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HAITI

February 2023

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

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 23, 2023, following discussions that ended on December 8, 2022, with the officials of Haiti on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on January 6, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Haiti.

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

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

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

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PRESS RELEASE

PR23/12

IMF Executive Board Approves US$105 Million Food Shock Window to Haiti

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) approved today a disbursement of SDR 81.9 million (US$105 million) to Haiti under the Food Shock Window of the Rapid Credit Facility.
- While Haiti's population was already suffering severe malnutrition and food insecurity before the war in Ukraine, especially its suffering has been compounded by the surge in food commodity prices

Washington, DC – January 23, 2023: The Executive Board of the International Monetary Fund (IMF) approved today a disbursement of SDR 81.9 million (US$105 million) to Haiti under the Food Shock Window of the Rapid Credit Facility[1] to help Haiti address urgent balance of payment needs related to the global food crisis.

Haiti has been hit hard by the global food price shock. Record price inflation has worsened Haiti's fragility given the high pass through from global to domestic food prices and shortages in food supplies. With more than half the population already below the poverty line, Haiti faces a dire humanitarian crisis, with an expected financing gap in FY2023 of at least US$105 million (0.5 percent of GDP), assuming import compression and pending additional external financing from development partners. This shock compounds the hardships of an already highly fragile country—also suffering a public health emergency (cholera) and serious security risks.

Following the Executive Board's discussion, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, issued the following statement:

"Haiti is facing a dire humanitarian crisis and was hit hard by the economic spillovers from Russia's invasion of Ukraine. These spillovers included record price inflation that worsened Haiti's fragility and compounded the suffering of Haiti's population already affected by a severe malnutrition. Measures are being taken by the government to cushion the impact of the food price shocks on the population and to expand the social safety nets.

"IMF emergency support under the food shock window of the Rapid Credit Facility will help fill the balance of payment gap and support those most affected by food price rises through feeding programs and cash and in-kind transfers to vulnerable households, waives school fees and other measures.

[1] The Food Shock Window provides, for a period of a year, a new channel for emergency Fund financing to member countries that have urgent balance of payment needs due to acute food insecurity, a sharp increase in their food import bill, or a shock to their cereal exports.

“To address the crisis, budgetary resources will need to be allocated toward priority spending on food programs and to increase social assistance toward the most vulnerable. To ensure the appropriate use of emergency financing, which will be vital for catalyzing further donor support and mitigate risks to debt sustainability, the authorities should carefully control, track, record, and publish all spending related to the emergency response. Supported by close Fund engagement, they should undertake internal expenditure audits by all the line ministries involved in the use of emergency resources provided under the food shock window through the General Inspectorate of Finance and communicate these internal audits to the Supreme Audit Court in a timely way.

“The combination of appropriate macroeconomic and structural policies under the Staff-Monitored Program (SMP) provides additional safeguards for the Fund’s outstanding obligations. While providing adequate liquidity support to the financial sector, the central bank should reduce monetary financing of the deficit and limit foreign exchange interventions to smoothing volatility.

“The SMP is also catalytic to donor support. A successful implementation of Haiti’s SMP would be key in the process of restoring macroeconomic stability and sustainability, strengthening the social safety net, and tackling governance weaknesses and corruption.”

HAITI

January 6, 2023

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. Haiti has been hit hard by the global food price shock. In September 2022, food inflation reached 44 percent, with rice inflation nearly 70 percent. With more than half the population already below the poverty line, Haiti faces a dire humanitarian crisis, with an expected financing gap in FY2023 of at least US$105 million (0.5 percent of GDP), assuming import compression and pending additional external financing from development partners. This shock compounds the hardships of an already highly fragile country—also suffering a public health emergency (cholera) and serious security risks. In line with global trends and also due to an escalation of violence, the macroeconomic situation has been more challenging relative to the outlook in June 2022, at the time of the approval of the Staff Monitored Program (SMP). That said, recent data suggest that the authorities are making meaningful efforts to overcome the multiple challenges facing the country and the First Review of the SMP was approved by IMF Management on December 21, 2022.

Food Shock Window Request. The Haitian authorities have requested support—under the Rapid Credit Facility (RCF) through the Food Shock Window (FSW)—to address urgent balance of payments (BOP) needs attributable to acute food insecurity and higher food import costs that exceed the last five-year average. These needs, if not addressed, could result in an immediate and severe economic disruption. Staff supports this request, with access proposed at SDR 81.9 million (about US$105 million), equivalent to 50 percent of quota, or to the estimated BOP gap in FY2023.

Safeguards and risk mitigation. To ensure transparency and accountability in the spending of emergency resources for the most vulnerable households, and to protect against misappropriation, the authorities have committed to carefully control, track, record, and publish all spending related to the emergency response. They have also committed to conduct internal expenditure audits by all the line ministries involved in the use of emergency resources provided under the Food Shock Window through the General Inspectorate of Finance and to communicate the internal audits to the Supreme Audit Court (la Cour Superieure des Comptes et du Contentieux Administratif or CSCCA) in a timely way. The CSCCA will conduct compliance audits related to the authorities' measures to address food insecurity measures bi-annually and publish the audit findings. The authorities published on June 9, 2022, the financial and operational

audit on COVID-related spending agreed under the 2020 RCF arrangement, with the auditor flagging the lack of supporting documentation that impeded the rendering of a full audit opinion. Nonetheless, the audit quality was adequate, reflecting the willingness of the government to expose weaknesses and highlighting PFM issues needing improvement. In this context, the authorities' commitment to continuing to advance governance and anticorruption reforms in the context of the SMP has been encouraging. The recent consolidation of central budgetary units into one Treasury Single Account (TSA) at the central bank, with the Fund's technical assistance, will help improve control and reporting of resources. The authorities also agreed to continue implementing the 2019 safeguards assessment recommendations.

Economic policies. The authorities conveyed in their Letter of Intent (LOI) their strong commitment to advancing policies that will ensure continued macroeconomic stability. The authorities have adopted a detailed strategy for enhancing social safety nets. The authorities will use emergency financing to support spending allocated in the budget for mitigating the impact of the food price shock on the population. Measures, among others, include: the increase in cash transfers and food rations for poor households; begin school feeding programs and provide hot meals for vulnerable households and community restaurants; and waive school fees.

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 Central Bank 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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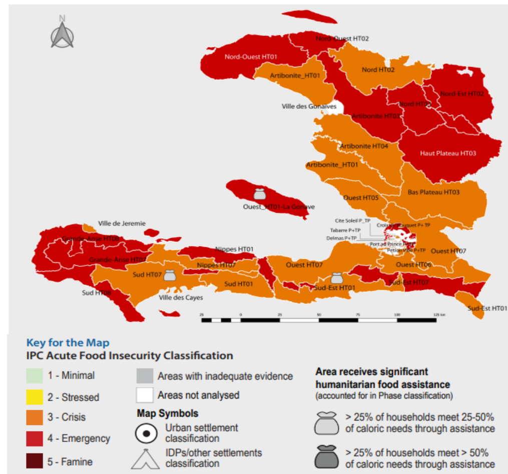
APPENDIX

CONTEXT AND RECENT DEVELOPMENTS

1. **Haiti is facing a dire humanitarian crisis**. The country was hit hard by the economic spillovers of Russia's invasion of Ukraine. These spillovers included record price inflation that worsened Haiti's fragility given the high pass through from global to domestic food prices and shortages in food supplies. While Haiti's population was already suffering severe malnutrition and food insecurity before the war in Ukraine, especially children—with at least half the population assessed by the World Bank to be living below the poverty line—its suffering has been compounded by the surge in food commodity prices. As more than half of household consumption spending is on food, inflation is causing a hunger crisis.

Acute Food Insecurity Situation



Source: Integrated Food Security Classification (IPC).

2. **The food price shock comes at a difficult juncture**.

- *Political uncertainty persists.* Prime Minister Henry, who has faced several months of increasingly violent protests, has pledged to hold elections as soon as it is safe to do so. Violence has escalated sharply in recent months with a surge of internal displacement of thousands of Haitians. Protests were further inflamed by the announcement of fuel price increases on September 14. Armed gangs have grown in power over the last year and have increased their control of the capital, blocking access to the main fuel terminal of *Varreux* and paralyzing most of the activities until end of October, aggravating widespread fuel shortages, forcing temporary hospital and school closures, disrupting food and water distribution, and further hampering efforts to control the recent cholera outbreak. With the police regaining control of the fuel terminal beginning of November, fuel distribution has resumed, and economic activity has slowly restarted. The UN Security Council unanimously approved a sanction regime targeting gang leaders and those who finance them, followed by the Central Bank of Haiti's instructions to financial institutions, issued in November, to support its implementation.

- *Macroeconomic conditions*. Real GDP likely contracted for the fourth consecutive year in fiscal year 2022, ending in September, at about -1.5 percent. Inflation reached 38.7 percent (y/y) in September 2022, driven by high international food and import prices, drought-related supply disruptions, and monetary financing of the budget deficit (Table 1). To tackle inflation and prevent further depreciation of the gourde, the *Banque de la Republique 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 non-financial public sector (NFPS) fiscal deficit for FY2022 (including grants) is estimated at 2.2 percent of GDP, about 0.7 percent of GDP larger than projected at the time of the SMP approval in June 2022, reflecting higher costs of petroleum product subsidies, before the price increase in September. Despite the riots in September, domestic revenues held up relatively well for the overall year and reached about 90 percent of the value expected in June. 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, which aggravated the shortage of foreign exchange. Gross international reserves are still estimated at 4.6 months of projected imports, but net international reserves have been declining, by about US$240 million since the end of FY2021.

IMPACT OF FOOD PRICE SHOCK

3. The impact of the global shock on food prices has been broad based. Food inflation reached nearly 44 percent (y/y) in September 2022 and 8 percent (m/m), with rice and milk powder surging to 70 and 60 percent (y/y). The war in Ukraine has worsened a difficult situation by causing record inflation on imported products (52 percent y/y in September), increasing costs for fertilizers, and shortages in food supplies, particularly cereals. Substantial risks weigh on the outlook for international prices for rice, widely consumed in Haiti and mostly imported. Moreover, pressures remain on the supply side. The decline in cereal production is highly likely to continue into 2023 and lack of availability and access to food could become even more serious (Figure 1).

4. The food price shock has contributed to an urgent balance-of-payments need in FY2023. With elevated food prices and a humanitarian crisis unfolding, Haiti is expected to see a large rise in its import bill in FY2023 (Box 1). This will widen the current account deficit relative to the projections in the June 2022 SMP, resulting in a balance of payments financing gap of at least US$105 million (Text Table 1), although projections are subject to substantial uncertainty. The key assumptions behind these estimates are:

Text Table 1. Haiti: Recent Developments in the Balance of Payments 1/
(In millions of US$ on a fiscal year basis; unless otherwise indicated)

	FY2022-23		
	SMP approval	RCF request	Difference
Current account	**-108**	**-199**	**-91**
Trade Balance	-4,796	-4523	272
of which textile exports	1,218	1259	41
of which oil imports	-1,156	-1009	147
of which food imports	-901	-949	-48
Remittances	3,835	3216	-619
Capital and financial accounts	**138**	**126**	**-12**
of which FDI	85	97	12
Official Disbursements	500	610	110
Overall Balance	**30**	**-73**	**-103**
Financing	**21**	**73**	**52**
RCF		105	105
Other incl. decline in reserves	-30	-32	-2

Sources: Authorities' data; and Fund staff estimates and projections.
1/ The 2022 Staff Monitored Program (SMP) was approved in June 2022.

- lower remittance flows, a key channel to smooth consumption, lowered foreign exchange income making even more difficult for households to pay higher food prices;
- exports will remain subdued, partly because of a 2 percent of GDP decline in textile exports;
- weak Foreign Direct Investment (FDI), at still 0.4 percent of GDP in FY2023;
- import compression pending additional forthcoming external financing; and

- declining Net International Reserves (NIR).

The fiscal deficit also contributes to sizable BOP needs, including because critical current public sector spending has a large import component. On the fiscal front, the emergency financing would be used to support poor households through cash transfers and dry food rations (Text Table 2).

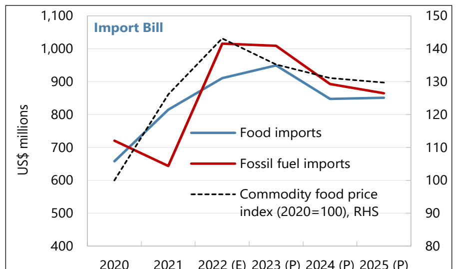
Text Table 2. Haiti: Additional Expenditures Related to Food Price Shock

Measures	Millions of HTG	Share of GDP (%)
Transfers (non-energy)		
Dry food rations	3,707	0.14
Transfers to poor families	8,237	0.31
Transfers to teachers	0	0.00
Transfers to textile workers	0	0.00
Other transfers	481	0.02
Capital expenditures (University hospital)	0	0.00
Total	**12,425**	**0.47**

Sources: Authorities' data; and Fund staff estimates and projections.

Box 1. Impact of the Global Food Crisis on Haiti's Balance of Payments

Haiti's import bill surged amid higher global food and commodity prices. During FY2020-22, the import bill, in dollar terms, expanded nearly 40 percent—from about $3.7 billion in FY2020 to some $5.1 billion in FY2022, of which nearly half is for fossil fuels and food. During this period, the fossil fuel bill grew 44 percent and the food import bill 40 percent, with the latter increasing in line with the surge in food prices (chart).



Sources: BRH, Word Economic Outlook and Fund staff estimates and projections from 2022 onwards.

Haiti's emergency economic situation is closely linked with the global food shock. Haiti has an urgent BOP need associated with acute food insecurity that is inflicting serious economic disruption on the country. The World Food Programme and Food and Agriculture Organization rank Haiti at a catastrophic level on the Integrated Food Security Phase Classification index.[1] Food insecurity is particularly acute among the most vulnerable and poorest citizens. Services exports—mainly tourism revenues—are at only 20 percent of pre-pandemic levels and are not expected to recover until the current food and security situations improve.

Balance of payments support from the RCF at 50 percent of quota will be critical given Haiti's limited net external buffers. Although gross foreign exchange reserves remain sufficient to cover nearly five months of imports, net international reserves of the BRH have been declining as a result of rising external liabilities to banks. Haiti could be exposed to external sustainability risks if it is unable to roll over its reserve-related liabilities. The BRH will limit its foreign exchange intervention only to smoothing excess volatility (LOI ¶8). Fund engagement via the SMP is likely to catalyze donor funds, further helping the authorities close their BOP gap within a year.

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1/ See (United Nations, 2022).

OUTLOOK, RISKS, AND DEBT SUSTAINABILITY

5. **The 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 assesses a financing gap only in FY2023. Growth is projected to turn positive in FY2023 at 0.3 percent, but 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 SMP 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 to 0.8 percent of GDP in FY2023 as a result of the food price shock and would narrow further to 0.6 percent of GDP in the medium term.

6. 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.

7. Public debt is sustainable with "high risk of distress" and debt carrying capacity is rated "medium." The DSA (See DSA Supplement) updates the analysis conducted at the time of the SMP approval in June 2022, with the overall analysis remaining largely unchanged. More broadly, slightly higher primary deficits over the medium term, funded by a gradual increase in external concessional financing against the background of subdued export growth, brings the present value of public and publicly guaranteed external debt as a share of exports into the "high" range of debt distress thresholds in the joint IMF-World Bank DSA. Debt carrying capacity is unchanged at "medium" and the debt outlook remains subject to risks.

POLICY DISCUSSIONS

Discussions focused on the immediate policies to contain the food price shock and protect the poor.

