interoperability and financial integrity.

- We undertook reforms to put in place a sound legal framework for anti-money laundering (AML) and combating the financing of terrorism (FT). An interim technical assistance report from the IMF's Legal Department and detailed comments on the draft AML/CFT Law are expected by the end of November, with a possible follow-up mission in early 2023 to agree on key amendments and reforms. Given the many shortcomings in the legal framework, the risk of grey-listing, and the potential stresses on correspondent banking relationships, the revision of the AML/CFT Law is expected to be approved by the Council of Ministers by April 2023 (structural benchmark). In addition, we intend to satisfactorily complete Haiti's International Co-operation Review Group (ICRG) action plan, including measures to strengthen its AML/CFT legal framework, with technical assistance from the Fund, and the quality of AML/CFT supervision.

E. Governance and Safeguards

21. Most of the reforms in our program aim to strengthen governance with a view to reassuring the public and our international partners. We will ensure the implementation of all the provisions of the decree of November 2021 mandating transparency requirements for public procurement, including the requirements on publication of the beneficial owners of successful bidders in all public contracts and concessions (monthly structural benchmark) and start preparations for a comprehensive reform of the procurement law. We will also ensure that the law governing the Supreme Court of Auditors and Administrative Disputes (CSCCA), which is currently being revised, guarantees the functioning of that court in accordance with the standards applicable to supreme audit institutions. We also call for a Governance Diagnostic to be led by IMF staff and commit to publishing the Diagnostic report and to integrating its recommendations into the reforms of the second review of our SMP. Finally, we will work to finalize the reform of the anti-corruption laws to ensure effective implementation and compliance with the United Nations Convention against Corruption.

22. To monitor the implementation of social programs, we will follow proper PFM practices, in line with recent IMF technical assistance. This includes recording all social expenditures in the budget and all associated financing in the treasury single account (TSA) at the central bank, in compliance with procedures on procurement and implementation and control of expenditure. We intend to strengthen transparency and audit capacity in the expenditure of emergency resources for the most vulnerable households in order to ensure accountability. To this end, we have activated budgetary mechanisms to carefully monitor, record, and publish all expenditures related to the emergency response. Proper transparency and recording of funding allocations is important to catalyze additional donor support. In addition, the governance provisions regarding the publication of awarded procurement contracts–see above–will be rigorously applied. In order to do this, we will publish comprehensive monthly reports on budget implementation, no later than 45 days after the end of each month and conduct internal audits of expenditures by all ministries involved in the use of emergency resources provided under the IMF's Food Shock Window, should the IMF Board approve our request.

23. We will continue to implement the recommendations of the 2019 Safeguards Assessment. We are working with staff to refine the draft amendments to the Law on the Central Bank prepared in consultation with IMF technical assistance. The external audit of the BRH for the year ended September 30, 2022, conducted by KPMG, was completed and the audited financial statements published on June 30, 2022. We will ensure that we fully reestablish the Audit Committee of the BRH board, including the revised charter of the committee, by end-2022. The BRH will also accelerate the transition to International Financial Reporting Standards (IFRS) and strengthen its investment strategic asset allocation in line with safety and liquidity principles.

III. Monitoring of the Program

24. We intend to take all the necessary measures agreed under the SMP with the IMF, as set out in Tables 1 and 2 of this Memorandum (see below). Our program-monitoring committee will maintain regular engagement with IMF staff. This committee will request participation from other sectors as appropriate and will meet at a minimum every quarter with the Minister of Economy and Finance and the Governor of the Bank of the Republic of Haiti to present a progress report on the implementation of the SMP. We request changes to the quantitative targets at end-December 2022 for the NIR, the primary balance of the NFPS, the net credit of the central bank to the NFPS, and the social spending floor, as well as the new indicative targets at end-March 2023, as defined in Table 1. The quantitative and indicative targets are defined in the attached Technical Memorandum of Understanding (Annex II), which also includes the list and frequency of data to be provided for monitoring of the program. We will focus on the timely provision of this data for the program monitoring.

25. We will undertake internal and external communication campaigns and engage the various state institutions and other national actors (representatives of civil society, non-governmental organizations, media, and other stakeholders) in order to strengthen the level of ownership and public support for the program's reform agenda. We undertake to publish this Memorandum, as well as the accompanying IMF staff report online on the website of the Ministry of Economy and Finance and the BRH, as soon as the first review of the SMP has been approved by the IMF Management and before the end of January 2023.

