INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/333

HAITI

December 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR HAITI

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Haiti, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 20, 2024, consideration of the staff report that concluded the Article IV consultation with Haiti.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 20, 2024, following discussions that ended on October 26, 2024, with the officials of Haiti on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 6, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Staff Representative** on Haiti
- A **Statement by the Executive Director** for Haiti.

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

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International Monetary Fund
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PRESS RELEASE

PR 24/461

IMF Executive Board Concludes 2024 Article IV Consultation with Haiti

FOR IMMEDIATE RELEASE

Washington, DC – November 20, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Haiti.

Haiti faces an unprecedented multidimensional crisis encompassing humanitarian, economic, social, and security problems. The economy has a low tax base and a large informal sector that relies heavily on volatile remittance flows. Since the last 2019 Article IV consultation, Haiti has suffered a series of shocks, including the pandemic; a devastating earthquake in 2021; cholera outbreaks; and the economic spillovers of the war in Ukraine, which led to a food crisis that triggered acute hunger. The severe deterioration of security over the last few years has magnified these problems—leading to a surge in the number of displaced people within and outside Haiti and to a significant drop in potential growth.

Haiti's macroeconomic outlook is challenging and subject to elevated uncertainty. The supply-side shock caused by the security crisis would continue to greatly affect growth and feed inflation unless the security outlook improves. Fiscal revenues, which are essential to reconstruct basic infrastructure after years of social unrest and support large development needs, are only slowly recovering. Remittances would continue to finance consumption, although this reflects mainly an exodus of human capital which could further undermine a sustainable recovery. Growth is projected to be barely positive in 2025 and will stabilize at only 1½ percent over the medium term (pending further improvements in the security outlook).

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They acknowledged the severity of Haiti's multidimensional crisis, resulting from security, economic, humanitarian shocks, and the ongoing political transition, which has greatly affected the well-being of the Haitian population. The outlook remains uncertain, as security continues to deteriorate, and growth is expected to remain low. Despite the headwinds, Directors recognized the authorities' achievements over the last few years in implementing reforms aimed at strengthening economic resilience and restoring macroeconomic stability.

Directors noted that normalization of security is essential to improve economic prospects, emphasizing the critical role of support from the international community in this regard, as well as in supporting the reform efforts and helping rebuild critical infrastructure. Directors also

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

called for continued well-prioritized engagement with the Fund, particularly through capacity development, appropriately guided by the Strategy for Fragile and Conflict Affected States and welcomed the authorities' interest in a new Staff Monitored Program, which would provide a useful policy anchor.

Directors commended the authorities for the timely passing of the budget and their efforts to increase fiscal revenue. They emphasized that further advancing the authorities' revenue mobilization agenda is paramount to address Haiti's immense development needs, notably through the implementation of the new tax code to broaden the tax base. Directors encouraged the authorities to step up the ongoing efforts to enhance the quality, efficiency, and transparency of public spending and called for continued strong scrutiny and prompt audit of the resources provided through the Fund's Food Shock Window. They emphasized the need for sustained efforts to preserve debt sustainability, including by avoiding non-concessional lending. Strengthening social safety nets to protect the most vulnerable and alleviate widespread poverty and continued endeavors to foster gender equality will also be critical.

Directors welcomed the authorities' commitment to keeping the monetary financing of the deficit at zero and called for continued efforts to promote price stability and enhance the monetary policy framework. They urged the authorities to conclude and publish the 2023 central bank audit to demonstrate commitment to transparency and limit FX interventions only to smooth excessive exchange rate volatility. Directors noted rising vulnerabilities in the banking sector, particularly from non-performing loans, and called for close monitoring and continued improvements to regulatory and supervisory frameworks. Further strengthening of the AML/CFT framework is also needed.