8. The authorities are taking steps to cushion the impact of the shocks on the population. The Ministry of Social Affairs and Labor and the Ministry of Economy and Finance have prepared a very detailed strategy to tackle food insecurity and strengthen the social safety (see text Table 3), 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 BRH has moved to ease loan repayment obligations— extending them for three months for households and six months for corporates. The ministry of finance is planning to support workers in several sectors (including textile) 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 waive school fees. They are considering leveraging digital tools for cash transfers, thanks to support from the Word Bank and Inter-American Development Bank. Staff welcome these measures which are in line with Fund advice.

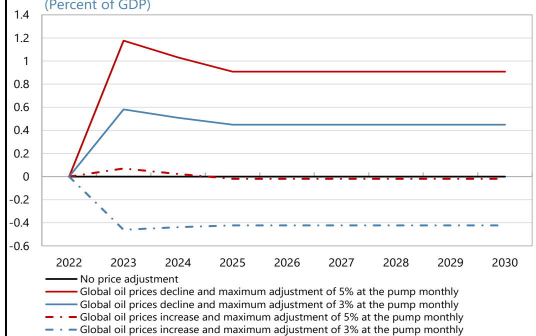
Text Table 3. Haiti: Measures to Support Vulnerable Households in FY2023

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.

9. To monitor implementation of these programs and strengthen transparency and accountability, the authorities committed to follow PFM guidelines, in line with recent technical assistance from the Fund. In particular, all spending related to the new resources, including social spending, are included in the budget and the associated financing recorded in the Treasury Single Account at the central bank, while abiding by proper procurement procedures. Strengthening the social safety net will continue to be supported by financing from development partners (Annex I). Additional efforts to enhance transparency by the authorities include continued regular publication of the financial operations of the Economic and Social Assistance Fund (FAES), using a template of financial statements for public institutions, a key objective of the SMP program. Similarly, the authorities plan an institutional reform as part of the *national policy for social protection and promotion* (PNPPS), which will centralize social spending initiatives and their execution under the ministry of social affairs and labor, in line with IMF recommendations (IMF 2020), with a view to enhancing transparency. In particular, the authorities aim to enhance their collaboration with the UN World Food Program (WFP) and expand the partial registry, called SIMAST (national vulnerability database, in which about 420,000 Haitian poor households, or 2,500,000 people, are registered). Staff will continue to engage with other development partners, such as the EU, IADB, the UN WFP, and the World Bank, in order to support the government in effectively and transparently deploying the measures to protect the most vulnerable.

Estimates of Fiscal Space Under Different Fuel Price Adjustment Scenarios
(Percent of GDP)



Sources: Ministry of Finance, GAS and Fund staff estimates and projections.

10. The authorities made efforts to sustain revenue collection and should continue to do so. Recent reforms include amendments to the tax code and tax procedure code.[1] Next steps would entail following through with implementation the tax code (and the tax procedure code) and customs and tax administration reforms. At the end of June 2022, weaker-than-expected revenue collection prompted the implementation of administrative measures, including replacing management at the revenue agency. These measures boosted domestic revenues to a monthly average of 6.4 billion gourdes, from average of 2.2 billion gourdes in April-June—and to 3.4 billion gourdes in July-August. Despite the authorities' meaningful efforts, worsening security undermined the revenue agency's capacity to collect taxes in September-October. Relative to the June 2022 outlook, staff estimated a shortfall of 5 billion gourdes in domestic revenue in FY2022. As a result, monetary financing increased to 2.3 percent of GDP (49.5 billion gourdes)—0.1 percent more than expected.

[1] The new tax code, a primer in the country's history, and the associated procedure code (structural benchmark completed under the SMP) entail 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 increase in their rates; the integration of local taxes, of the Investment Code and the Special Economic Zone Regime into the tax code.

11. The authorities have approved a credible budget framework for FY2023 and over the medium term. The 2023 budget, approved on December 19, aims for a budget deficit of about 1.5 percent of GDP, slightly lower the one projected by staff of 2 percent of GDP. The fuel price rise announced in September was reflected in prices at the pump in November, but fuel imports fell sharply because of the security situation. As a result, net fuel revenues are projected at 1.1 percent of GDP in FY2023 (vs. -1.5 percent in FY2022). This assumes that prices at the pump remain near their cost and global oil prices moderate in line with WEO projections (Text Tables 4-5 and Chart). 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 intend to use the freed-up resources to compensate those most affected by food price rises, including through their *Programme d'urgence*, which they aim to roll out soon.

Text Table 4. Haiti: FSW and Reallocation of Fuel Subsidies Toward Priority Spending

(In billions of gourdes and percent of GDP)

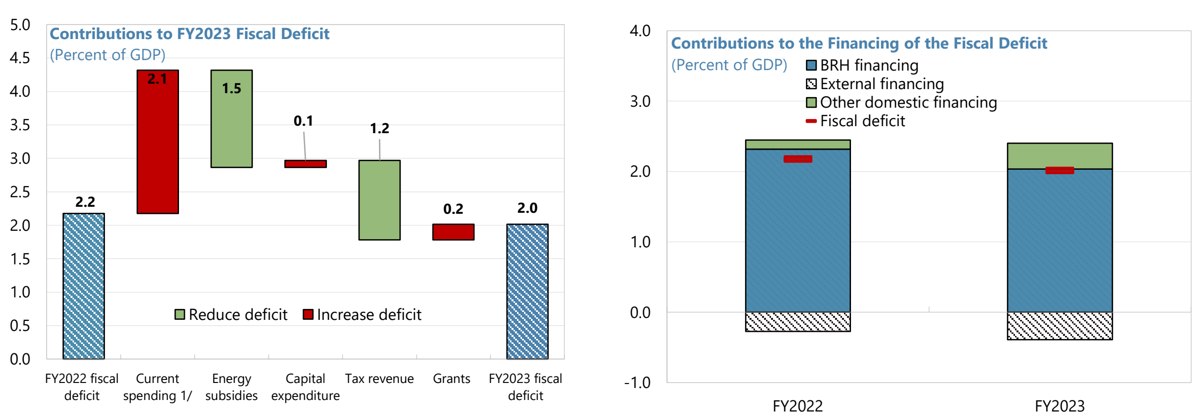
	FY2022		FY2023	
	HTG bn	% of GDP	HTG bn	% of GDP
Energy	**38,886**	**1.8**	**10,506**	**0.4**
EDH	7,644	0.4	10,506	0.4
Fuel (net subsides)	31,242	1.5	0	0.0
Non-Energy	**5,820**	**0.3**	**48,034**	**1.7**
Re-allocation from fuel subsidies	0	0.0	33,480	1.2
IMF FSW loan	0	0.0	12,379	0.4
Other (including social spending)	5,820	0.3	2,174	0.1

Source: Authorities' data; and IMF staff estimates and projections.

Text Table 5. Haiti: Impact of Fuel Price Adjustments

	FY2022	FY2023	% change
Prices (HTG/gallon)			
Formula-cost price (weighted average)	*559*	*605*	*8.3*
Gasoline	594	616	3.6
Gazoil	548	642	17.3
Kerosene	519	583	12.4
Price at the pump (weighted average)	*291*	*621*	*113.2*
Gasoline	250	570	128.0
Gazoil	353	670	89.8
Kerosene	352	665	88.9
Fuel budget impact (% GDP)			
Subsidies	2.9	0.1	
(Forgone) Taxes	1.5	1.1	
Net tax collection	*-1.5*	*1.1*	
Memorandum items:			
World oil price (USD/gallon)	94.6	81.5	-13.9
Exchange rate (HTG/USD)	107	117.1	9.3

Sources: Authorities' data and Fund Staff estimates and projections.



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.

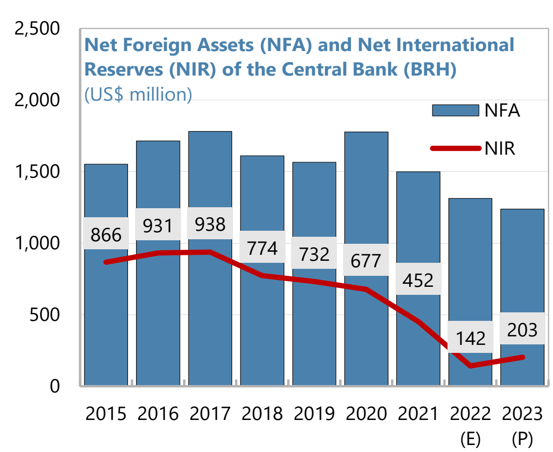
12. Meaningful progress has been achieved on revenue mobilization and on PFM to increase the transparency of public spending and improve the quality of spending. The authorities finalized the new customs tariffs with help from Fund technical assistance which will be published later in December. Work toward consolidating in the Treasury Single Account (TSA) all bank accounts of the central budgetary units has been also completed and the medium-term budget framework, with the non-financial public sector (NFPS) deficit as the main anchor, was approved on December 19. These policy reform priorities are meant to simplify the tax and customs systems and enhance transparency, accountability, and audit capacity.

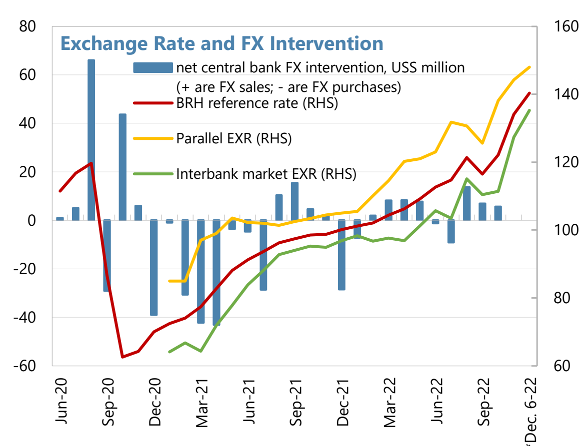
13. The authorities had already taken steps to strengthen monetary and exchange policy frameworks and staff urged them to continue these important efforts. Central bank lending to the non-financial-public-sector (NFPS) was below the end-June target, although has increased in September as the revenue collection was under strain. The authorities committed to limiting monetary financing to 1.5 percent of GDP—in FY2023 which staff assesses as non-inflationary. Any excess reserves will be sterilized by liquidity absorption. A further increase in short-term interest rates would help to initiate disinflation, given the large negative real rate (about 15 percent). Additional financing needs in FY2023 could be covered by domestic borrowing since public debt is sustainable (Text Table 6). The BRH will limit its foreign exchange intervention only to smoothing excess volatility (LOI ¶8).

Text Table 6. Haiti: Financing of the Fiscal Deficit
(In billions of gourdes and percent of GDP)

	FY2022		FY2023	
	HTG bn	% of GDP	HTG bn	% of GDP
External financing	**-5,822**	**-0.3**	**-11,110**	**-0.4**
Project loans	3,450	0.2	0	0.0
Amortization	-9,272	-0.4	-11,110	-0.4
Domestic financing	**63,240**	**3.0**	**68,678**	**2.4**
BRH	49,515	2.3	45,803	1.6
IMF FSW loan	0	0.0	12,379	0.4
Commercial bank deposits and T-Bills	15,950	0.7	10,496	0.4
Domestic suppliers	10,950	0.5	0	0.0
Domestic debt amortization	-13,175	-0.6	0	0.0

Source: Authorities' data; and IMF staff estimates and projections.





Sources: BHR and Fund staff calculations.

14. The BRH is advancing reforms to enhance supervision and strengthen the AML/CFT framework. With technical assistance, the BRH has been strengthening banking supervision to upgrade the regulatory framework and move to risk-based supervision. The BRH has also heightened risk-based supervision and advanced reforms on anti-money laundering by issuing in November detailed instruction to financial institutions to support the implementation of a sanction regime against gangs and criminal activities. The authorities should accelerate progress in addressing the items on the FATF recommendations in order to meet the deadlines of the action plan. The BRH is working to address the deficiencies in AML/CFT preventative measures applicable to entities under its supervision.

MODALITIES OF FINANCIAL SUPPORT, SAFEGUARDS, AND CAPACITY TO REPAY

15. Haiti qualifies for emergency financing under the new Food Shock Window (FSW) of the RCF. The authorities have requested access under the RCF of 50 percent of quota (SDR 81.9 million) through the new FSW.[2] Haiti has an urgent BOP need, attributable to acute food insecurity and increase in food import costs that exceed a certain threshold equivalent in the case of Haiti to the last five-year average. If not addressed, the external payments need will seriously disrupt the economy and aggravate the current humanitarian crisis.[3] Haiti is unable to implement an Upper-Credit-Tranche (UCT)-quality program, owing to its limited implementation capacity. The proposed access is within the applicable overall access limits under the PRGT and the sub-limits under emergency financing instruments. The financing under the FSW will be disbursed to the central bank and is expected to be on-lent to the government for budget support. This will help the government finance its response to the food price shock, including through purchases of food and cash transfers to the most vulnerable households. In their LOI, the authorities confirm that they have established a Memorandum of Understanding between the ministry of economy and finance and the central bank agreeing to the terms of the on-lending arrangement and clarifying their respective roles and responsibilities for timely servicing of the financial obligations to the Fund. They indicate also their commitment to cooperate with the Fund and to pursue economic policies supporting macro stability, in line with the current SMP.

16. Haiti's capacity to repay its obligation to the Fund is adequate, but subject to risks. Haiti's debt is considered sustainable, although at high risk of debt distress (See DSA Supplement). The Fund's exposure to Haiti will increase to 115.2 percent of quota or 1.1 percent of GDP and future debt service to the Fund is expected to reach 2.6 percent of exports of goods and services

[2] See IMF Policy Paper No. 2022/042 "Proposal for a Food Shock Window Under the Rapid Financing Instrument and Rapid Credit Facility" for standard qualification criteria. A requesting member must fulfil at least one of the food shock impact criteria, i.e., it needs to experience an urgent BOP need associated with: (i) a situation of acute food insecurity or an increase in food/fertilizer costs exceeding a certain threshold or (ii) cereal export shortfall exceeding a certain threshold. Haiti qualifies based on (i).

[3] The lack of additional financing gap beyond the amount of the FSW is achieved through import compression, pending additional external financing in the pipeline.

and almost 2 percent of gross international reserves, which are higher than PRGT comparators. The country's high fragility and institutional weakness, as well as high risk of debt distress, add to risks. However, risks are expected to be mitigated by the authorities' strong commitment to maintaining a close engagement with the Fund, as demonstrated by weekly meetings and by pursuing structural reforms in line with Fund's advice, their commitment to continuing achieving macro stability and undertaking reforms to strengthen governance.

17. Risk mitigation and safeguards. The authorities initiated several additional measures to ensure transparency and accountability in spending emergency resources on the most vulnerable households. They committed to carefully track, record, and publish all expenditures related to the emergency response. Accurate and transparent recording and accountability, with respect to the allocation of financing, is important for catalyzing further donor support (e.g., expected budget support from the EU). The authorities' commitment to continuing to advance governance and anticorruption reforms in the context of the SMP has been encouraging. They have, for example, completed publication of the financial and operational audit on COVID-related spending, which was agreed at the time of the previous RCF disbursement, even if it exposed the government to the need of further improve PFM systems. Moreover, governance and PFM reforms have proceeded steadily. These include publication of all public procurement contracts awarded since November 2021— including regular (monthly) information on the beneficiaries of the successful bidders and the consolidation into one Single Treasury Account at the BRH (including central budgetary units, thanks to FAD technical assistance). To further strengthen PFM and mitigate fraud and corruption risks, the authorities will enforce compliance with proper expenditure execution procedures and controls; publish related comprehensive monthly budget execution reports, no later than 45 days after the end of each month; and conduct internal expenditure audits by all the line ministries involved in the use of emergency resources provided under the Food Shock Window through the General Inspectorate of Finance. They will ensure that these internal expenditure audits will be communicated to the Supreme Audit Court (La Cour Superieure des Comptes et du Contentieux Administratif or CSCCA) in a timely manner. They will also provide adequate resources to the CSCCA to conduct compliance audits related to these measures on a bi-annual basis, starting for the period July-December 2022. These compliance audits are to be completed and published within six months of the end of the audit period (LOI ¶5). The authorities committed to provide staff access to its central bank's most recently completed external audit reports and authorize its external auditors to hold discussions with staff.