Appendix 1. Table 1. Haiti: Quantitative Targets, June 2022-March 2023 [1/]

(In millions of gourdes, unless otherwise indicated)

	Actual Stock at end- Sep. 2021 2/	Cumulative Flows from September 2021						Actual Stock at end- Sep. 2022 2/	Cumulative Flows from September 2022			
		Dec. 2021	June. 2022				Sept. 2022		Dec. 2022		Mar. 2023	
		Actual	Quantitative target	Actual	Adjusted Actual 3/	Status	Indicative target		Prog.	Revised Quantitative target	Prog.	Revised Indicative target
I. Periodic quantitative targets												
Net international reserves of central bank (in millions of U.S. dollars) - floor	413.92	27	30	-133.75	-134	Not met	40	98	8	-10	18	10
Primary balance of the non-financial public sector - floor		-8,813	-20,317	-24,452	-24,452	Not met	-28,860		-13,242	-14,244	-26,484	-27,988
Net central bank credit to the non-financial public sector - ceiling	160,047	34,564	36,096	41,263	29,022	Met	46,533	216,908	12,795	13,295	25,590	26,090
Central Government 4/	162,197	34,564	36,096	44,313	32,072		46,533	194,641	12,795	13,295	25,590	26,090
Other non-financial public sector entities	-2,150	0	0	-3,050	-3,050		0	-3,346	0	0	0	0
Budget allocation to MAST for social expenditure - floor 5/		0	3,000	840	840	Not met	3,300		3,300	1,500	6,600	3,500
II. Continuous quantitative targets												
Domestic arrears accumulation of the central government	0	0	0	4,200	4,200	Not met	0	0	0	0	0	0
Public sector external arrears accumulation (in millions of U.S. dollars)	0	0	0	0	0	Met	0	0	0	0	0	0
New contracting or guaranteeing by the public sector of nonconcessional external debt (in millions of U.S. dollars) - ceiling	0	0	0	0	0	Met	0	0	0	0	0	0
III. Indicative targets												
Central government fiscal revenue, excluding grants - floor 6/		27,632	93,731	87,747	...	Not met	125,552		41,093	32,241	82,187	85,977
Memorandum items												
External budget support (in millions of U.S. dollars) 7/			9.0	9.0	...		18.1	0.0	0.0	0.0	18.8	18.8
Gross International Reserves (stock, in millions of U.S. dollars) 8/	2,534	2,547	2,562		...		2,574	2,328	2,603	2,325	2,613	2,332
(in months of imports of goods and services of the following year)	5.8	5.6	5.5		...		5.0	4.6	4.8	4.6	4.8	4.6

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

1/ The program includes an adjuster on the NFPS primary balance and NIR target for shortfalls in external budget support lower than the planned amounts. The BRH financing to the Treasury does not include an adjuster. The Quantitative and Indicative Targets (QTs, ITs) are set for end-month, i.e. end-June and end-December for QTs and end-September and end-March for ITs, and in millions of gourdes; unless otherwise indicated.

2/ September 2021 refers to data at the end of FY2021 and September 2022 refers to data at the end of FY2022.

3/ In alignment with the BRH' adoption of International Financial Reporting Standards (IFRS), the BRH and Ministry of Economy and Finance signed a memorandum of understanding, dated June 28, 2022, that recognized additional interest accrued since 2020 on non-negotiable government debt securities held by the BRH. The recognition resulted in an increase in the stock of the BRH' net claims on central government starting with the October 2021 balance sheet. Net central bank credit to the central government has been adjusted downward by 12.241 billion gourde to offset the impact of this recognition, because it represents interest expenses for the 19/20 and 20/21 fiscal years. Adoption of IFRS provides BRH with greater transparency and communication of financial information, aligns it with the best international accounting practices, and a better understanding of how a its financial position may impact the implementation of monetary policy or the policy transmission mechanism.

4/ Excludes SDR allocation and resources freed by IMF CCRT debt relief.

5/ Budget envelope allocated to the Ministry of Social Affairs and Labor (MAST), excluding transfers to the population. The floor corresponds to the sum of both budget allocation (or executed spending if lower) on all social programs in the MAST budget, including resources allocated to/and implemented by the FAES, the Programme d'Urgence (2022), and *Klere Chimen* ; does not preclude other government entities from supporting MAST program implementation.

6/ Includes domestic taxes on corporates, personal income, and sales, and customs duties.