Directors strongly underscored that progress in implementing the structural and governance reform agenda is critical to lift potential growth. They welcomed the authorities' efforts to strengthen governance and anti-corruption frameworks and leverage digitalization. They urged the authorities to publish the governance diagnostic assessment and accompanying action plan as soon as finalized. Building resilience to natural disasters and fostering financial inclusion are also key. Directors strongly encouraged the authorities to improve data adequacy for surveillance purposes, while continuing to prioritize the quality and timeliness of monetary and reserve assets data.

Haiti: Selected Economic and Financial Indicators, FY2021– 27

(Fiscal year ending September 30)

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
				Proj.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)						
National Income and Prices							
GDP at constant prices	-1.8	-1.7	-1.9	-4	1	1.5	1.5
GDP deflator	19.3	29.8	31.5	29.1	23.2	17.6	10.4
Consumer prices (period average)	15.9	27.6	44.1	25.9	19.8	15.4	10.6
Consumer prices (end-of-period)	13.1	38.7	31.8	27.9	18.7	12.2	9.3
External Sector							
Exports (goods, valued in U.S. dollars, f.o.b.)	27.7	13.5	-25.5	-20	10	14.4	13.6
Imports (goods, valued in U.S. dollars, f.o.b.)	19.8	7.8	-1	-9	11	6	5.5
Remittances (valued in U.S. dollars)	22.5	-7.3	0.1	11	5	5	5.5
Real effective exchange rate (eop; + appreciation) 1/	-5	13.8	10.9	33	…	…	…
Money and Credit (valued in gourdes)							
Credit to private sector	15.2	17.4	-6.2	-5.3	21.1	14.7	12
Base money	21.5	23.1	3.1	10	13.5	11.5	10
Broad money	38.2	21.1	4.6	4.1	15.5	11.5	11
	(In percent of GDP; unless otherwise indicated)						
Central Government							
Overall balance (including grants)	-2.3	-1.8	0.9	7.2	-0.1	-1.4	-1.5
Domestic revenue	5.9	5.3	6.4	4.9	5	5.3	5.7
Grants	1	1.3	0.9	6.8	1.2	0.7	0.3
Expenditures	9.3	8.3	6.4	4.5	6.2	7.4	7.4
Current expenditures	7.4	6.8	4.9	3.4	4.2	4.2	4.3
Capital expenditures	1.9	1.6	1.5	1.1	2.1	3.2	3.1
Overall balance of the nonfinancial public sector 2/	-2.2	-1.7	0	6.6	-0.1	-1.4	-1.5
Savings and Investment							
Gross investment	18	15.9	13.9	6.1	7.8	10.7	14.2
Of which: public investment	1.9	1.6	1.5	1.1	2.1	3.2	3.1
Gross national savings	18.5	13.5	10.4	5.5	7.2	9.8	13
External current account balance (incl. official grants)	0.4	-2.3	-3.5	-0.5	-0.6	-0.9	-1.2
Net fuel exports	-3.1	-4.5	-3.6	-2.4	-2.3	-2.3	-2.3
Public Debt							
External public debt (medium and long-term, eop)	12.9	12.3	12.9	1.5	1.4	2.7	4.1
Total public sector debt (end-of-period)	28.9	29.5	28.5	13.9	11.4	10.9	11.4
External public debt service 3/	9.4	8.1	11.8	13.5	3.3	4.7	4.6
Memorandum Items:	(In millions of dollars, unless otherwise indicated)						
Net international reserves 4/	456	119	391	960	1,159	1,341	1,501
Gross international reserves	2,534	2,067	2,346	2,496	2,621	2,771	2,921
In months of imports of the following year	5.6	4.7	5.3	5.6	5.6	5.6	5.6
Nominal GDP (millions of gourdes)	1,699,208	2,168,223	2,798,324	3,468,166	4,315,508	5,151,163	5,772,370

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

1/ The real effective exchange rate for FY2024 reflects August 2024 data.

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

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

4/ Excludes banks' FX deposits, Venezuela escrow account, IMF liabilities (except Food Shock Window), and swaps.