18. The authorities will continue to move forward in implementing the 2019 safeguards assessment recommendations. The central bank external audit, conducted by KPMG, was completed and published on June 30, 2022. 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. While these would improve the Act in some respects, some areas, including on governance arrangements, mandate, and autonomy safeguards, need further strengthening. Work on these amendments is continuing in consultation with IMF staff. 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 recommendations.

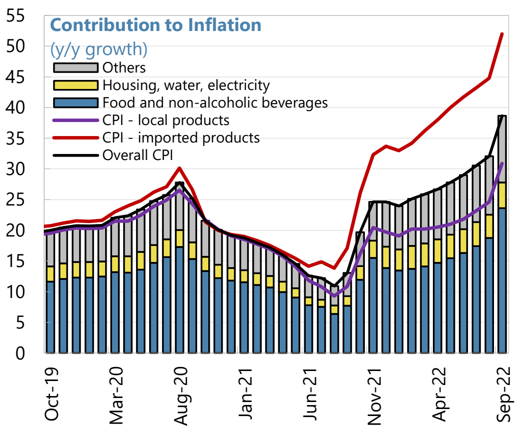
STAFF APPRAISAL

19. Staff supports the authorities' request for Fund emergency financing of 50 percent of quota under the Food Shock Window under the Rapid Credit Facility. Staff assesses that Haiti qualifies for support as it faces an urgent balance of payments need that, if not addressed, would cause severe economic disruption. Staff considers the proposed access to be appropriate, given Haiti's large and urgent financing needs of at least US$105 million in FY2023, its debt sustainability, its adequate capacity to repay the Fund at the proposed level of access, given the strength of the authorities' policies under the SMP. Haiti's urgent BOP need is attributed to acute food insecurity and to an increase in food import costs that exceed a certain threshold (equivalent, in Haiti's case, to the last five-year average). The proposed disbursement would provide critical and timely support to help the government finance its response to the food price shock, including through purchases of food and cash transfers to the most vulnerable households, while acting as a catalyst to official multilateral and bilateral financial assistance. Staff considers that the authorities' commitments in their Letter of Intent (see appendix) are appropriate to ensure macroeconomic stability.

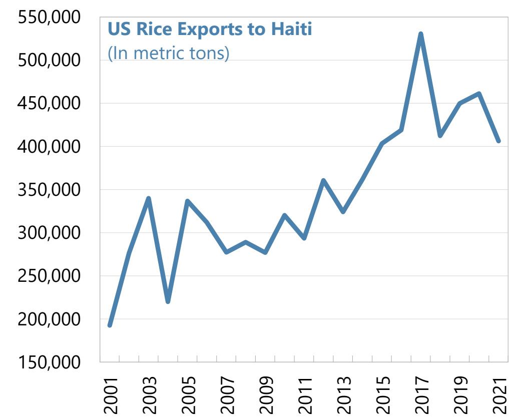
20. The authorities are committed to advancing policies that will ensure continued macroeconomic stability and support the poor and have shared a detailed strategy to enhance social safety nets. They remain in close consultation with staff to implement policies under the SMP that will promote macroeconomic and financial stability, foster domestic resource mobilization, and ensure continued donor support—with the aim of paving the way for an eventual full-fledged Fund Upper-Credit-Tranche (UCT)-quality program. The authorities' LOI makes it clear that the emergency financing will be used to support spending allocated in the budget on food and cash transfers in order to mitigate the impact of the food price shock on the population.

Figure 1. Haiti: Food Prices and Social Indicators

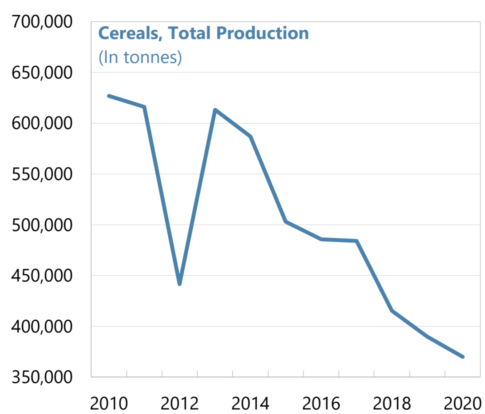
Inflation, largely imported, accelerated in 2022…



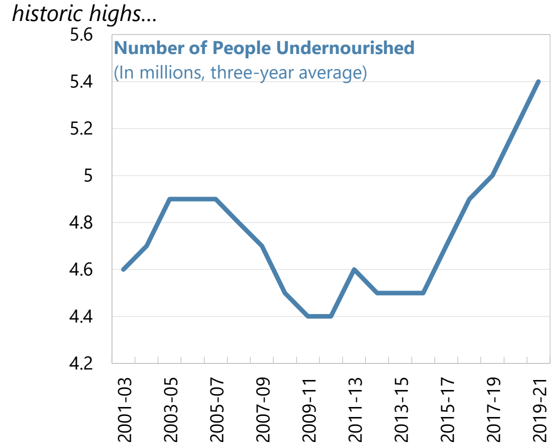
…and import volume of rice from the US dropped….



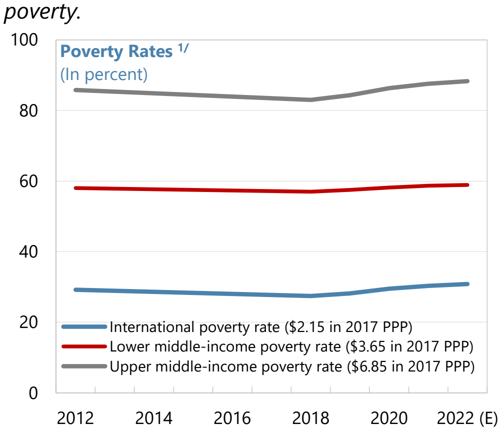
…together with domestic production of cereal.



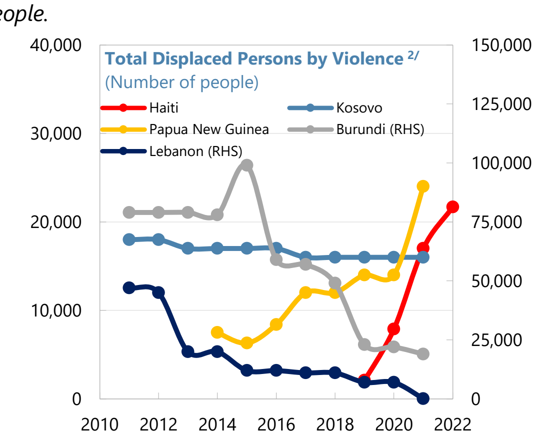
The absolute number of people undernourished has reached historic highs…



…and has reversed the meager progress in reducing poverty.



Security problems has led to displacement of thousands of people.



Sources: International Organization for Migration (IOM) Displacement Tracking Matrix, FAO, United States Department of Agriculture – Foreign Agricultural Service, World Bank, World Development Indicators, and Fund staff calculations.

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

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

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	68,678	82,187	98,756
BRH 4/	9,823	41,255	51,165	46,533	49,515	58,182	65,900	75,524
Commercial banks	-388	9,329	3,751	12,275	15,950	10,496	16,287	23,232
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	2.4	2.5	2.6
BRH 4/	0.8	2.8	3.0	2.2	2.3	2.0	2.0	2.0
Commercial banks	0.0	0.6	0.2	0.6	0.7	0.4	0.5	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	FY2022	FY2023	FY2024	FY2025
				Prog.	Est.	Proj.	Proj.	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	93	0	0
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	0.4	0.0	0.0
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: Indicators of Capacity to Repay the Fund (Existing and Proposed Credit), FY2019–27

(Units as indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Fund obligations based on existing credit (in millions of SDRs)									
Principal	7.7	12.0	4.9	7.5	9.0	8.2	7.7	22.5	19.5
Interest	0.4	0.2	0.4	0.4	2.7	2.7	2.7	2.7	2.7
Fund obligations based on existing and prospective credit (in millions of SDRs)									
Principal	7.7	12.0	4.9	7.5	8.8	8.0	15.0	22.5	16.4
Interest	0.4	0.2	0.4	0.4	2.7	2.7	2.7	2.7	2.7
Total obligations based on existing and prospective credit									
In millions of SDRs	8.1	12.2	5.2	7.9	11.5	10.7	17.7	25.2	19.1
In millions of US$	11.2	17.0	7.5	10.6	15.3	14.3	23.9	33.9	25.7
In percent of									
exports	0.6	1.7	0.6	0.8	1.1	1.0	1.5	2.0	1.4
government revenue	0.8	1.3	0.3	0.5	0.5	0.5	0.8	0.9	0.6
reserves	0.5	0.7	0.3	0.5	0.7	0.6	1.0	1.5	1.0
debt service	9.7	14.4	6.0	8.6	12.3	11.6	19.3	23.3	17.8
quota	4.9	7.4	3.2	4.8	7.0	6.5	10.8	15.4	11.7
Outstanding Fund credit (end of period)									
In millions of SDRs	58.4	128.3	123.4	115.9	188.8	180.7	164.8	142.3	122.9
In millions of US$	80.7	178.6	175.8	155.9	251.0	241.7	221.7	191.4	165.2
In percent of									
exports	4.7	17.6	14.0	11.7	17.7	16.1	13.9	11.3	9.2
government revenues	6.8	16.5	10.2	9.1	10.8	10.0	8.8	7.2	5.9
reserves	3.8	7.1	6.9	6.7	10.7	10.2	9.7	8.2	6.7
quota	35.6	78.3	75.3	70.7	115.2	110.3	100.6	86.9	75.0
Memorandum items:									
Exports 1/ 2/	1.7	1.0	1.3	1.3	1.4	1.5	1.6	1.7	1.8
Government revenues 1/ 3/	1.2	1.1	1.7	1.7	2.3	2.4	2.5	2.7	2.8
Reserves 1/ 4/	2.1	2.5	2.5	2.3	2.3	2.4	2.3	2.3	2.5
Debt service 1/	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Quota (in millions of SDRs)	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8
GDP 1/	14.8	14.5	21.0	20.2	22.2	22.9	23.7	24.5	25.3

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

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

1/ In billions of U.S. dollars.

2/ Exports of goods and services.

3/ Central government domestic revenues.

4/ Gross liquid international reserves, end of period.

Table 6. 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 7. 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.

Annex I. Social Safety Net

Table1. Haiti: Measures in Place to Strengthen the Social Safety Net in FY2022

Executing party	Financing	Program	Measure	Purpose	Units reached		Expenditure (in HTG)
					Planned (FY2022)	Execution (FY 2022)	
Ministry of Social Affairs (MAST) and WFP	Budget, WB	Klere Chimen	Cash transfers - social safety net	Food security	22,000 vulnerable households, receiving around US$ 45 monthly for 24 months	2,278 households	53,490,349
			Cash transfer - earthquake early recovery	Food security	US$ 100 for three months, covering 3,814 households country-wide	1,609 households	36,629,600
Economic and Social Assistance Fund (FAES)	Budget	Programme d'Urgence	Cash transfer	Food security	150,000 households	50,000 households received HTG 3,105 per month, July-Sep. 2022	155,250,000
			"Panye Solidarite"- food kits	Food security	210,000 food kits	63,720 food kits to vulnerable households	82,850,000
			"Restoran Kominote"	Food security	684 community restaurants	157 community restaurants located in vulnerable areas	39,547,440
			"Kantin Mobil"	Food security	At least 120,000 hot meals	-	-
			School rehabilitation	Food security	28 schools	No execution	
			National school rehabilitation	Food security		Completed	13,247,521
Economic and Social Assistance Fund (FAES)	IADB		Education quality improvement	Social safety net			33,776,593
			Temporary social safety net and skills training for youth	Food security			951,783,398
			Social safety for the vulnerable affected by Covid-19	Food security			1,703,926,700
			Expansion of the social safety net for those affected by Covid-19	Food security			2,823,454,469

Sources: Economic and Social Assistance Fund, Ministry of Economy and Finance and Ministry of Social Affairs and Labor.

Appendix I. Letter of Intent

Port-au-Prince
January 5, 2023

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

Madam Managing Director:

1. We are grateful for the productive meeting during the recent IMF Annual Meetings in Washington and your support for our efforts during this challenging time for our country. Haiti is suffering greatly from the consequences of Russia's invasion in Ukraine and has been hit hard by the global food price shock. Overall, despite challenging circumstances, we have managed to continue implementing our structural reform agenda, thanks to the resilience of our citizens and continued implementing technical assistance from the IMF, for which we are grateful.

2. The impact on food prices has been broad-based, with annualized food inflation reaching nearly 44 percent in September 2022—and rice and milk powder prices surging 60-70 percent. This shock is particularly acute for the most vulnerable Haitian households. About 4.7 million of people are suffering food insecurity. Moreover, the global food crisis comes at a difficult time, with Haiti suffering from a new public health emergency in the form of a cholera outbreak. With elevated food prices and a humanitarian crisis unfolding, Haiti's import bill is expected to increase markedly in FY2023. This will widen the current account deficit relative to early projections, resulting in a balance-of-payments financing gap of at least US$105 million. This projection takes into account import compression, pending additional forthcoming external financing from other development partners.

3. Under these circumstances, we are requesting financial assistance from the IMF under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF) in the amount equivalent to SDR 81.9 million, corresponding to 50 percent of Haiti's quota, to be disbursed to the Treasury Single Account at the Bank of the Republic of Haiti (BRH). This IMF assistance will help us meet urgent balance-of-payments need arising from the consequences of the war in Ukraine, which, if not addressed, will result in immediate and severe economic disruption.

4. We commit to putting in place a Memorandum of Understanding between the Banque de la République d'Haïti (BRH) and the Ministry of Economy and Finance that will clarify the terms of the on-lending arrangement of the disbursement under the FSW—and our responsibility to service in a timely way our financial obligations to the IMF. In line with the IMF safeguards policy, we commit to continued implementation of the 2019 safeguards assessment recommendations, and to provide

IMF staff with access to the BRH's most recently completed external audit reports and to authorize its external auditors to hold discussion with staff. We will also undergo a new safeguards assessment as soon as feasible. We understand the safeguards assessment must be completed before the approval of any subsequent IMF arrangement with Haiti.

5. To enhance governance, we strongly commit to ensuring transparency and accountability and will carefully track, record, and publish all spending related to the emergency response. We will enforce compliance with proper expenditure execution procedures and controls without exception; publish related comprehensive monthly budget execution reports, no later than 45 days after the end of each month; continue to publish all procurement contracts, including information on the beneficial owners of successful bidders; and conduct internal expenditure audits by all the line ministries involved in the use of emergency resources provided under the Food Shock Window through the General Inspectorate of Finance. These internal expenditure audits will be communicated in a timely manner to the Supreme Audit Court (La Cour Superieure des Comptes et du Contentieux Administratif or CSCCA), in the context of the authorities' measures to address food insecurity. We will provide adequate resources to enable the CSCCA to conduct compliance audits related to these measures bi-annually, starting with the July-December 2022 period. These compliance audits will be completed and published within six months of the end of the audit period.