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

8/ For program monitoring purposes, the program exchange rate for the period May 2022 to May 2023 is HTG/US$ 100.0123 (BRH reference rate on December 16, 2021).

Appendix 1. Table 2. Haiti: Proposed Structural Benchmarks for the SMP

Measure	Timing	Proposed Reset Target Dates	Status	Progress Assessment
Governance				
• Publish all public procurement contracts awarded since the publication of the November 2021 procurement decree No. 52, including information on the beneficial owners of successful bidders.	monthly		Met	Published on a regular basis on the website of the National Procurement Commission.
• Approval by the BRH Board of Directors of draft amendments of the BRH law, prepared in consultation with IMF staff, which: (i) clarifies the objectives of the BRH, (ii) strengthens its autonomy, (iii) enhances its governance, and (iv) improves accountability and transparency.	end-Sept. 2022	end-March 2023	Not met	In progress. The BRH is working to finalize the draft amendments in consultation with technical assistance from the IMF Legal Department.
• Approval by the Council of Ministers of revisions to the AML/CFT law prepared with Fund TA to address technical deficiencies identified in Haiti's FATF Action Plan and bring it into line with FATF international standards.	end-March 2023	end-April 2023		In progress. The authorities aim to complete the drafting process and to present the revised AML/CFT law to the Council of Ministers in the first quarter of 2023.
Public Finance Management / Governance				
• Expand the Treasury Single Account (TSA) at the central bank to include all the central budgetary units, including the emergency fund.	end-Sept. 2022		Not met	Completed. Following technical assistance from the IMF Fiscal Affairs Department, all five special treasury accounts have been integrated into the Treasury Single Account (TSA) by early November 2022.
• Prepare and adopt a medium-term budget framework, for FY2023, FY2024, and FY2025 with the NFPS deficit as the main anchor.	end-Sept. 2022		Not met	Completed. The authorities approved the FY2023 budget on December 19, including the first draft of the medium-term budget framework.
• Publish quarterly and annual reports on the operations and finances of *Fonds d 'assistance économiques et sociale* (FAES) and reactivate the Governing Board of FAES again with quarterly meetings thereafter.	Quarterly		Met	
Tax Policy and Tax/Customs Administration				
• Conclude public consultations on the tax code and tax procedure code and finalize codes.	end-Sept. 2022		Not met	Completed.
• Publish all codes and tariffs relating to customs.	end-Sept. 2022		Not met	The authorities expect to publish both documents the week of December 19.
• Issue decree making use of TIN compulsory for all finance departments, with sanctions for fraudulent or non-use, and publish TIN database and file of active taxpayers.	end-Dec. 2022	end-March 2023		The authorities are expected to publish the TIN database and the file of active taxpayers in the first quarter of 2023.
Safeguards				
• Complete FY2021 financial audit of BRH and publish the audited financial statements.	end-June 2022		Met	Completed.

Attachment II. Technical Memorandum of Understanding

1. Haiti's performance under the 12-month Staff-Monitored Program (SMP) ending May 31, 2023, will be assessed based on quantitative targets (QTs) and structural benchmarks (SBs). This Technical Memorandum of Understanding (TMU) defines the QTs established by the Haitian authorities and the staff of the International Monetary Fund (IMF) for monitoring the program. It also defines the arrangements for the transmission of data that will permit staff to monitor program implementation.

A. Definitions

2. **Central Government**. Unless otherwise indicated, central government refers to the central administration of Haiti and excludes local administrations (municipalities), the central bank (BRH), and other public financial institutions, autonomous state organizations of an administrative, cultural, or scientific nature, and state-owned enterprises. Central government expenditures are financed by domestic taxes and other domestic levies and by foreign donors, through, *inter alia*, foreign grants, ministerial accounts (*comptes courants*), and domestic and foreign public debt.

3. **Special funds and programs**. These include the Road Fund (*Fonds d'entretien routier, FER*) and the resources mobilized to finance the Universal, Free, and Compulsory Schooling Program (PSUGO) for education, in addition to Treasury transfers. Under the Staff-Monitored Program, the resources levied to finance FER and PSUGO (through the National Education Fund, FNE) will be recorded as central government revenues.

4. **Economic and Social Assistance Fund (FAES)**. FAES is an autonomous state financial entity, currently under the supervision of the Ministry of Economy and Finance. The mission of the FAES is to fund short-term, labor-intensive projects aimed at improving the living conditions of poor people in urban and rural areas and increasing their productive potential. It is responsible for implementing social programs financed by the public Treasury and foreign donors.