INTERNATIONAL MONETARY FUND

HAITI

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

November 6, 2024

KEY ISSUES

Recent developments. Haiti is facing exceptional challenges. While security has deteriorated steadily since the last 2019 Article IV Consultation, it reached crisis proportions in the first few months of 2024. Gangs controlled 80 percent of the capital during March-May 2024, paralyzing economic activity by disrupting supply chains, destroying much infrastructure, and rekindling inflation pressures. The escalation of violence has destroyed human and physical capital and led to a surge in the number of displaced people and greatly accelerated brain drain. The worsened security situation has amplified Haiti's fragility, compounding its multiple shocks, including the pandemic, a devastating earthquake, political crisis following the assassination of President Moïse, worsening malnutrition resulting from the economic spillovers of Russia's war in Ukraine which led to the food crisis, and repeated outbreaks of infectious diseases. The economy is only very slowly normalizing. The first wave of the contingent of the Multinational Security Support mission (MSS)—led by Kenya backed by the United Nations—arrived in Haiti at the end of June to help re-establish security. The new government, in place since June 2024 with a time-bound mandate through February 2026 (tasked with holding general elections), has a window of opportunity to implement reforms that could eventually help restore the country's potential over the medium and long term.

Themes of the Article IV Consultation. The analytical work underpinning the policy discussions, prepared by staff in agreement with the authorities, focuses on strengthening policy frameworks to enhance resilience (to make them less pro-cyclical). It also quantifies the impact of crime and climate on potential growth; points to the importance of closing gender gaps to boost potential output; calls for strengthening digital infrastructure to generate additional tax revenue to support inclusive growth; examines the main sources of inflation; and analyzes the macro financial linkages, using a balance sheet approach. Initial findings from the IMF staff-led governance diagnostic report were also discussed.

Staff-Monitored Program (SMP). Building on progress achieved under the 2022 SMP covering June 2022-May 2023, a new SMP was negotiated in June 2023, initially covering the period June 30, 2023, through March 31, 2024. Despite meaningful initial progress, including the timely approval of the budget in September 2023, the amendments to the financial intelligence unit (FIU) law, and improved provision and timely dissemination of finance ministry data, program slippages occurred on other fronts. As a result of the IT incident in mid-summer 2023, whose impact was far more extensive than originally foreseen, the timeliness of monetary data suffered and prevented the conclusion of the First Review in December 2023. At that time, the SMP was extended by six months through September 2024. The extension was meant to allow for more time to accumulate a track record of effective policy implementation, which was eventually disrupted by the unfolding security crisis, and build the capacity to provide high-quality data. The worsened insecurity in the spring led to further slippages, including a collapse in tax collection and delays in achieving some structural benchmarks and in providing data. The latter reflected reduced capacity in compiling statistics attributable to the lockdowns. With the new interim government in place, the authorities and staff agreed to let the 2023 SMP lapse, rather than extending it further, and to start a new SMP after the finalization of the budget, which would anchor the new quantitative targets.

Policy recommendations

- Implement the budget for FY2025 and keep the monetary financing of the budget to zero, consistent with the objective of price stability.
- Advance governance reforms, including publish the governance diagnostic assessment as soon as completed (and adopting accompanying action plan) and advance anti-corruption reforms.
- Adopt measures to strengthen revenue collection, expenditure management and controls and increase budget allocations for social spending and for protecting the most vulnerable—and assess their impact.
- Strengthen public finance reporting, transparency, and accountability in the use of public funds.
- Continue to limit foreign exchange interventions to smoothing excess volatility and well-signaled foreign reserve build-up.
- Complete and publish the audit of the Central Bank for FY2023 as soon as possible.
- Provide more timely data to the Fund and enhance data transparency through timeline publication of core economic data.