6. Our priority is to cushion the impact of the shocks on the population, particularly the most vulnerable ones, in line with our poverty reduction and growth objectives The Ministry of Social Affairs and Labor and the Ministry of Economy and Finance have prepared a detailed strategy to tackle food insecurity and strengthen the social safety net, leveraging ongoing programs. We plan to expand existing programs that improve living conditions and enhance social inclusion, focusing on the most vulnerable groups (children, pregnant women, the disabled, and the elderly); support workers in the textile sector; and increase food rations for households. We have begun school feeding programs and providing hot meals for vulnerable households and community restaurants. We plan to waive school fees and boost cash transfers, already in place for about 50,000 of the most vulnerable households, and to leverage digital tools for cash transfers with support from the World Bank and Inter-American Development Bank. We will also work closely with the World Food Program.

7. Overall, despite challenging circumstances, we have managed to continue implementing our structural reform agenda supported by Staff Monitored Program (SMP), thanks to the government's commitment, the resilience of our citizens, and continued support from the IMF, for which we are grateful. 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. We remain committed to implementing sound macroeconomic policies and improving governance in order to improve our population's well-being. We will provide

8. timely data and continue to collaborate closely with the IMF technical teams in designing and implementing policy measures.

9. We will not introduce or intensify exchange and trade restrictions and other measures or policies that would compound Haiti 's balance-of-payments difficulties. We will also limit foreign exchange intervention only to smoothing excess volatility.

10. We authorize the IMF to publish this letter and the accompanying Executive Board documents immediately upon consideration by the IMF's Executive Board of our request for a purchase under the Food Shock Window under the RCF.

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

____________/s/___________________ ______________/s/______________

Michel Patrick Boisvert
Minister of Economy and Finance

Jean Baden Dubois
Governor of the Central Bank of Haiti

HAITI

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

January 6, 2023

Approved By
Patricia Alonso-Gamo (WHD) and Andrea Schaechter (SPR); Manuela Francisco and Robert Taliercio (IDA World Bank)

Prepared by Staff of the International Monetary Fund and the World Bank.

Haiti: Joint Bank-Fund Debt Sustainability Analysis[1]	
Risk of external debt distress	High[2]
Overall risk of debt distress	High
Granularity in the risk rating	Debt is sustainable
Application of judgment	Yes: High probability of protracted threshold breaches on external debt under a 20-year horizon from FY2035 and important risks and vulnerabilities to debt outlook.

This DSA *updates the analysis conducted at the time of the SMP approval in June 2022, with the overall assessment largely unchanged. Haiti's risk of debt distress is assessed as "high" but overall public debt remains sustainable. Haiti is a Fragile and Conflict-Affected State (FCS) or affected by fragility, conflict, and violence, as defined by the World Bank and the IMF, and tailored stress tests suggest that its debt risk rating remains vulnerable to large natural disaster shocks, which are statistically frequent. Nevertheless, the level of public debt, a few characteristics of its profile such as its relatively long maturity of external debt and investment base, and the implementation of some structural reforms that boost growth potential under the SMP baseline scenario, point to a sustainable public*

[1] Approved by Patricia Alonso-Gamo (WHD) and Andrea Schaechter (SPR); Manuela Francisco and Robert Taliercio (IDA World Bank).

[2] The current Composite Index (CI) is estimated at 2.767 and is based on the Bank's 2021 CPIA and the October 2022 WEO. Haiti's debt-carrying capacity remains medium.

debt. Although debt ratios have improved, this assessment remains subject to downside risks as Haiti continues to face important economic, policy, and institutional fragilities, and exceptional vulnerability to natural disasters and debt data limitations are also present. It will be essential for the government to follow through key reforms to mobilize additional revenues and improve efficiency of government expenditures, develop domestic markets, and growth enhancement policies to allow for a higher potential growth, about 1.5 percent currently assumed in this DSA.

A. Public Debt Coverage

1. Coverage. Gross public debt used for this DSA covers the central government, local governments, extrabudgetary autonomous organisms, the state-owned electricity company *Electricité d'Haiti* (EDH), and financing from the *Banque de la République d'Haiti* (BRH) to the government (Text Table 1). External debt data come from the BRH and include debt to multilateral and bilateral creditors, including foreign oil companies, as well as an estimate of contingent liabilities. External debt is defined on a residency basis. No data are available on guaranteed debt, including to other state-owned enterprises (SOEs), and non-guaranteed SOE debt.

Text Table 1. Haiti: Public Debt Coverage

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	X
3	Other elements in the general government	X
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	X
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The general government		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1. 1/	0 percent of GDP	0.3	
3	SoE's debt (guaranteed and not guaranteed by the government) 2/	2 percent of GDP	2	
4	Public Private Partnership (PPP)	35 percent of PPP stock	0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		7.3	

1/ Includes an estimate of external contingent liabilities.

2/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

2. The government is committed to expanding the debt coverage, including to SOEs. Ongoing efforts are aimed at improving debt data collection and the preparation and public disclosure of the debt portfolio review are supported by the World Bank. Under the Sustainable Development Finance Policy (SDFP), the Government of Haiti committed in FY2022 to implementing two performance and policy actions (PPAs) to strengthen fiscal resilience and debt sustainability. The PPAs are grounded in the DSA, the DeMPA (Debt Management Performance Assessment), and continuous policy dialogue. The first PPA dealt with debt management and limited new external public or publicly guaranteed (PPG) non-concessional debt to zero. With a focus on debt transparency (the second PPA), Ministry of Economy and Finance (MEF) staff received TA and training with the objective to develop a Debt Portfolio Review. Both PPAs were successfully implemented in FY2022. For FY2023, the PPAs target debt management and fiscal sustainability, respectively limiting new external public or publicly guaranteed (PPG) non-concessional debt to zero and implementing a rationalization plan of tax expenditures stemming from the government tax incentive regime.

3. Gross domestic public debt is calculated as the sum of claims of the overall banking sector (including the BRH) to the non-financial public sector (NFPS) plus suppliers' credits and domestic arrears as reported by the authorities. The banking claims data come from the Fund's Standardized Report Forms 1SR and 2SR Tables reported by the BRH to the Fund. The accounts of the education fund, *Programme de Scolarisation Universelle, Gratuite, et Obligatoire* (PSUGO), and social security funds, *Pension* *civile* and Office *Nationale d'Assurance-Vieillesse,* ONA, are consolidated with the rest of the NFPS. In the absence of data, the calculation of domestic public debt does not include T-bills and bonds held outside the banking sector, which are understood to be negligible. Overdue payments related to current spending on wages and salaries, or goods and services, are effectively recorded in the subsequent year's budget and typically processed (paid) in the current fiscal year. This is done so that the payments are not recorded as domestic arrears—instead of being added to debt, as per accounting norms, that is, after such criteria as 90-day delays are assessed.[3] In the recent past this has happened mostly with payments due to oil distribution companies which have been cleared, though, some delayed payments in salary and diplomatic representations were observed last September following the worsened security.

4. For now, central bank financing to the treasury does not trigger an "in debt distress" rating for Haiti. Government debt to BRH, equal to about 11.8 percent of GDP in FY2021, is not serviced but the July 2022 Memorandum of Understanding (MoU) between the BRH and MEF imputed accrued interest payment on non-negotiable government debt securities held by the BRH; this recognition resulted in an increase in the stock of the BRH's net claims on central government starting with the October 2021 balance sheet. The MoU recommends converting most of these liabilities into negotiable securities bearing interest rate of 7.57 percent per annum and payable over a fifty-year period with a grace period of 10 years. In addition, the MoU supports BRH's efforts to implement the 2019 safeguards recommendations on International Financial Reporting Standards (IFRS). Adopting the IFRS will provide BRH with greater transparency and communication of financial information, align it with the best international accounting practices, and a better understanding of how its financial position may impact the implementation of monetary policy and transmission channels, while harmonizing the accounting of operations carried out by treasury and the BRH on behalf of the Haitian state.

B. Background on Debt

5. The revision to the national accounts in 2020 markedly reduced Haiti's public-debt-to-GDP ratio. After several years of technical assistance (TA), the Haitian Statistics Institute (IHSI) released in October 2020 re-based and re-benchmarked national accounts that led to a 65 percent upward revision in nominal GDP (FY2019), owing in part to the inclusion of the informal sector.[4] These revisions lowered debt ratios substantially. As a percent of GDP, public debt fell to 23.3 percent of GDP in FY2020 from 51.9 percent as previously projected in the 2020 DSA under the Rapid Credit Facility (RCF)—and to 28.5 percent in FY2021.[5] At the same time, domestic revenue ratios dropped sharply as a result of the rebasing but also because of a real decline in revenue administration and collection. As a percent of GDP, domestic revenue fell to 5.9 percent in FY2021 from 6.2 percent in FY2019—and compared with 10.7 percent under the old GDP series. Foreign exchange receipts from exports of goods and services also fell to an estimated 6 percent of GDP in FY2021 from 11.7 percent in FY2019—or from 18.2 percent under the old series. As

[3] Payment arrears on expenditures are defined as all payment orders created by a public entity responsible for authorizing expenditure payments but not paid 90 days after the Treasury authorizes payment. Since the maturity of overdue payments does not extend beyond the 90-day deadline, they are not accounted as payment arrears.

[4] Annual data refer to the fiscal year ending September 30.

[5] Additional minor revisions of national accounts by the IHSI in May 2021 raised nominal GDP slightly without affecting growth rates.

evidenced by the ongoing deterioration in revenue trends (and the very low ratios), Haiti's debt service capacity has not improved (Figure 1).

6. **Public debt has increased since the debt relief received after the 2010 earthquake**. Haiti received debt relief of about $1.0 billion from international creditors after the 2010 earthquake, including $268 million from the Fund under the Post-Catastrophe Debt Relief Trust Fund (CCRT) and $36 million from the World Bank.[6] As a result, external public debt fell from 19 percent of GDP at end-FY2009 to less than 9 percent in FY2011 (both using old GDP series). After that, debt rose steadily until FY2020, mostly driven by disbursements related to the *PetroCaribe* agreement with Venezuela on the external side, and by unremunerated financing from the BRH on the domestic side. The government obtained some financing from domestic non-financial companies ($123 million) in FY2018 and signed a loan from Taiwan Province of China (for $150 million) in January 2019, although the latter was disbursed in tranches.[7] In April 2020, the IMF Board approved a disbursement of $111.6 million (SDR 81.9 million) under the RCF to help cover needs related to the COVID-19 pandemic. Haiti was also granted debt service relief worth $22.6 million (SDR 15.21 million) in April 2021 under the Fund's updated CCRT covering debt service to the IMF falling due from April 14, 2020, to April 13, 2022.[8] Haiti also benefited from an SDR allocation of $224 million (SDR157 million) in August 2021 with the central bank on-lending half to the government for emergency spending, including that related to the 2021 earthquake recovery.[9]

7. **At the end of FY2021, Haiti's stock of public sector debt totaled $5.0 billion (28.5 percent of GDP)**. External public debt accounted for 45.5 percent of total public debt (12.9 percent of GDP), of which 80.8 percent was debt arose from oil imports financed by Venezuela's *Petrocaribe* program (Text Table 2). The remainder was largely concessional debt from multilateral creditors, including from the International Fund for Agricultural Development (IFAD) and the IMF. Public information on private

Text Table 2. Haiti: Structure of Public Debt at end-2021
(Fiscal-year basis)

		in percent of	
	US$ millions	total debt	GDP
Total External Debt	**2258.3**	**45.5**	**12.9**
Multilateral creditors	**262.8**	**5.3**	**1.5**
o/w IMF	175.1	3.5	1.0
o/w OPEC	42.9	0.9	0.2
o/w IFAD	44.8	0.9	0.3
o/w IDA	0.0	0.0	0.0
Bilateral creditors	**1993.1**	**40.1**	**11.4**
Venezuela	1853.0	37.3	10.6
o/w PetroCaribe	1826.2	36.8	10.5
o/w BANDES	26.8	0.5	0.2
Taiwan, Province of China	140.1	2.8	0.8
Restructured debt	**2.4**	**0.0**	**0.0**
Total Domestic Debt	**2708.1**	**54.5**	**15.5**
BRH	**2063.6**	**41.6**	11.8
Other creditors	**644.6**	**13.0**	3.7
Total Debt	**4966.4**	**100.0**	**28.5**

Sources: Haitian authorities, and Fund staff estimates.

[6] The World Bank also provided $508 million in grant financing from the IDA Crisis Response Window (CRW) to support the country's reconstruction and long-term restoration of capacity.

[7] The loan package, which includes grants from the government of Taiwan Province of China to compensate for the difference between a low fixed rate and the current higher variable rate applicable to the loan, is assessed to be concessional. Of this loan, $82.5 million has been disbursed so far, plus $30 million in FY2022, with the remaining $37.5 million to be disbursed later.

[8] See Catastrophe Containment and Relief Trust, 2021.

[9] While not contributing to gross public debt directly, when SDRs are used (i.e., when holdings fall below allocations through on-lending, for instance) they enter the DSA as a long-term debt liability in the gross external debt statistics and the net interest payments in the debt service.

external debt is unavailable. Domestic public debt eased slightly to $2.7 billion from $2.8 billion in FY2020.[10] Nearly 80 percent was in the form of central bank financing to the government. This drop in domestic debt in U.S. dollars resulted largely from valuation effects as the gourde depreciated by over 32 percent against the dollar in FY2021. Haiti continues to have "technical arrears" to Venezuela of about $425.57 million, about 2 percent of GDP (September 30, 2021).[11]

8. **The fiscal year 2022 has been another challenging year**. As noted above, tax revenue collection remained particularly low at 5.4 percent of GDP, partly the result of difficult security conditions, while higher international oil prices contributed to expanding the fiscal deficit, mainly through higher fuel subsidies. The NFPS primary deficit is estimated at 1.9 percent of GDP in FY2022 compared with 1.3 percent projected in the July 2022 DSA. Financing sources were limited mainly to the central bank as external budget support remained relatively low. Donor support in FY2022 has been lower after the $80 million provided in late-FY2021 in the aftermath of the August earthquake. Thus, the present value of public debt in September 2022 is estimated at 23.3 percent of GDP.[12]

C. Background on Macroeconomic Forecasts

9. **The baseline assumes a normative policy implementation under a 12-month Staff-Monitored Program (SMP) to restore macroeconomic stability and growth**. Nonetheless, growth projections are very conservative over the medium and long term and the outlook is for a modest recovery, sufficient implementation of sound macro policies to restore stability, and implementation of select reforms to help attract some external financing and FDI and raise investment, growth, and real incomes. While the Staff-Monitored Program aims to lay the foundation for an eventual upper-credit-tranche arrangement, reform implementation after the one-year SMP is assumed to be modest given the uncertainties predicting policy commitment beyond 2023. An upside risk would be a significant improvement of the current security situation and a reduction to its economic and social costs which would improve the business climate, permitting higher public investment and raising growth and employment outlooks further while reducing financing pressures.

- Real GDP is projected to turn positive in FY2023, to 0.3 percent, after contracting by 1.5 percent in FY2022, amid a protracted political crisis and the COVID pandemic (Text Table 3); by 1.8 percent in FY2021; 3.3 percent in FY2020; and 1.7 percent in FY2019. Growth for FY2023 is being fueled by a mild rebound in the service sector as social unrest abates. Nonetheless, and as noted above, risks to the growth outlook remain significant—the result of political uncertainty with possible presidential and parliamentary elections, security challenges, and prolonged fuel shortages. Moreover, without comprehensive structural reforms, medium-term growth prospects

[10] All debt figures cited in this report are in US dollars unless otherwise indicated.