5. **Office for Monetization of Development Assistance Programs (BMPAD)**. The BMPAD is an autonomous state administrative organization under the supervision of the Ministry of Economy and Finance. The BMPAD ensures the implementation of grant and/or loan agreements concluded between the government and a donor or foreign lender, as part of the monetization of development aid programs in Haiti. In particular, it finances and monitors approved programs and projects from the funds generated by the monetization of aid in kind.

6. ***Electricité d'Haïti* (EDH)**. EDH is a state-owned enterprise that produces, supplies, and distributes electricity. Flows between EDH and the Central Government (CG) include (i) CG transfers to EDH (including through sales taxes collected on electricity consumption and not devolved to the CG, and the payment of fuel purchase bills); (ii) the payment of letters of credit in favor of independent power producers to settle power generation bills unpaid by EDH; (iii) the payment of bills from independent producers for the purchase of fuel, which are the counterpart of EDH arrears for unpaid generation bills. Under the Staff-Monitored Program, transfers from central government are recorded under operations "above the line," while letters of credit and financial receivables are entered under the operations "below the line."

7. Non-financial public sector (NFPS). The NFPS includes the central government, special funds and programs (defined in paragraph 3), other autonomous state organizations of an administrative, cultural, or scientific nature, including the FAES and the BMPAD (paragraphs 4 and 5), EDH (paragraph 6), the Civil Service Pension Plan and the National Old Age Insurance Office (ONA), and local governments.

8. Public sector (PS). The public sector comprises the nonfinancial public sector, state-owned banks, and nonbank financial SOEs (enterprises over 50 percent state-owned), and the BRH.

9. Budgetary grants. Budgetary grants are grants received from Haiti's bilateral or multilateral partners (including the European Union, the Inter-American Development Bank, the World Bank, the Caribbean Development Bank, and bilateral donors) for general or sector budget support purposes.

B. Quantitative Targets (QT)

10. The implementation of the program will be monitored using the following indicators. Unless otherwise indicated, all QTs will be assessed in terms of cumulated flows from a reference date set at the end of the previous fiscal year (e.g., for fiscal year 2021-22 the reference date is end-September 2021), as specified in Table 1 of the Memorandum on Economic and Financial Policies.

11. Program exchange rates. For the purposes of the program, all assets, liabilities, and flows denominated in foreign currency will be valued "at the program exchange rates," as defined below, with the exception of elements that affect the government's budgetary accounts, which will be evaluated at current exchange rates. For the purposes of the program, it has been agreed to use the following exchange rates: HTG 100.0123/US$ (BRH reference rate as at December 16, 2021), US$1.133600/EUR and SDR 0.7154070/US$ (rates as at December 16, 2021 published by the IMF on its website - https://www.imf.org/external/np/fin/data/param_rms_mth.aspx).

Net Central Bank Credit to the Nonfinancial Public Sector

12. Net central bank credit to the nonfinancial public sector is defined as the difference between BRH assets and liabilities *vis-à-vis* the nonfinancial public sector (*net claims on the public sector*) according to Standardized Report Forms 1SR or 2SR reported by the BRH to the IMF. This includes the net BRH credit to central government and net BRH credit *vis-à-vis* the rest of the nonfinancial public sector. The calculation of the net BRH credit to the nonfinancial public sector is shown below as of September 30, 2021, June 2022, and September 2022.

Appendix 1. Table 3. Haiti: Components of Net Central Bank Credit to the NFPS
(In millions of gourdes)