Approved By
Patricia Alonso-Gamo and Peter Dohlman

Policy discussions started in person in Washington DC during July 2-3, 2024, continued remotely during July 24-August 5, 2024, with several additional meetings throughout August and September and concluded in person in Washington DC during October 21-26, 2024. The team comprised Patrizia Tumbarello (head), Noah Ndela, Arsène Kaho, Gonzalo Huertas, and Juan Passadore (all WHD), Henrique Chociay (SPR), Mher Barseghyan (STA), Jinkyu Sung, (FAD) and Gabriel Duvalsaint and Ralph Wata (Port-au-Prince office). Monique Newiak (SPR) participated in the discussion on gender and inclusion. Joel Lee (LEG), Parisa Kamali (SPR), and Pamela Cardoso (MCM) participated in the discussions on Article VIII and Capital Flow Management. Former team members included Weicheng Lian and Justin Matz. Toyosi Ojo provided excellent research assistance. Soungbe Coquillat coordinated all work related to mission scheduling and document preparations. The mission met with Prime Minister Garry Conille, Minister of Economy and Finance and Minister of Planning and External Cooperation Ketleen Florestal, Central Bank Governor Ronald Gabriel, other senior government officials, members of the donor community, NGOs, and representatives of the private sector. Ms. Ludmilla Buteau Allien (OED advisor) participated to all policy and technical discussions. Mr. André Roncaglia (Executive Director) and Mr. Bruno Saraiva (Alternate Executive Director) joined the concluding meetings.

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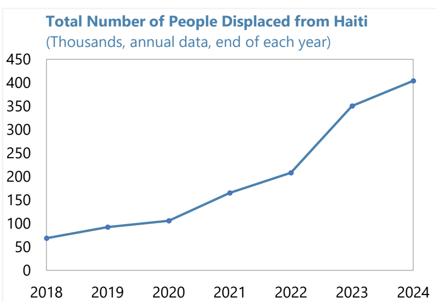
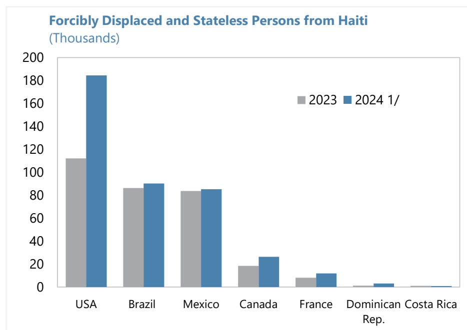
THE SETTING

1. **Haiti is a fragile and conflict-affected state**—a low-income country with multiple challenges. Half its population lives below the poverty line. The economy has a low tax base and a large informal sector that relies heavily on volatile remittance flows. Since the last 2019 Article IV consultation, Haiti has suffered a series of crises and shocks, including the pandemic; a devastating earthquake in 2021; cholera outbreaks; and the economic spillovers of the war in Ukraine, which led to a food crisis that triggered acute hunger. The severe deterioration of the political and security situation over the last few years (including the assassination of President Moïse in 2021) has magnified these problems—leading to a surge in the number of displaced people (within the country and outside), a worsening brain drain, fatigue in host communities and in the region, and tighter capacity constraints (Annex I). Governance and corruption problems are pervasive.[1]

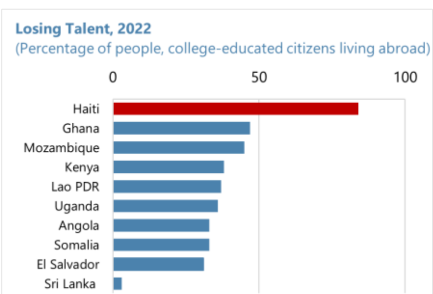
2. **Political and social insecurity deteriorated further during February-May 2024, reaching crisis proportions**.[2] Gang violence inferred attacks on government buildings, police installations, and such key infrastructure as airports, roads, and ports. Schools have been forced to close and most Port-au-Prince residents have been cut off from critical supplies of food and healthcare. Gangs



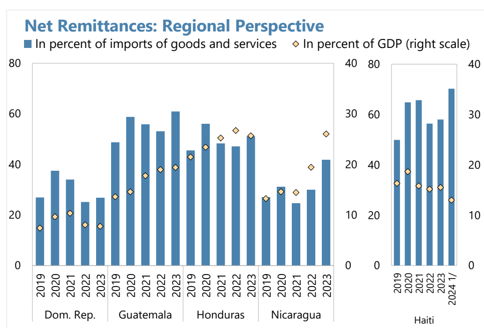
Source: United Nations High Commisioner for Refugees.
Note: Includes refugees, asylum-seekers and other people in need of international protection.