[11] Haiti has had difficulties processing payments to Venezuela for debts incurred under the Petrocaribe agreement owing to issues related to international sanctions. For now, debt service payments to Venezuela are being placed in an escrow account in U.S. dollars held at the BRH.

[12] This number cannot be compared directly with the present value of public debt reported in the 2015 and 2020 DSAs since the coverage of debt has changed to include BRH financing to the government and GDP has been rebased.

remain grim given the protracted political-security crisis and collapse in investment. Under the baseline scenario—which assumes some political stability and implementation of select reforms, including in vocational training to boost productivity—growth could reach 1.5 percent over the medium term, given the probability of natural disasters and their effect on growth.[13]

- After peaking at 25.2 percent, year on year, in FY2020, inflation declined gradually to 13.1 percent by September 2021, partly the result of a lagged reaction to the large gourde appreciation. But annual inflation is estimated at 38.7 percent at the end of September 2022. By the end of 2023, annual inflation is projected to drop to 21 percent, with a 12-month period-average rate of 33.4 percent markedly contributing to the GDP deflator which is projected at 33.4 percent in FY2023. As a result, public debt is expected to fall to 25.3 percent of GDP in FY2023—26.1 percent projected in the last DSA—from 29.4 percent in FY2022. Inflation could decline slowly over time under the moderate growth baseline, as monetary policy is expected to conduct short term liquidity operations to manage excess liquidity in the banking system and world market prices for food and fuel stabilize over the medium and long term. A stable real exchange rate vis-à-vis the U.S. dollar is assumed over the medium term following the gradual depreciation in FY2021, with the nominal bilateral rate being driven by inflation differential vis-à-vis the U.S.

- The deficit of the NFPS is projected to decline to 2 percent of GDP in FY2023 from 2.2 percent of GDP in FY2022, as fuel tax revenues would increase, and energy subsidies are reduced to provide the fiscal space to boost other recurrent and growth-enhancing expenditures. The deficit is expected to expand to about 2.7 percent of GDP in FY2025. Spending will revert to more realistic levels and the baseline scenario assumes no change in fuel price policy—given the high uncertainty surrounding the likelihood and timing of a fully-fledged fuel price reform. Declining global oil prices, however, may reduce foregone fuel taxes and somehow increase tax revenues. Over the long term, the deficit is expected to widen gradually, to average of about 3.3 percent of GDP, taking into account baseline assumptions cited above and the likely impact of natural disasters. Fiscal revenues are expected to recover gradually in the medium supported by the authorities' efforts to boost revenue collection and meaningful progress on revenue mobilization from policy reform to simplify the tax and customs systems and enhance transparency, accountability, and audit capacity, while broadening the tax base. Disasters would raise both current spending for emergency assistance and capital spending for reconstruction. The deficit increase is expected to be financed with external financing, both concessional multilateral and bilateral; some domestic market financing; and financing from the BRH limited to about 2 percent of GDP.

[13] The 1.5 percent long-term growth projection is based on a growth accounting exercise, using a neoclassical production function with a labor share of 35 percent, based on staff projections for investment and UN projections for labor force growth, and assuming that TFP grows during the projection period 2020-25 at the same rate (1.2 percent) as the estimated average for 2013–19. Growth of 1.5 percent is 0.1 percent above the average observed real rate during 2013–19, when Haiti recorded about 77 natural disasters.

Text Table 3. Haiti: Macroeconomic Assumptions Compared to the Previous DSA 1/

	2022		2023-27 Avg		2028-37 Avg	
	Previous DSA	Current DSA	Previous DSA	Current DSA	Previous DSA	Current DSA
(annual percentage change, unless otherwise indicated)						
Real GDP	0.3	-1.5	1.5	1.2	1.5	1.5
Consumer prices (period average)	26.1	27.6	13.8	16.3	9.7	9.7
(in percent of GDP, unless otherwise indicated)						
Total revenue and grants	8.6	8.1	8.9	9.5	9.7	10.3
Of which: Revenue	5.8	5.4	6.9	7.2	7.6	7.8
Total expenditure	10.1	10.3	11.6	12.1	13.0	13.8
Of which: Capital expenditure	3.5	3.4	3.5	4.1	4.5	5.3
Overall balance	-1.5	-2.2	-2.6	-2.6	-3.3	-3.5
Current account balance	0.8	-2.4	-0.5	-0.8	-2.0	-2.9
Exports of goods and services	6.6	6.9	6.9	6.4	7.1	6.4
Imports of goods and services	28.9	27.9	29.4	24.9	29.5	24.8

Sources: Haitian authorities; and Fund staff estimates and projections.
1/ The previous DSA forecasted data until FY2043, therefore, average presented are conditional to data availability.

- An external current account deficit of 0.8 percent of GDP is expected in FY2023, narrowing a deficit of 2.4 percent the year before. The reduction owes to some improvement in the trade balance despite a rebound in imports. Lower remittance flows, a key channel to smooth consumption, would reduce foreign exchange income making it even more difficult for households to pay higher food prices. The FY2022 deficit reflected lower-than-anticipated official transfers under the SMP, with subdued export and import growth. With no fuel price reform in the baseline scenario, higher fuel subsidies have been crowding out public capital spending, including on critical infrastructure (e.g., roads and ports), resulting in lower export growth. Over the medium and long term, the current account deficit is expected to stabilize at about 0.6 percent of GDP, with remittance inflows projected to follow historical trends.

10. Future gross financing needs are assumed to be funded mostly by a moderate rise in external concessional financing and domestic debt instruments while annual growth of central bank lending to the government is expected to be contained at 2 percent of GDP or lower. The SMP is expected to catalyze some external financing to fund more capital expenditures. Nonetheless, in percent of gross financing needs, the share of external financing could fall over the long term as government steps up borrowing through T-bills. Central bank financing, currently unremunerated, is expected to increase at about 2 percent of GDP every year slightly above a level consistent with low inflation (1.5 percent of GDP), with total stock projected at about 15 percent of GDP by 2033. The remaining domestic financing would come from short-term debt instruments purchased by commercial banks.[14] The latter's share is assumed to increase gradually in the long term as the SMP curbs BRH fiscal financing, the authorities deepen the market for government securities, and given only modest opportunities for commercial banks to diversify their portfolios in a context of fiscal dominance.[15] External debt financing, contracted or guaranteed, is

[14] Real interest rates on domestic debt shown in Table 3 reflect unremunerated central bank financing.

[15] Projected internal financing is assumed to be exclusively in domestic currency.

assumed to be mostly non-concessional and growing only moderately in relative terms in light of the implementation of structural reforms.

11. The baseline assumptions are credible. The realism tool shows some differences between past and projected external debt dynamics. These are derived partly from the impact on debt of the FY2020 current account surplus; output contraction during the last three years; exchange rate appreciation; and, for total public debt, from the improved real interest rate dynamics owing to unremunerated financing from the BRH and a larger primary deficit; the latter was due to the uncertainty about the likelihood and timing of fuel price reform (Figure 3). More broadly, the change in public debt to GDP over the past three years owes mainly to changes in the primary deficit, worsened by the real interest rate/growth differential, although exchange rate appreciation was a major contributor to the falling debt in FY2020. Under the baseline scenario, the variables affecting debt ratios remain broadly the same as in the past, except for real GDP growth. Growth is projected to be positive and financing sources are expected to resume gradually, spurred by modest reforms under a Fund-supported program. The past forecast error is either similar for the external debt ratio or lower for the public debt ratio than the median of other LICs and LMICs (Figure 3).

12. The projected fiscal adjustment is realistic. The planned adjustment falls outside the top quartile of the distribution of past adjustments of the primary fiscal deficit, suggesting a modest yet credible pace of adjustment given the uncertainty of fuel price reform (Figure 4). The growth forecast for FY2023 assumes some stabilization of the political and security situation, as witnessed in recent months, unrelated to any projected fiscal adjustment. The baseline growth projection anticipates a modest resumption of economic activity in FY2023 following four years of contraction. Growth would rise modestly over the medium term.[16] This growth path is largely independent of the projected fiscal position, which reflects somewhat more stable tax revenues, a gradual increase in external financing, and limited additional credit from the BRH (Figure 4).

D. Country Classification and Stress Tests

13. The value of the composite indicator to assess debt-carrying capacity is 2.77, classified as "medium."[17] Haiti's debt carrying capacity would be classified as "weak" if remittances as a share of GDP were not so high. Remittances-to-GDP above the 15.5 percent cut-off (on average during 2013–21) push the index above the 2.69 cut-off value (see Debt Carrying Capacity Table). Relative to the last DSA, the Composite Indicator (CI) has remained stable at around 2.77 from 2.81owing to a stronger contribution from import coverage of reserves and a weaker contribution from growth.

14. This classification sets higher external and public debt thresholds to assess the risk of debt distress. The present value of external debt can reach as high as 40 percent of GDP, or 180 percent of exports of goods and services, and the present value of public debt can hit 55 percent of GDP before the

[16] The DSA forecast for FY23 and FY24 differ from earlier projections due to a more optimistic political and security outlook that would result in stronger economic activity.

[17] The current Composite Index (CI) is estimated at 2.77 and is based on the Bank's 2021 CPIA and the October 2022 WEO. Haiti's debt-carrying capacity remains "medium."

model-based risk of distress increases. The benchmarks for external debt service are 15 percent of exports of goods and services and 18 percent of fiscal revenue (Table 1).

15. In addition to the standard stress tests, the analysis considers the effects on debt of a one-off major natural disaster, given Haiti's history of frequent major disasters. The shock assumes damage equivalent to 25 percent of GDP, similar to that caused by Hurricane Matthew in 2016. While the damage and losses following the 2010 earthquake were estimated at 120 percent of FY2009 GDP (old series), this type of disaster is not as statistically frequent as hurricanes and is thus considered a tail risk event.[18] The stress test on combined contingent liabilities on external and domestic debt was updated to reflect available data.

E. Debt Sustainability

External Debt Sustainability Analysis

16. Under the baseline scenario, most indicators of Haiti's external debt path are projected to breach indicative thresholds except for the present value of debt to GDP and debt-service-to-revenue (Figure 1 and Table 3). Slightly larger primary deficits over the medium term, funded by a gradual increase in external concessional financing, amid subdued export growth, bring the present value of PPG external debt as a share of exports into the "high" range of debt distress thresholds. The present value of the debt-to-export ratio, which starts at about 93.6 percent in FY2022, reaches 189.3 percent in FY2035—breaching the 180 percent threshold and staying above that thereafter (rising to 264.2 percent by FY2043). The debt-service-to-exports ratio remains below the threshold of 15 percent under the baseline scenario until FY2040; it exceeds that threshold by FY2041, and it hits 16.8 percent by FY2043. Breaches in thresholds of these two key debt indicators over a longer (20-year) horizon partly reflect subdued export growth—attributable to Haiti's institutional fragility, reduced productive capacity and competitiveness during the protracted political crisis, prolonged subsidization of petroleum products, vulnerability to large natural disasters, and the impact of climate change. Meanwhile, contrary to previous DSA, the debt-service-to-revenue ratio is below the threshold until FY2043 as fiscal revenues would recover gradually in the medium due to the authorities' efforts to boost revenue collection and meaningful progress on revenue mobilization. The present value of external debt to GDP rises steadily but remains below the threshold indicating debt distress. It is projected to gradually increase to 10.4 percent by FY2033 from 6.5 percent in FY2022, reaching 18.3 percent in FY2043. This projection is based on a gradual resumption of external borrowing to finance public investment projects, which in turn is associated with improved political stability and policy implementation[19].

17. The historical scenario highlights the realism of the baseline scenario. Debt arising from oil imports financed by Venezuela's *Petrocaribe* program rose rapidly during 2012–18. If the key macroeconomic variables in the baseline projection were replaced by their 10-year historical averages, the resulting path of external debt would yield a much larger and unrealistic debt accumulation, including

[18] See "Small States' Resilience to Natural Disasters and Climate Change – Role for the IMF," IMF, December 2016.

[19] Debt Sustainability Framework (DSF) guidance note, paragraph 87.

Table 1. Haiti: Debt Carrying Capacity and Thresholds

Debt Carrying Capacity and Thresholds

Country	Haiti
Country Code	263

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium	Medium	Medium
	2.77	2.81	2.80

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.749	1.06	38%
Real growth rate (in percent)	2.719	0.405	0.01	0%
Import coverage of reserves (in percent)	4.052	43.991	1.78	64%
Import coverage of reserves^2 (in percent)	-3.990	19.352	-0.77	-28%
Remittances (in percent)	2.022	13.588	0.27	10%
World economic growth (in percent)	13.520	3.050	0.41	15%
CI Score			2.767	100%
CI rating			Medium	

New framework			
	Cut-off values		
Weak	CI <	2.69	
Medium	2.69	≤ CI ≤	3.05
Strong	CI >	3.05	

Reference: Thresholds by Classiciation

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

earlier and more prolonged threshold breaches for many indicators of PPG external debt. Under the SMP baseline, which excludes another *Petrocaribe*-type program, external financing would resume gradually from a relatively low base, leading to breach of the debt-to-export threshold only over a longer (20-year) horizon.

18. Stress tests confirm the vulnerability of debt to lower remittances and to natural disasters. A shock to non-debt-creating flows (i.e., a decline in both current transfers and FDI inflows by one standard deviation) would raise the present value of external debt above the 180 percent-of-export threshold much earlier (2025) and the debt-service-to-export ratio above the 15 percent threshold after seven years (2029). A drop in remittances would pose a more severe shock. A natural disaster shock has a sizable impact on the external debt trajectory, bringing also the external-debt-to-export ratio above its threshold (Table 4).

Public Sector Debt Sustainability Analysis

19. Public debt is sustainable under the baseline scenario. Total public debt is projected at about 27 percent of GDP until 2027, rising to 48 percent by FY2043. In present value terms, public debt would peak at 42 percent of GDP in FY2043, some 13 percentage points below the corresponding benchmark (Figure 2, Table 3). A few characteristics of the debt profile help limit potential vulnerabilities, in particular:

- its relatively long maturity to multilateral creditors,
- a relatively high share denominated in gourdes (about 57 percent), and
- the investment base, consisting mostly of public agencies.

Thanks to these features, Haiti's government has funded its gross financing needs. Debt service appears somehow moderate over a 10-year horizon, as financing from the BRH, a significant portion of public debt (including principal and interest payments), are not serviced in the short term. But repayment of the BRH financing will raise debt service over the long run substantially, due to the conditions attached to its reimbursement (see paragraph 4). As a result, despite a moderate fiscal deficit, higher domestic debt reimbursement over the long run could lead to gross financing needs projected at about 15.4 percent of GDP by FY2033 compared to 2.4 percent of GDP in FY2023. With about 90 percent of these gross financing needs expected to be covered by domestic borrowing and project loans, rollover risk would likely be mitigated. Moreover, improved tax revenue collection, and financial deepening reflecting an increased demand for government securities by domestic banks, would help fund Haiti's annual gross financing needs over the medium and long terms.

20. While the public debt ratio remains largely below its benchmark for all stress test scenarios, it is highly vulnerable to natural disasters. Under the most extreme natural disaster scenario, the present value of the public debt-to-GDP ratio barely approaches 55 percent over a longer horizon (20-year) after the year of the shock (Table 5). Nonetheless, it grows by 60 percent in the aftershock to 44 percent in 2025 (against the 23.3 percent baseline) before declining steadily. The ratio exhibits a tail effect over a longer horizon, slightly approaching the threshold by about FY2041, reflecting a higher probability of natural disasters over the longer term (Table 5). This proximity to the threshold over a longer horizon warrants consideration.