	September 2021	June 2022	September 2022
Net central bank credit to the nonfinancial public sector	**160,047,059.23**	**202,143,310.10**	**216,907,796.47**
Net credit on central government	162,196,977.99	181,732,827.46	194,641,384.26
Claims on central government	200,791,090.44	257,194,431.71	269,884,127.20
Deposits by government	38,777,196.75	75,461,604.26	75,242,742.94
Deposits in current accounts	26,730,369.21	36,813,575.11	31,796,307.42
Sight deposits (HTG)	7,073,003.48	11,406,902.81	10,720,115.47
Sight deposits (US$)	19,657,365.73	25,406,672.30	21,076,191.95
Securities seized UCREF	594.75	594,748.67	594,748.67
Sundry accounts payable	636,307.08	6,097.41	7,233.00
Certified checks	329,125.56	371,109.60	286,815.46
Certified bank checks	25,041.45	25,041,448.88	25,043,228.88
Foreign Debt Special Fund	55,669.97	194,883.78	117,742.54
			3,037,241.08
Treasury special accounts	6,762,697.60	10,361,354.81	12,201,556.37
Civil pension – investments transaction	375,029.84	561,067.48	583,394.69
IMF debt relief after disaster	2,410,591.87	1,907,738.95	1,965,245.23
Minus: Deposits from autonomous agencies (ONA)	276,996.07	390,420.44	390,990.39
Net credit to the rest of the nonfinancial public sector	-2,149,918.76	-5,200,078.71	-3,346,147.14
Claims on the rest of the nonfinancial public sector	610,420.96	1,274,612.09	1,563,886.60
Deposits by the rest of the nonfinancial public sector	2,760,339.72	6,474,690.80	4,910,033.74
Deposits by autonomous agencies (ONA) (HTG and US$)	276,996.07	390,420.44	390,990.39
Local government deposits (sight deposits and certified checks)	489,202.33	967,138.58	747,632.79
Deposits by state-owned enterprises (sight deposits in gourdes and US$ and certified checks)	1,994,141.32	5,117,131.78	3,771,410.56

Net International Reserves

13. The gross international reserves of the central bank are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the exchange rate, and for other related purposes such as maintaining confidence in the currency and the economy and serving as a basis for foreign borrowing. Reserve assets must be foreign currency assets and assets that actually exist. All contingent assets are excluded. Underlying the concept of reserve assets are the notions of 'availability for use' and 'control' by the monetary authorities.[1] The gross international reserves reported by the BRH from Standardized Report Forms 1SR or 2SR must conform to this definition. They include monetary gold, liquid assets, including holdings of Special Drawing Rights (SDRs), and IMF reserve position. Swaps in foreign currency with domestic financial institutions and pledged or otherwise encumbered reserve assets are excluded from gross international reserves.

14. The net international reserves of the BRH are defined as the gross international reserve of the BRH, minus (i) gross external liabilities excluding allocations of special drawing rights and liabilities related to Haiti's participation in the capital of international financial institutions, (ii) foreign currency deposits of commercial banks at the BRH (*sight deposits in US dollars and euro from BCM to BRH, and the CAM transfer*), (iii) commitments related to foreign currency swap transactions, (iv) *special foreign currency accounts*, and (v) *project accounts*, all from Standardized Report Forms 1SR or 2SR with the exception of the balances of the IMF accounts (SDR holding, reserve position in the IMF, and liabilities to the IMF), which come from the IMF Finance Department. The calculation of BRH net international reserves is illustrated below, as of September 30, 2021, June 2022, and September 2022.

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[1] See *Balance of Payments Manual,* http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm and *Guidelines for a Data Template*
http://www.imf.org/external/np/sta/ir/IRProcessWeb/pdf/guide2013.pdf.

Appendix 1. Table 4. Haiti: Calculation of BRH Net International Reserves

(In thousands)

	September 2021 (gourdes)	September 2021 (US$)[1]	June 2022 (gourdes)	June 2022 (US$)[1]	September 2022 (gourdes)	September 2022 (US$)[1]
BRH gross international reserves						
Gold holdings	9,880,753.71	98,795.39	11,973,510.09	119,720.38	11,412,086.84	112,977.20
Foreign currency	5,998,299.64	59,975.62	3,648,143.51	36,476.95	4,626,623.31	45,802.57
Foreign sight deposits	24,302,710.70	242,997.22	19,972,438.93	199,699.83	16,450,821.02	162,859.58
Investments abroad	189,797,159.80	1,897,738.18	196,580,981.41	1,965,568.05	193,091,082.97	1,911,560.11
SDRs holdings (according to IMF books)	13,972,219.51	139,705.01	15,047,009.07	150,451.59	14,514,617.83	143,691.59
IMF reserve position (based on IMF books)	2,818,820.50	28,184.74	3,161,513.40	31,611.25	3,094,766.71	30,637.52
Minus: Foreign liabilities	*70,137,904.62*	*701,292.79*	*75,598,035.47*	*755,887.38*	77,193,778.83	*764,201.77*
Of which: Foreign liabilities (excluding liabilities related to Haiti's participation in the capital of international financial institutions)	*8,518,510.82*	*85,174.63*	*1,645,925.76*	*16,457.23*	1,652,381.92	*16,358.22*
Debt service payment to PDVSA	*42,558,855.10*	*425,536.21*	*53,576,083.08*	*535,694.94*	*55,708,098.82*	*551,498.17*
Off-balance-sheet foreign currency liabilities	*1,460,675.36*	*14,604.96*	*1,738,342.54*	*17,381.29*	*1,765,326.81*	*17,476.35*
Liabilities to the IMF (based on IMF books)	*17,599,863.34*	*175,976.99*	*18,637,684.09*	*186,353.92*	*18,067,971.28*	*178,869.02*
Minus: Deposits in foreign currency	*129,098,781.43*	*1,290,829.04*	*139,537,396.50*	*1,395,202.36*	*148,557,706.71*	*1,470,689.28*
Minus: Foreign currency swap transactions	*6,002,703.60*	*60,019.65*	*7,088,348.85*	*70,874.77*	*7,370,423.81*	*72,965.61*
Minus: Special accounts in foreign currency	*133,391.45*	*1,333.75*	*139,470.08*	*1,394.53*	*132,421.50*	*1,310.94*
Minus: Project accounts	*67.74*	*0.68*	*71.34*	*0.71*	*68.92*	*0,68*
Net international reserves of the BRH	**41,397,115.02**	**413,920.24**	**28,020,274.18**	**280,168.28**	**9,935,598.92**	**98,360.29**