Source: United Nations High Commisioner for Refugees.
1/ Data refers to the first six months of 2024.



Source: World Bank Migration Database.
Note: Chart only indicates countries with population more than five million.



Sources: Bank of the Republic of Haiti, WEO, BOPSY, and IMF staff calculations.
1/ Data are on a fiscal year basis. Refers to the first two quarters of 2024, annualized.

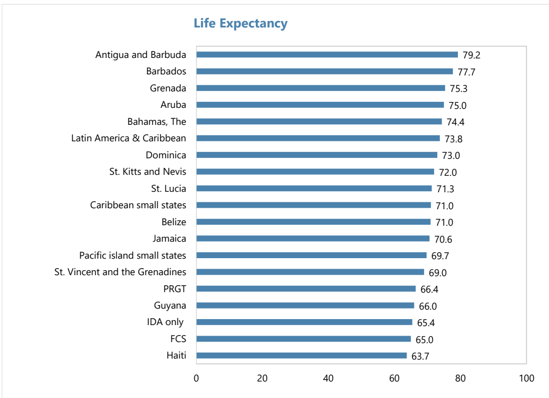
[1] Since late 2022, the United Nations, Canada, the EU, the United Kingdom, the United States, and other countries have imposed sanctions on high-profile Haitians for criminal activities.

[2] According to UN data, homicides more than doubled in 2023 relative to 2022 and tripled relative to the pre-pandemic time. In 2024 homicide rates increased by 50 percent relative to 2023. Furthermore, 702,973 people were displaced within Haiti as of September 2024 (see UN International Organization for Migration agency), in addition to the 400,000 people who are displaced from Haiti.

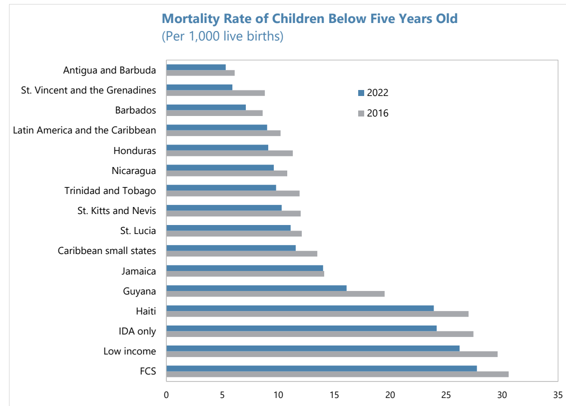
control large part of the capital. The widespread disorder has heightened Haiti's fragility and compounded the populations' suffering from severe malnutrition (Figure 1).

Figure 1. Haiti: Indicators of Well-Being and Digital Access

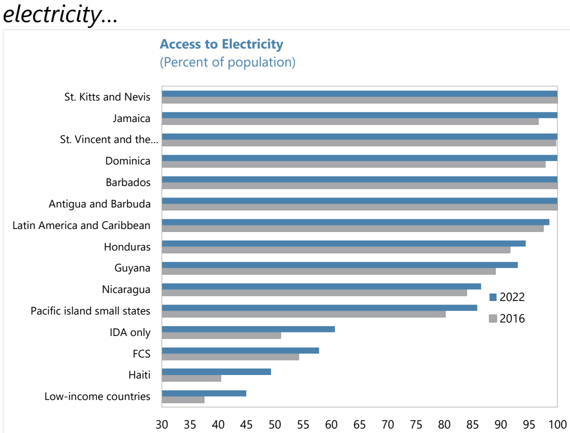
Life expectancy in Haiti is among the lowest in the world…