F. Risk Rating and Vulnerabilities

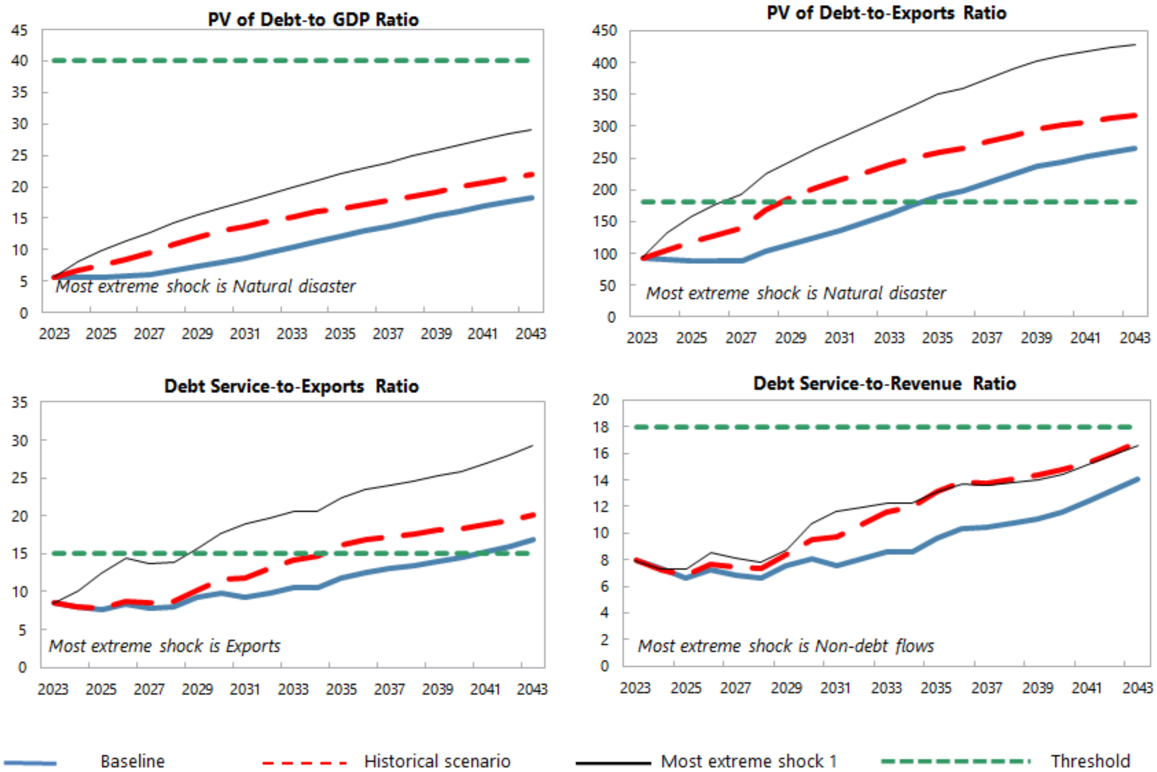
21. The debt outlook for Haiti remains subject to risks and vulnerabilities. Public debt is expected to stabilize as a share of GDP in the near term—owing to the modest economic recovery expected under the SMP despite the risk impact of natural disasters (Table 3). Potential growth and external financing would be stronger if reforms are sustained. The improvement in revenue collection is underpinned by the implementation of tax reforms such as the adoption of a new tax code in December 2022 and revisions of customs codes and tariffs also adopted in December 2022. Rollover risk is low, assuming continued BRH financing over the next four-five years. Over the long term, however, central bank financing of the fiscal deficit is expected to stabilize at 2.0 percent of GDP, gradually replaced by issuance of short-term T-bills. In this environment, although the present value of the external public debt-to-GDP ratio is projected to be below its indicative benchmark under the baseline, two indicators of external debt (e.g., the present value of the debt-to-export ratio and debt-service-to-exports) would breach their indicative benchmarks by 2035 and FY2041 respectively, owing to subdued export growth. A drop in remittances or a natural disaster shock similar in magnitude to Hurricane Matthew would also bring higher debt ratios and breaches in some thresholds of external debt indicators. External debt service capacity is also vulnerable to a drop in official and private transfers and FDI, as illustrated by the debt-service-to-revenue proximity to the threshold (Table 4). Haiti's debt-carrying capacity classification has remained "medium," unchanged from the last DSA. This calls for stepping up efforts to strengthen revenue mobilization and reforms to raise investment and growth, as recommended by the SMP. In the long run, it will be essential for the government to follow through recent tax reforms to mobilize additional revenues and improve efficiency of government expenditures through ongoing PFM reforms linked to the IMF Staff Monitored Program (SMP), ii) develop domestic markets, iii) growth enhancement policies, iv) avoid non-concessional external financing. These reforms will allow for a higher potential growth, about 1.5 percent currently assumed in this DSA.

22. Haiti's debt distress risk rating remains "high." Although the GDP rebasing nearly halved the debt-to-GDP ratio, the outlook assumes increased external concessional financing, in place of some monetary financing by the BRH, to fund slightly higher primary deficits over the medium term amid subdued export growth and weaker revenue mobilization. This combination results in threshold breaches, as observed under the baseline scenario in the previous DSA. Looking beyond the baseline, the most likely stress scenarios linked to the high probability of natural disasters show that external debt and external debt service would breach some thresholds. Another major natural disaster or fall in remittances would substantially worsen public debt dynamics, even over a 10-year horizon. Thus, consideration of these vulnerabilities in the DSA justifies maintaining the risk of debt distress as "high." The DSA underscores the need to implement the authorities' economic reform program supported by the SMP and to prepare for and manage the adverse effects of natural disasters.

Authorities' Views

23. The authorities agreed with the thrust of the debt sustainability analysis and its conclusions. They viewed staff's baseline scenario as realistic but emphasized the potentially positive impact of increased tax revenue mobilization and exports if several important sectors of Haiti's economy rebound faster with further political stabilization. They cited Haiti's lower ratios of debt to GDP as a result of GDP rebasing and agreed that the country's risk of debt distress merits a classification of "high" while its debt-carrying capacity should remain at "medium." They noted that increased investment is critical for raising potential growth, which could widen the current account deficit over the medium term. The BRH highlighted some implications of reforms related to its governance and the ongoing transition to IFRS-9, which could alter the accounting of the central bank's advances to the government, as well as interest payments. Moreover, the BRH noted that efforts to deepen financial markets, and to develop the market for government debt securities in particular, could help gradually reduce monetary financing to the government.

Figure 1. Haiti: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2023–43



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	Yes	No
Commodity Prices [2/]	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	5	5

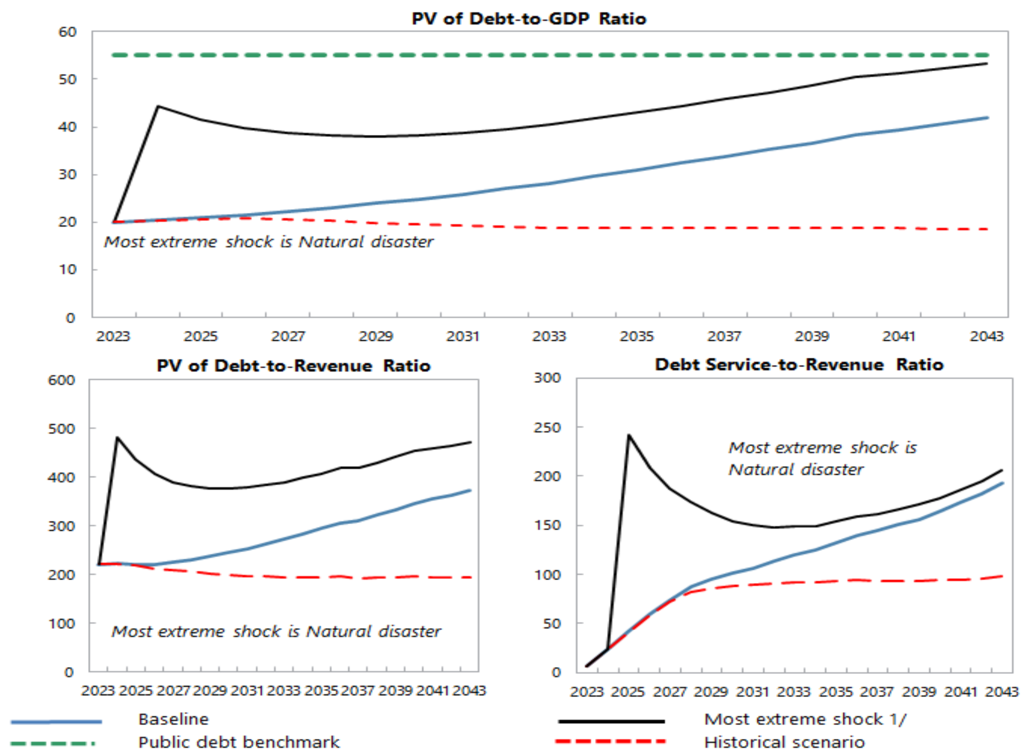
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Haiti: Indicators of Public Debt Under Alternatives Scenarios, 2023–43



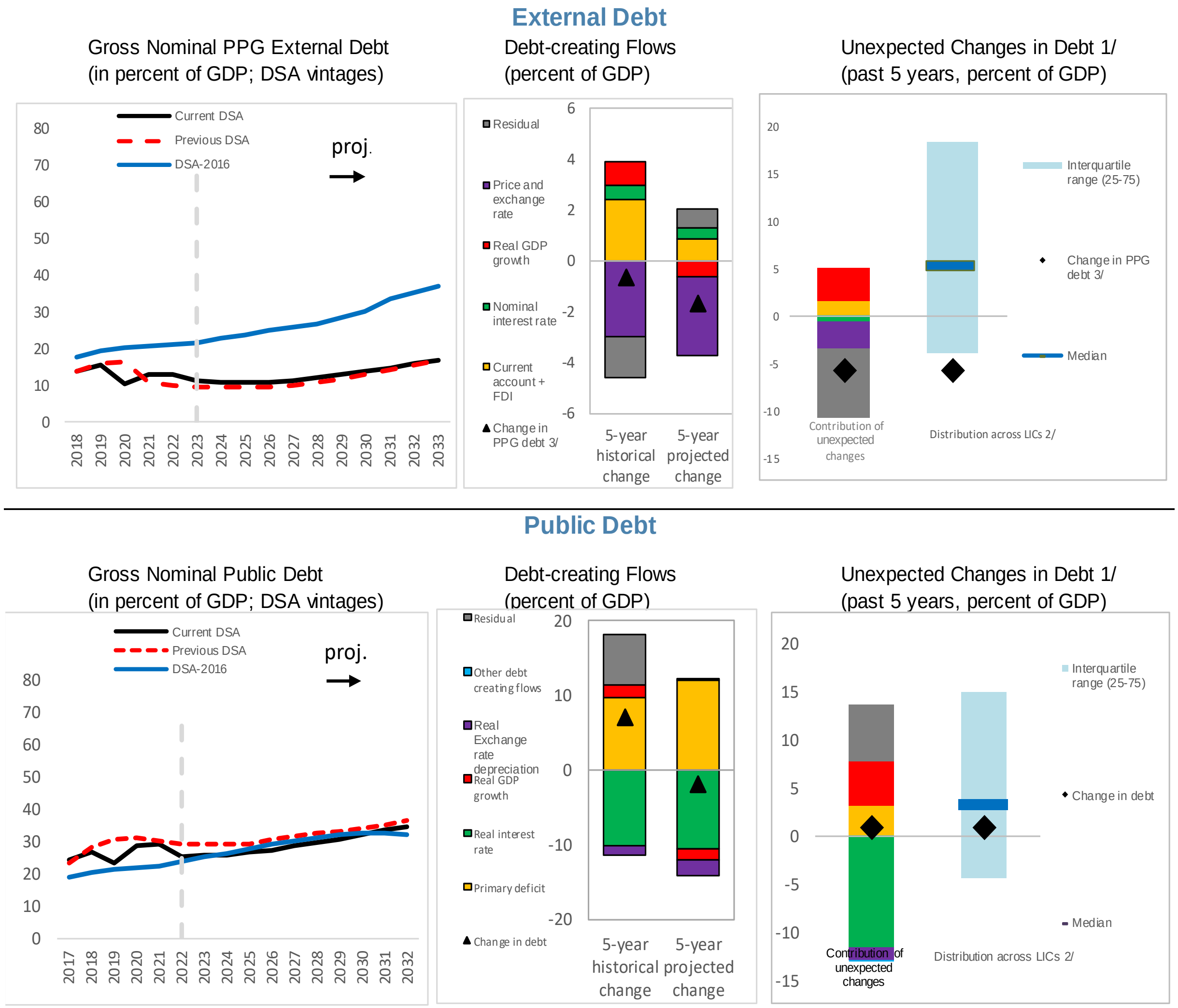
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	15%	15%
Domestic medium and long-term	0%	0%
Domestic short-term	85%	85%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
Avg. maturity (incl. grace period)	28	28
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	-10.6%	-10.6%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Haiti: Drivers of Debt Dynamics-Baseline Scenario



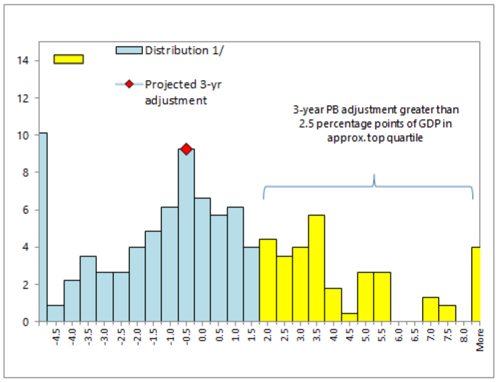
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

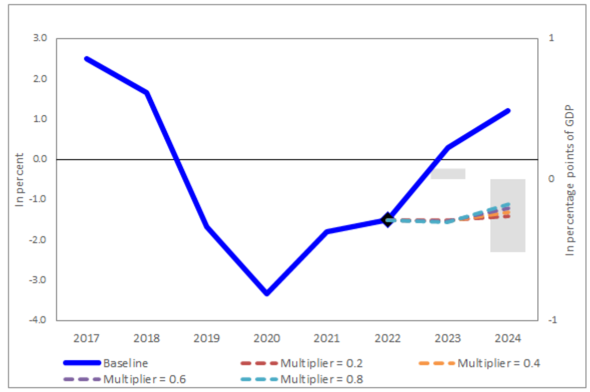
Figure 4. Haiti: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



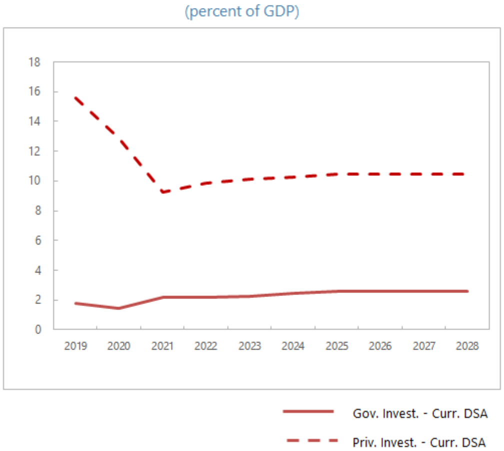
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

Table 2. Haiti: Structure of Public Debt and Debt Service

(Fiscal-year basis)