[1] Exchange rate: HTG 100,0123/US$

15. Interventions of the BRH in the foreign exchange market are defined in the Memorandum of Economic and Financial Policies.

16. If budgetary grants are lower than expected the floor on net international reserves will be adjusted downwards by the amount of the difference in question. Conversely, the floor will not be adjusted upwards by the amount of budgetary grants exceeding the expected levels mentioned in the table below.

Projected Budgetary Grants
(In millions of US dollars)

Cumulative flows since end-September 2021				Cumulative flows since end-September 2022			
Dec. 2021	March 2022	June 2022	Sept. 2022	Dec. 2022	March 2023	June 2023	Sept. 2023
-	-	9.1	18.1	0.0	18.8	-	-

Primary Balance of the Nonfinancial Public Sector

17. Domestic arrears of the central government refer to expenditure accepted by the Treasury and unpaid after 90 days, despite the delivery of the corresponding goods and services. Domestic arrears of central government do not include unpaid off-budget government commitments.

18. Unpaid off-budget central government commitments refer to liabilities incurred outside the budgetary process (from ministries or other public bodies), which may give rise to contingent claims against central government resources.

19. Net domestic financing of the nonfinancial public sector (NFPS) corresponds to the sum of the following elements: (i) net central bank credit to the NFPS; (ii) net credit from domestic commercial banks to the NFPS (as reported in the Standardized Report Form 2SR), which includes changes in NFPS deposits and the net issuance of Treasury bills and other NFPS securities to commercial banks; and (iii) net nonbank credit to the NFPS, which includes the net issuance of Treasury bills and other NFPS securities to nonbank institutions, the change in the net position of the NFPS vis-à-vis the electricity sector (including independent power producers), and the net change in suppliers' credit and domestic arrears of central government.

20. Net external financing of the nonfinancial public sector (NFPS) corresponds to the sum of (i) new external loan disbursements (excluding IMF loans) and (ii) the net change in external arrears minus external loan amortizations.

21. For the purposes of the program, the **primary balance of the nonfinancial public sector (NFPS)** corresponds to the sum of the following: net domestic financing of the NFPS and net external financing of the NFPS, after deducting interest payments on public debt. If budgetary grants do not reach the expected levels, the floor on the primary balance of the NFPS includes an asymmetric adjuster. More specifically, if the amounts of budgetary support are in deficit, the floors on the primary balance will be reduced by the amount of those deficits. Conversely, if external budget support exceeds projections, the floor on the primary balance will not change.

Budget Allocation to the Ministry of Social Affairs and Labor

22. The budget allocation to the Ministry of Social Affairs and Labor (MAST) for social expenditure is defined as the sum (excluding transfers to the population) of the budget allocation (or expenditure implemented if lower) for all social programs of the MAST budget, including the resources allocated and implemented by the FAES, the Emergency Program (2022), *Klere Chimen*, and the activities of the Office of the State Secretary for the Inclusion of Persons with Disabilities (BSEIPH). It should be noted that this does not prevent other government entities from supporting the implementation of MAST programs. The floor on the QT applies to the sum of the allocations mentioned.