	Debt (at end-2021)			Debt Service					
		In percent of		2021	2022	2023	2021	2022	2023
	US$ million	total debt	GDP	US$ millions			In percent of GDP		
Total	**4966.4**	**100.0**	**28.5**	**119.5**	**122.3**	**126.8**	**0.7**	**0.6**	**0.5**
External	**2258.3**	**45.5**	**12.9**	**119.5**	**122.3**	**126.8**	**0.7**	**0.6**	**0.5**
Multilateral creditors	**262.8**	**5.3**	**1.5**	**15.8**	**18.8**	**23.4**	**0.1**	**0.1**	**0.1**
IMF	175.1	3.5	1.0	7.5	10.6	15.3	0.0	0.1	0.1
OPEC	42.9	0.9	0.2	5.2	5.1	5.0	0.0	0.0	0.0
IFAD	44.8	0.9	0.3	3.1	3.1	3.1	0.0	0.0	0.0
IDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral creditors	**1993.1**	**40.1**	**11.4**	**103.7**	**103.5**	**103.3**	**0.6**	**0.5**	**0.4**
Paris Club	-	-	-	-	-	-	-	-	-
Non-Paris Club	1993.1	40.1	11.4	103.7	103.5	103.3	0.6	0.5	0.4
Venezuela	1853.0	37.3	10.6	96.6	96.5	96.5	0.6	0.5	0.4
PetroCaribe	1826.2	36.8	10.5	94.5	94.5	94.5	0.5	0.5	0.4
BANDES	26.8	0.5	0.2	2.1	2.0	2.0	0.0	0.0	0.0
Taiwan, Province of Chin	140.1	2.8	0.8	7.1	7.0	6.8	0.0	0.0	0.0
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Other international creditor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructured debt	2.4	0.0	0.0	-	-	-	-	-	-
Domestic	**2708.1**	**54.5**	**15.5**	-	-	-	-	-	-
Held by non-residents, total	-	-	-	-	-	-	-	-	-
Held by residents, total	2708.1	54.5	15.5	-	-	-	-	-	-
Loans, total	2708.1	54.5	15.5	-	-	-	-	-	-
BRH	2063.6	41.6	11.8	-	-	-	-	-	-
Other creditors (incl.T-Bil	644.6	13.0	3.7	-	-	-	-	-	-
Memo items									
Collaterized debt	-	-	-	-	-	-	-	-	-
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (US$ millions)	21016.8								

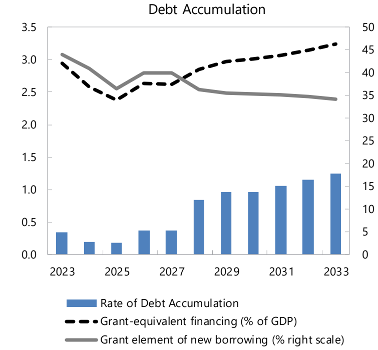
Sources: Haitian authorities, and Fund staff estimates.

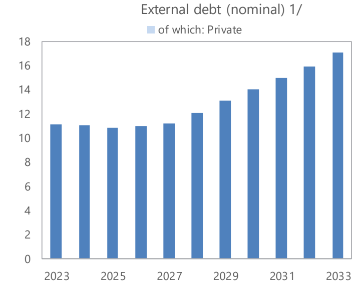
Table 3. Haiti: External Debt Sustainability Framework, Baseline Scenario, 2020–2043

(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	10.5	12.9	12.9	11.2	11.1	10.8	11.0	11.2	12.1	17.0	22.7	13.2	12.9
of which: public and publicly guaranteed (PPG)	10.5	12.9	12.9	11.2	11.1	10.8	11.0	11.2	12.1	17.0	22.7	13.2	12.9
Change in external debt	-5.3	2.4	-0.1	-1.7	-0.1	-0.2	0.1	0.2	0.8	1.1	-0.3		
Identified net debt-creating flows	-1.0	-4.0	2.6	0.4	0.0	0.0	0.2	0.2	0.3	1.2	0.4	1.5	0.5
Non-interest current account deficit	-1.2	-0.6	2.3	0.7	0.4	0.5	0.8	1.1	0.9	3.1	2.3	2.4	1.7
Deficit in balance of goods and services	22.0	18.7	21.0	18.7	18.4	18.4	18.4	18.5	18.4	18.4	17.9	21.4	18.4
Exports	7.0	6.0	6.9	6.1	6.3	6.4	6.5	6.7	6.4	6.4	6.9		
Imports	29.0	24.7	27.9	24.8	24.7	24.8	24.9	25.2	24.8	24.8	24.8		
Net current transfers (negative = inflow)	-22.9	-19.1	-18.5	-17.6	-17.6	-17.5	-17.2	-16.9	-17.0	-14.7	-15.0	-18.6	-16.2
of which: official	-0.9	-0.6	-1.1	-2.5	-2.3	-2.2	-0.2	-0.2	-0.2	-0.5	-1.0		
Other current account flows (negative = net inflow)	-0.3	-0.2	-0.2	-0.3	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	-0.5
Net FDI (negative = inflow)	-0.2	-0.2	-0.3	-0.4	-0.4	-0.4	-0.6	-0.9	-0.5	-1.8	-1.8	-0.8	-1.1
Endogenous debt dynamics 2/	0.4	-3.2	0.6	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2		
Contribution from real GDP growth	0.5	0.1	0.2	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3		
Contribution from price and exchange rate changes	-0.2	-3.4	0.3	...	...	...	...	...	...	...	...		
Residual 3/	-4.3	6.4	-2.7	-2.1	-0.1	-0.2	0.0	0.0	0.5	-0.1	-0.7	-0.9	-0.2
of which: exceptional financing	-0.7	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	6.5	5.7	5.7	5.6	5.8	5.9	6.6	10.4	18.3		
PV of PPG external debt-to-exports ratio	...	...	93.6	92.4	90.3	88.0	88.4	88.7	102.7	162.3	264.2		
PPG debt service-to-exports ratio	12.5	9.5	8.8	8.5	8.0	7.6	8.4	7.9	8.0	10.5	16.8		
PPG debt service-to-revenue ratio	14.1	9.6	11.2	8.0	7.3	6.7	7.3	6.9	6.6	8.5	14.1		
Gross external financing need (Million of U.S. dollars)	-76.5	-49.9	527.6	208.2	131.0	147.4	208.0	213.0	258.3	685.3	837.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-3.3	-1.8	-1.5	0.3	1.2	1.5	1.5	1.5	1.5	1.5	1.5	0.6	1.4
GDP deflator in US dollar terms (change in percent)	1.5	47.5	-2.3	19.5	2.7	2.2	2.3	1.9	1.6	2.1	2.1	4.3	3.7
Effective interest rate (percent) 4/	0.9	1.3	0.7	0.8	0.8	0.8	0.8	0.9	1.0	1.0	0.8	0.7	0.9
Growth of exports of G&S (US dollar terms, in percent)	-41.5	23.8	11.3	6.7	5.9	6.0	6.1	6.1	-1.5	3.7	5.2	2.3	4.3
Growth of imports of G&S (US dollar terms, in percent)	-18.5	23.5	8.6	6.6	3.4	4.2	4.4	4.5	1.5	3.7	3.7	3.8	3.9
Grant element of new public sector borrowing (in percent)	...	...	...		40.9	36.4	40.0	40.0	36.3	34.3	32.9	...	36.8
Government revenues (excluding grants, in percent of GDP)	6.2	5.9	5.4	6.6	6.9	7.3	7.5	7.7	7.7	7.9	8.3	7.0	7.5
Aid flows (in Million of US dollars) 5/	-6542.7	-2155.3	-5265.6	740.5	657.4	603.8	714.6	734.4	767.6	976.8	1599.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.9	2.6	2.4	2.6	2.6	2.8	3.2	3.8	...	2.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	84.5	86.0	86.0	80.7	81.1	73.3	69.5	70.3	...	76.9
Nominal GDP (Million of US dollars)	14,508	21,017	20,223	24,236	25,192	26,128	27,119	28,054	28,920	34,478	49,375		
Nominal dollar GDP growth	-1.9	44.9	-3.8	19.8	3.9	3.7	3.8	3.4	3.1	3.7	3.7	4.9	5.1
Memorandum items:													
PV of external debt 7/	...	...	6.5	5.7	5.7	5.6	5.8	5.9	6.6	10.4	18.3		
In percent of exports	...	...	93.6	92.4	90.3	88.0	88.4	88.7	102.7	162.3	264.2		
Total external debt service-to-exports ratio	12.5	9.5	8.8	8.5	8.0	7.6	8.4	7.9	8.0	10.5	16.8		
PV of PPG external debt (in Million of US dollars)			1306.4	1376.4	1425.1	1471.1	1567.4	1668.9	1903.8	3585.0	9024.4		
(PVt-PVt-1)/GDPt-1 (in percent)				0.3	0.2	0.2	0.4	0.4	0.8	1.3	1.3		
Non-interest current account deficit that stabilizes debt ratio	4.0	-3.0	2.4	2.4	0.5	0.7	0.6	0.9	0.1	2.0	2.6		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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

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

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

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

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

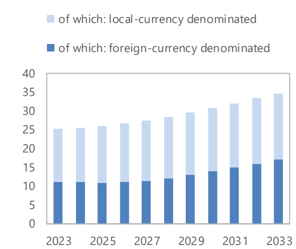
4. Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–2043

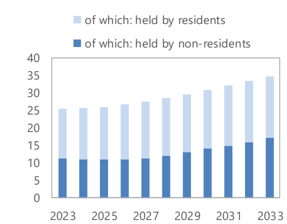
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	23.3	28.5	29.4	25.3	25.5	25.9	26.6	27.4	28.4	34.7	48.0	24.9	29.0
of which: external debt	10.5	12.9	12.9	11.2	11.1	10.8	11.0	11.2	12.1	17.0	22.7	13.2	12.9
Change in public sector debt	-3.2	5.1	0.9	-4.1	0.2	0.4	0.7	0.8	1.0	1.4	1.0		
Identified debt-creating flows	-5.4	3.5	-2.2	-4.4	0.2	0.4	0.8	0.9	1.1	1.4	1.1	0.5	0.5
Primary deficit	2.1	2.3	1.9	1.8	2.3	2.5	2.8	2.6	2.6	3.0	4.0	2.1	2.6
Revenue and grants	7.5	8.2	8.1	9.1	9.2	9.5	9.8	9.9	10.0	10.4	11.3	9.7	9.9
of which: grants	1.3	2.3	2.8	2.5	2.3	2.2	2.2	2.2	2.3	2.5	3.0		
Primary (noninterest) expenditure	9.6	10.5	10.0	10.9	11.5	11.9	12.5	12.5	12.6	13.4	15.2	11.8	12.5
Automatic debt dynamics	-7.5	1.2	-4.1	-6.2	-2.1	-2.0	-2.0	-1.7	-1.6	-1.6	-2.9		
Contribution from interest rate/growth differential	-0.9	-1.8	-3.5	-4.4	-2.0	-2.0	-1.9	-1.7	-1.6	-1.6	-2.1		
of which: contribution from average real interest rate	-1.8	-2.2	-4.0	-4.4	-1.7	-1.6	-1.5	-1.3	-1.1	-1.1	-1.4		
of which: contribution from real GDP growth	0.9	0.4	0.4	-0.1	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.7		
Contribution from real exchange rate depreciation	-6.6	3.0	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.2	1.6	3.1	-1.4	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.9	0.1	-0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	23.3	20.1	20.3	20.9	21.6	22.3	23.1	28.2	42.0		
PV of public debt-to-revenue and grants ratio	...	...	286.4	220.7	221.9	220.9	221.1	225.8	231.3	272.4	372.7		
Debt service-to-revenue and grants ratio 3/	13.5	10.1	10.2	6.9	24.2	41.4	59.1	73.8	87.2	119.8	193.1		
Gross financing need 4/	3.2	3.1	2.7	2.4	4.5	6.4	8.5	9.9	11.3	15.4	25.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-3.3	-1.8	-1.5	0.3	1.2	1.5	1.5	1.5	1.5	1.5	1.5	0.6	1.4
Average nominal interest rate on external debt (in percent)	1.0	0.9	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0	0.8	0.7	0.9
Average real interest rate on domestic debt (in percent)	-15.9	-14.2	-20.2	-24.4	-11.3	-10.4	-9.3	-7.9	-6.5	-5.5	-4.7	-10.6	-8.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-40.7	28.9	-4.4	...	...	...	...	...	...	...	...	1.3	...
Inflation rate (GDP deflator, in percent)	20.6	19.3	27.6	33.4	14.0	12.9	11.5	9.7	8.1	7.0	7.0	13.7	11.4
Growth of real primary spending (deflated by GDP deflator, in percent)	-5.5	6.9	-5.9	9.1	6.8	5.6	6.4	1.6	2.2	2.4	3.0	-3.7	4.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	5.3	-2.9	1.0	5.8	2.1	2.1	2.1	1.8	1.6	1.7	3.0	1.1	2.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The general government. Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 5. Haiti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–2043

(In Percent)

		Projections 1/																			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
PV of debt-to GDP ratio																					
Baseline	6	6	6	6	6	7	7	8	9	10	10	11	12	13	14	15	15	16	17	18	18
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	6	7	8	8	9	11	12	13	14	15	15	16	17	17	18	19	19	20	21	21	22
B. Bound Tests																					
B1. Real GDP growth	6	6	6	6	7	7	8	9	10	11	12	13	13	14	15	16	17	18	19	20	20
B2. Primary balance	6	6	6	6	7	7	8	9	10	10	11	12	13	14	15	15	16	17	18	18	19
B3. Exports	6	7	8	8	8	9	10	10	11	12	13	13	14	15	16	16	17	18	18	19	20
B4. Other flows 3/	6	8	10	10	10	11	11	12	13	13	14	15	15	16	16	17	18	18	19	19	20
B5. Depreciation	6	7	3	4	4	4	5	6	7	9	10	11	12	14	15	16	17	18	19	20	21
B6. Combination of B1-B5	6	8	9	9	10	10	11	12	12	13	14	15	15	16	17	18	18	19	20	20	21
C. Tailored Tests																					
C1. Combined contingent liabilities	6	6	7	7	8	9	10	10	11	12	13	14	15	16	17	17	18	19	20	20	21
C2. Natural disaster	6	8	10	11	13	14	15	17	18	19	20	21	22	23	24	25	26	27	28	28	29
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio																					
Baseline	92	90	88	88	89	103	114	125	136	149	162	176	**189**	**199**	**212**	**224**	**236**	**244**	**252**	**259**	**264**
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	92	106	117	130	141	167	**187**	**203**	**215**	**226**	**238**	**249**	**259**	**265**	**275**	**285**	**295**	**301**	**306**	**312**	**317**
B. Bound Tests																					
B1. Real GDP growth	92	90	88	88	89	103	114	125	136	149	162	176	**189**	**199**	**212**	**224**	**236**	**244**	**252**	**259**	**264**
B2. Primary balance	92	92	93	96	98	114	126	137	149	162	175	**189**	**202**	**211**	**223**	**235**	**247**	**255**	**262**	**268**	**273**
B3. Exports	92	129	**194**	**194**	**193**	**219**	**237**	**253**	**268**	**285**	**304**	**323**	**341**	**353**	**370**	**388**	**404**	**415**	**424**	**432**	**438**
B4. Other flows 3/	92	123	152	151	150	168	179	**188**	**197**	**206**	**217**	**228**	**238**	**244**	**253**	**263**	**273**	**278**	**282**	**286**	**289**
B5. Depreciation	92	90	42	43	44	56	67	77	91	106	122	138	153	165	**180**	**194**	**209**	**219**	**229**	**238**	**246**
B6. Combination of B1-B5	92	137	132	170	169	**191**	**205**	**217**	**230**	**243**	**258**	**273**	**287**	**296**	**310**	**323**	**337**	**345**	**351**	**357**	**362**
C. Tailored Tests																					
C1. Combined contingent liabilities	92	102	107	113	117	136	150	163	176	**189**	**204**	**218**	**232**	**241**	**254**	**267**	**279**	**287**	**294**	**300**	**305**
C2. Natural disaster	92	133	158	179	**193**	**225**	**246**	**264**	**282**	**299**	**317**	**334**	**350**	**360**	**374**	**389**	**403**	**411**	**418**	**423**	**428**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio																					
Baseline	9	8	8	8	8	8	9	10	9	10	10	11	12	13	13	13	14	14	15	16	17
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	9	8	8	9	8	9	10	12	12	13	14	15	16	17	17	18	18	18	19	19	20
B. Bound Tests																					
B1. Real GDP growth	9	8	8	8	8	8	9	10	9	10	10	11	12	13	13	13	14	14	15	16	17
B2. Primary balance	9	8	8	8	8	8	9	10	10	11	11	11	13	13	14	14	15	15	16	17	18
B3. Exports	9	10	12	14	14	14	16	18	19	20	21	21	22	23	24	25	25	26	27	28	29
B4. Other flows 3/	9	8	8	10	9	9	11	13	14	15	15	15	16	17	17	17	18	18	19	19	20
B5. Depreciation	9	8	8	7	7	7	8	9	6	6	7	7	9	10	10	11	11	12	13	14	15
B6. Combination of B1-B5	9	9	11	12	11	12	13	16	16	17	18	18	19	20	20	21	21	22	23	23	24
C. Tailored Tests																					
C1. Combined contingent liabilities	9	8	8	9	8	9	10	11	10	11	11	11	13	13	14	14	15	15	16	17	17
C2. Natural disaster	9	8	9	10	10	11	12	13	12	13	14	14	15	16	16	17	17	18	18	19	20
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio																					
Baseline	8	7	7	7	7	7	8	8	8	8	9	9	10	10	10	11	11	12	12	13	14
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	8	7	7	8	7	7	8	10	10	11	12	12	13	14	14	14	14	15	15	16	17
B. Bound Tests																					
B1. Real GDP growth	8	8	7	8	8	7	8	9	8	9	9	10	11	11	12	12	12	13	14	15	16
B2. Primary balance	8	7	7	7	7	7	8	8	8	9	9	9	10	11	11	11	12	12	13	14	15
B3. Exports	8	7	7	8	8	7	8	9	10	10	11	11	12	12	12	13	13	13	14	15	16
B4. Other flows 3/	8	7	7	9	8	8	9	11	12	12	12	12	13	14	14	14	14	14	15	16	17
B5. Depreciation	8	9	8	8	7	7	8	9	6	7	7	7	9	10	10	11	11	12	13	14	15
B6. Combination of B1-B5	8	8	8	9	8	8	9	11	11	12	12	12	13	14	14	14	14	15	15	16	17
C. Tailored Tests																					
C1. Combined contingent liabilities	8	7	7	8	7	7	8	9	8	9	9	9	10	11	11	11	12	12	13	14	15
C2. Natural disaster	8	7	7	9	9	9	10	10	10	10	11	11	12	13	13	13	13	14	14	15	16
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 6. Haiti: Sensitivity Analysis for Key Indicators of Public Debt, 2023–2043

	Projections 1/																				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
PV of Debt-to-GDP Ratio																					
Baseline	20	20	21	22	22	23	24	25	26	27	28	30	31	32	34	35	37	38	39	41	42
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	20	20	21	21	21	20	20	19	19	19	19	19	19	19	19	19	19	19	19	19	19
B. Bound Tests																					
B1. Real GDP growth	20	22	24	25	27	28	29	31	33	34	36	38	40	42	43	45	47	49	51	52	54
B2. Primary balance	20	22	23	23	24	25	25	26	27	28	29	31	32	33	35	36	38	39	40	42	43
B3. Exports	20	21	23	24	25	25	26	27	28	29	30	31	33	34	35	37	38	40	41	42	43
B4. Other flows 3/	20	22	25	26	27	27	28	29	30	31	32	33	34	35	37	38	39	41	41	43	44
B5. Depreciation	20	20	20	20	21	21	21	22	22	23	24	24	25	26	27	28	29	31	32	33	34
B6. Combination of B1-B5	20	21	22	22	22	23	24	25	26	27	28	30	31	32	34	35	37	38	40	41	42
C. Tailored Tests																					
C1. Combined contingent liabilities	20	27	27	27	27	27	28	28	29	30	31	33	34	36	37	38	40	41	42	44	45
C2. Natural disaster	20	44	42	40	39	38	38	38	39	40	41	42	43	44	46	47	49	50	51	52	53
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio																					
Baseline	221	222	221	221	226	231	238	245	254	263	272	283	295	307	311	322	333	346	355	363	373
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	221	222	218	213	210	206	202	199	197	196	195	194	195	196	192	193	194	196	195	194	193
B. Bound Tests																					
B1. Real GDP growth	221	233	249	255	265	275	286	298	311	324	337	352	367	382	389	403	418	434	444	454	465
B2. Primary balance	221	235	244	241	243	247	252	258	266	275	283	294	305	316	321	331	342	354	362	371	379
B3. Exports	221	231	246	245	250	255	261	268	275	284	292	301	312	322	326	335	345	358	365	372	380
B4. Other flows 3/	221	245	266	264	268	274	280	286	292	300	307	315	325	335	337	346	355	366	372	379	386
B5. Depreciation	221	223	215	213	213	213	214	217	221	226	231	238	246	254	257	264	273	283	290	297	305
B6. Combination of B1-B5	221	226	227	221	226	231	238	245	254	263	272	283	295	307	311	322	333	346	355	364	373
C. Tailored Tests																					
C1. Combined contingent liabilities	221	297	283	274	272	273	276	281	288	296	304	314	325	336	340	350	361	374	381	389	397
C2. Natural disaster	221	481	438	407	390	381	376	376	379	384	390	398	408	418	420	430	441	454	459	464	471
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio																					
Baseline	7	24	41	59	74	87	95	101	107	113	120	125	132	140	144	150	156	164	173	183	193
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2023-2033 2/	7	24	42	59	72	82	87	89	90	91	92	92	94	95	94	94	94	94	95	96	98
B. Bound Tests																					
B1. Real GDP growth	7	25	47	72	91	109	119	128	135	143	151	157	166	175	180	187	195	204	213	224	236
B2. Primary balance	7	24	52	77	87	97	102	107	112	117	123	128	135	143	147	153	159	167	175	185	195
B3. Exports	7	24	42	60	74	88	95	102	109	115	121	126	134	141	146	152	158	165	174	184	194
B4. Other flows 3/	7	24	42	60	75	88	96	103	110	116	123	127	135	142	147	153	159	166	175	185	195
B5. Depreciation	7	24	40	54	71	83	91	96	102	107	113	118	125	132	136	142	147	155	163	171	181
B6. Combination of B1-B5	7	24	41	59	74	87	95	101	107	114	120	125	132	140	144	150	157	164	173	183	193
C. Tailored Tests																					
C1. Combined contingent liabilities	7	24	100	102	106	112	114	116	118	122	127	131	137	144	148	154	159	167	175	185	195
C2. Natural disaster	7	24	242	208	187	174	163	155	150	149	149	150	154	159	161	166	171	178	186	195	206
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Statement by Mr. Bevilaqua, Executive Director for Haiti and Mr. Saraiva, Alternate Executive Director, and Ms. Florestal, Advisor to the Executive Director for Haiti
January 23, 2023

On behalf of our Haitian Authorities, we thank the Managing Director, WHD management, the mission chief and her team for their continuous support to Haiti. Our authorities are particularly thankful for the seamless handover between mission chiefs and the granting of well-targeted Technical Assistance operations. These actions allowed for the completion, this past December, of the first Review of the SMP that was approved in June 2022, after years of discussions within the realm of uncertainty, repeated shocks, and rising challenges. The authorities are also very thankful to the current mission chief and her team for the timely preparation of this request for disbursement under the Food Crisis Window (FSW) of the Rapid Credit Facility (RCF) in close collaboration with our authorities and the technical teams of the Ministry of Economy and Finance (MEF) and the Central Bank of Haiti (BRH). The weekly dialogue held between staff and the SMP Monitoring Committee of MEF and BRH has been instrumental to build a mutual understanding on social and economic developments as well as on the near-term outlook and on how to make progress towards achieving SMP objectives.

Despite multiple, compounding challenges, our Haitian authorities managed to maintain overall macroeconomic stability and stayed the course on the reform agenda, achieving broadly satisfactory progress in implementing the SMP. They have taken commendable steps to strengthen governance, ensure macroeconomic and financial stability and enhance transparency and efficiency in the use of public resources. Long outstanding reforms such as the consolidation in the Single Treasury Account of central budgetary agencies' bank accounts, the Medium-Term Budget Framework and a substantial reduction of unsustainable fuel subsidies have been completed. Additionally, Haiti adopted and published a new tax code and associated procedure code. Beneficial owners of public procurement contracts are now regularly published. On the financial front, the BRH continues to make progress towards a risk-based supervision and further strengthening the monetary policy framework. Steps are also being taken to bring the ALM/CFT law to international standards and to implement the Action Plan under the FATF's International Cooperation Review Group.

The authorities are determined to successfully implement the SMP as a foundation to rejoining a sustainable and inclusive growth path. Engagement with the Fund through policy dialogue and technical assistance has been maintained throughout an extremely challenging context. Now, the immediate priority is to achieve a minimum degree of economic, political, and social stability to create the conditions for a more structured medium-term program. Hence, the authorities have renewed their commitment to continue establishing the one-year track record required to build the pre-conditions and allow Haiti to access an Upper Credit Tranche (UCT) financing arrangement. Going forward, the Fund's intensified support and signaling will remain paramount for Haiti to benefit from adequate medium-term financing to support economic growth and social development.

The BRH will continue to implement reforms in line with the 2019 recommendations. Notably, they are committed to finalize amendments to its organic act with a view to strengthen governance arrangements, mandate, and autonomy safeguards, and submit a revised act for consideration by the Council of Ministers. To address inflationary pressures and exchange rate volatility, the BRH stands ready to use all tools at hand including interest rates and reserve requirements, while phasing out foreign exchange repurchase requirements and constraining FX interventions to disorderly situations. Following the recent practice, the Central Bank will also purchase foreign exchange, as conditions allow, to secure adequate levels of net international reserves (NIR).

Haiti's balance of payments (BOP) is under pressure after four successive years of GDP contraction, combined with the recent surge in food and energy prices, limited external assistance, and decreasing remittances. Moreover, last year, the United Nations warned that catastrophic hunger was recorded in Haiti for the first time. The World Food Program (WFP) considers Haiti to have one of the highest levels of food insecurity in the world with nearly half the population not having enough to eat. In addition, the WFP and the Food and Agriculture Organization (FAO) rank Haiti at a catastrophic level on the integrated Food Security Phase Classification Index. Therefore, support under the FSW is urgently needed to help close the BOP gap and provide critical relief to the most vulnerable.

The authorities are counting on the signaling effect of the conclusion of the first review of the SMP and the disbursement under the FSW to help catalyze needed donor funds. The proceeds of the FSW will be used to support poor households through cash transfers and food rations within the government's strategy to tackle food insecurity and strengthen social safety nets. Additional measures to support vulnerable households are also listed in the FY23 Budget. We underscore the creation of temporary jobs in agriculture, environment protection, and public sectors countrywide as well as youth vocational training programs and public transit subsidy programs for registered buses. The latter will also help mitigate the impact of increased fuel prices.

The authorities are fully committed to implement transparency and safeguards measures. The authorities have pledged to strictly enforce governance arrangements to procurement contracts awarded on the spending of emergency resources and to follow good public financial management (PFM) practices to monitor the implementation of social programs. They are upgrading transparency and audit capacity in the spending of emergency resources and working towards ensuring that the law governing the Supreme Court of Auditors and Administrative Disputes (CSCCA), currently under review, guarantees the standards applicable to supreme audit institutions. In addition, comprehensive monthly reports on the budget implementation will be published no later than 45 days after the end of each month. The Central Bank will continue to work towards implementing remaining recommendations of the 2019 Safeguards Assessment and accelerate the transition to International Financial Reporting Standards (IFRS). The authorities have also called for a Governance Diagnostic whose recommendations will be considered among the reforms for the second review of the SMP.

Innovation and digitalization are being devised to further inclusion and social programs. Both fiscal and monetary authorities are exploring innovative tools with the support of the WB and the IDB to leverage digital tools to cushion the impact of shocks on the population including by enhancing financial inclusion. The BRH hopes that the CBDC—currently in testing stage—will eventually facilitate the diversification of the channels through which public transfers are distributed, helping address financial inclusion weaknesses in the rural area.

Haiti is at a critical juncture, which requires nationally concerted efforts with the backing of the international community to break the vicious cycle of poverty, fragility, and violence. In this regard, accelerated steps are being taken to quell gang violence, fight corruption and strengthen public institutions. During the past two months, the Haitian National Police (HNP) has multiplied arrests of high-profile gang leaders. The anti-corruption unit is also intensifying its action against embezzlement of public funds, money laundering and other illicit transactions. The governing board of the Economic and Social Assistance Fund, which implements most of the government's social programs, has reconvened its regular meetings and started publication of its quarterly operations report. Also, in November 2022, BRH issued detailed instructions to financial institutions on a sanction regime against gangs and criminal activities following the UN Security Council's resolution targeting gang leaders and those who finance them.

Amid persistent, multi-dimensional crises, the Haitian economy is displaying tentative signs of stabilization and recovery, but uncertainty remains elevated. The near-term outlook is highly dependent on the ability of the Haitian government to quell insecurity, for which they are requesting assistance from the international community. General elections planned for end-2023 should help restore the full functioning of democratic institutions. Growth is expected to return to positive territory in FY23 and domestic revenue collection to strengthen. In fact, after the replacement of senior members of management of the customs and revenue administrations, significant increase in revenue collection has been registered and the authorities are taking steps to further increase domestic resource mobilization and prioritize social spending. The FY23 budget adopted last month is consistent with the objective of reducing monetary financing of the deficit in order to lower inflation and help restore stability.

In sum, we reiterate the importance of IMF and the international community supporting Haiti's efforts to cope with the overwhelming challenges. Stepping out of fragility is never an easy task. In the past decades, Haiti has been subject to devastating shocks, which have thrown the economy and the society at the brink of collapse multiple times. For the Fund to navigate on such conditions of extreme fragility and remain relevant, it is critical to maintain a long-term trustworthy partnership with the pertinent authorities and take risks as appropriate—with the suitable safeguards—to support the steps taken in the right direction. We appreciate the Fund's continuous engagement and welcome its presence on the ground, which is instrumental to enhance staff's knowledge of the concrete situation in the country and engage in closer dialogue with the authorities, helping to build trust. We look forward to boosting this presence on the ground with the posting of a Resident Representative and resuming in-person missions to Haiti as conditions allow. Fortunately, the BRH and the Ministry of Economy and Finance—IMF's key counterparts—have been crucial mainstays of the Haitian administration and economy, deeply committed to pushing for the right actions in the country. They count on the Fund continued engagement and support to proceed with their endeavors to stabilize the economy and resume a sustainable and inclusive development path.