New Contracting or Guaranteeing by the Public Sector of Non-Concessional External Debt

23. **Definition of debt**. The definition of debt is set in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103) of the Executive Board (October 28, 2020). For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the PV (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

24. **Gross public debt** is debt owned by Nonfinancial public sector and comprised the advances by the *Banque de la République d'Haiti* (BRH) to the government.

25. **Debt guarantees by the public sector**. For the purposes of the program, a debt guarantee by the public sector means an explicit legal obligation to service a debt in the event of non-payment by the borrower (in return for payment in cash or in kind).

26. **Concessional debt**. An external debt is considered concessional if it includes a grant element of at least 35 percent.[7]

27. **External public debt**. This is the debt of the public sector which is contacted or serviced vis-à-vis non-residents. It includes, where applicable, debt issued domestically by the government and held by non-residents. This TMU assumes that non-residents do not hold debt issued domestically by the public sector. The stock of external debt will be adjusted if new information becomes available.

28. The central government undertakes not to contract or guarantee any new non-concessional external debt. This quantitative target also applies to domestic debt. It also applies to any private debt guaranteed by the central government that constitutes a contingent liability. Excluded from the ceiling are short-term (with a maturity of less than one year) import-related credits, rescheduling arrangements, borrowing from the IMF, non-resident purchases of treasury bills, and gourde-denominated BRH bills that are indexed to the exchange rate. This quantitative target will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

Public Sector External Arrears Accumulation

29. **Arrears on external debt of the public sector**. They include all debt-service obligations (principal and interest) on loans contracted or guaranteed by the public sector that are due to non-residents but not paid on the due date as set out in the loan contract; they exclude those arising from obligations being renegotiated with external creditors and (or) those that are litigious. For the purpose of assessing the quantitative target on the non-accumulation of new external debt arrears by the public sector, arrears resulting from non-payment of debt service due to international sanctions preventing payments to the creditor are excluded from the previous definition. This quantitative target will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

[7] A tool to calculate the grant element of a wide range of financial packages is available at: http://www.imf.org/external/np/pdr/conc/calculator/

Domestic Arrears Accumulation of the Central Government

30. Arrears on domestic debt of the central government. They include all debt-service obligations (principal and interest) on loans contracted or guaranteed by the central government that are due to residents but not paid 90 days after the due date set out in the loan contract. The quantitative target on domestic arrears accumulation will be monitored continuously by the authorities and any non-observance will be immediately report to the Fund.

C. Reporting of Data for the Monitoring of the Program

31. In order to facilitate monitoring of the program, the government will provide IMF staff with the information set out in the following summary table. Any data revisions will be promptly communicated to IMF staff.

32. The authorities will inform IMF staff in writing at least 10 working days (excluding public holidays in Haiti) before any change in economic and financial policies that may affect the outcome of the program. Such policies include, for example, changes in tax or customs legislation, wage policy, and support for public or private enterprises. With respect to continuous QTs, the authorities will report any non-observance to the IMF promptly.

Appendix I. Table 5. Haiti: Summary of Data to be Provided

Sector	Type of Data	Frequency	Reporting Deadline
Real Sector			
	National accounts	Annual	Year-end + 3 months
	Quarterly economic indicators (economic cycle)	Quarterly	Quarter-end + 2 months
	Consumer price index (including breakdowns)	Monthly	Month-end + 3 weeks
Public Finances			
	Fiscal revenues (internal, external, other)	Monthly	Month-end + 1 week (4 final weeks final data)
	Expenditures on Cash Basis (wages and salaries, goods and services, external debt, current accounts)	Monthly	Month-end + 1 week (4 final weeks final data)
	Table of government financial transactions (TOFE)	Monthly	Month-end + 2 weeks
	Balance on current accounts and operation of projects	Monthly	Month-end + one month
	Table Underlying TOFE, which enables the determination of checks in circulation and balance on investment project accounts	Monthly	Month-end + one month
	Table on budget implementation with breakdown by ministry and other bodies and by type of expenditure	Monthly	Month-end + one month
	Total monthly amount of expenditure executed by transfer letters	Monthly	Month-end + one month
	Report on Revenue Collection of DGI (progress report)	Monthly	Month-end + one month
	Tables of revenue collection of AGD (port activity indicators, analytical report of customs receipts on import)	Monthly	Month-end + one month
	Table of revenue collected and authorized expenditure (TEREDA)	Monthly	Month-end + one month
	Detailed revenue and expenditures of BMPAD	Quarterly	Quarter-end + one month
	Report on social protection expenditures	Quarterly	30-day lag (final data)
	Table on the implementation of the PSUGO program	Quarterly	30-day lag (final data)
	Dashboard of the state electricity utility EDH showing monthly information on the production of electricity, making explicit the composition of production by independent electricity producers, EDH, and by region.	Monthly	30-day lag (final data)
	EDH commercial data allowing the calculation of EDH's billing and collection rates	Monthly	Month-end + one week
	EDH cash data including all revenues and all expenditures (operating, investment, and other)	Monthly	Month-end + one month
	Information on any off-budget claims presented for payment	Monthly	Month-end + one month

Appendix I. Table 5. Haiti: Summary of Data to be Provided (Continued)

Sector	Type of Data	Frequency	Reporting Deadline
	Stock of unpaid off-budget central government liabilities	Monthly	Month-end + one month
	Data on all fuel shipments per product giving the CIF import price, the full price structure (including stabilization margin) and import and consumption quantities. Data on actual collections for each month with a breakdown per product and tax type.	Monthly	Month-end + one week
	Table of import prices of petroleum products, by arrival	Monthly	Month-end + one month
	Table of imported quantities of petroleum products	Monthly	Month-end + one month
	"Stabilization margin" table of the Directorate of the Tax Inspectorate	Monthly	Month-end + one month
	"Petroleum product tax" table of the Directorate of the Tax Inspectorate	Monthly	Month-end + one month
	Details of the stock of all government borrowing and debt securities (interest rate, maturity, creditor if known)	Annual	End of financial year + 3 months
	Full amortization table of domestic and external government debt	Annual	End of financial year + 3 months
	Statement of stocks and flows of repayment of suppliers' credits and payment arrears	Monthly	Month-end + one week
Monetary and Financial Data			
	Exchange rate	Daily	Day-end + one day
	Monetary base and sources thereof and currency in circulation.	Weekly	Week-end + one week
	Aide Memoire Table containing, inter alia: (i) stock of BRH bonds; (ii) deposits at commercial banks; (iii) credit to private sector (in gourdes and U.S. dollars); (iv) details of inflows and outflows of foreign exchange reserves, including budget support received; (v) volume of foreign exchange transactions, including BRH sales and purchases; (vi) gross and net international reserves; (vii) net BRH credit to central government and the non-financial public sector; and stocks and interest rates of BRH bills.	Weekly	Week-end + one week
	Tables of monetary statistics showing, inter alia, the balance sheet of the BRH (Table Standardized Report Form-1SR) and the consolidated banking sector (Table Standardized Report Form -2SR)	Monthly	Month-end + one month
	IMF Weekly Tables showing, inter alia, the average and weighted interest rates on gourde and U.S. dollar-denominated deposits and credit, and the excess reserves in the banking system.	Monthly	Month-end + one month

Appendix I. Table 5. Haiti: Summary of Data to be Provided (Concluded)

Sector	Type of Data	Frequency	Reporting Deadline
	Monetary and financial statistics. Standardized reporting form, balance sheets of the Central Bank and other depository corporations.	Monthly	Month-end + one month
	Information on the composition of gross reserves.	Monthly	Month-end + one month
	Banking supervision statistics and commercial indicators on commercial banks.	Quarterly	Quarter-end + one month
	The calendar and planned placements of BRH gourde-denominated dollar-indexed bills, including in banks and nonbanks.	Quarterly	Quarter-end + one month
	Audited financial statements of the BRH	Annual	Year-end + 3 months
Balance of Payments			
	Balance of payments (first version)	Quarterly	Quarter-end + 6 weeks
	Revised balance of payments	Quarterly	3 months after the first reporting
	BRH FX cash flow table; quarterly projections through end of fiscal year.	Quarterly	Quarter-end + one month
External Debt			
	External debt report prepared by the BRH showing monthly disbursements; debt service, debt forgiveness and rescheduling, arrears, and debt stocks.	Monthly	Month-end + one month
	Details of any external public debt and debt guaranteed by the State	Monthly	Month-end + one month
	Data on stocks, accumulation, and repayment of external arrears	Monthly	Month-end + 6 weeks
	Table of complete amortization of external debt	Annual	End of financial year + 3 months
	International Investment Position (IIP)	Annual	Year-end + 3 months