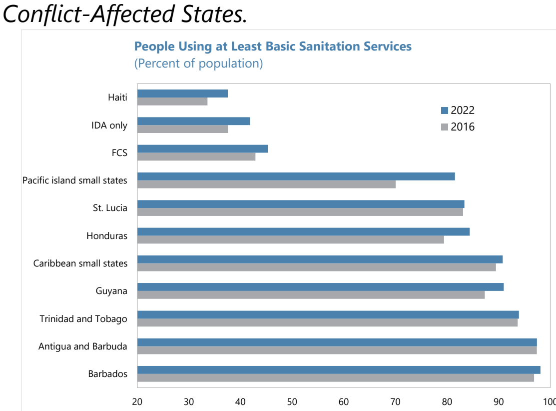
…and children mortality rate is very high.



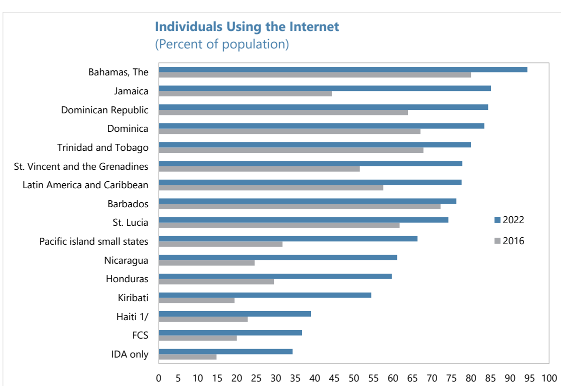
Only 50 percent of the population has access to electricity…



…and sanitation services are below other Fragile and Conflict-Affected States.

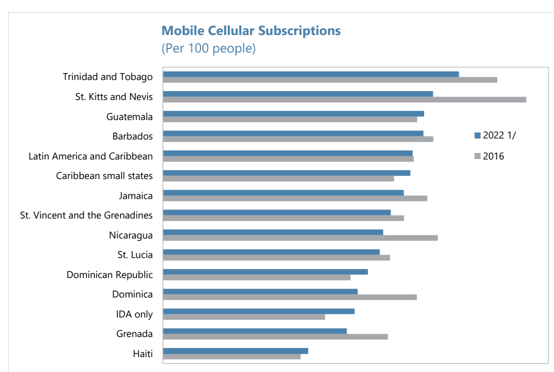


Internet access is still limited…



1/ Haiti data refers to 2021.

…as is the use of mobile phones.



1/ Data for Dominica, Caribbean small states, Grenada, Haiti, St Kitts and Nevis, St. Lucia, and Nicaragua are for 2021.

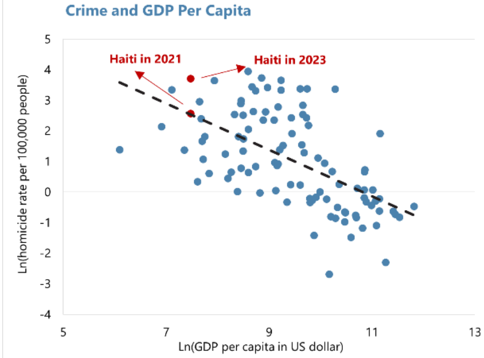
Sources: World Development Indicators and IMF staff calculation. Note: IDA=International Development Association; PRGT=Poverty Reduction and Growth Trust; FCS=Fragile and Conflict-Affected States.

3. The government in place since June 2024 has a time-bound mandate to restore security, economic growth, and pave the way for orderly general elections in February 2026 (for the first time since 2016). A nine-member *Transitional Presidential Council* was established in April 2024, with the support of CARICOM, acting as the country's presidency until February 2026. The first waves of the contingent of the Multinational Security Support Mission (MSS)—led by Kenya backed by the UN—arrived in Haiti at the end of June 2024. Progress in restoring security has been slow as the authorities maintained that the size of the MSS is still too small relatively to the originally expected presence to be impactful, with lack of resources being one of the main issues and requested the MSS to be replaced by a UN peacekeeping mission to have access to considerably additional funding and personnel. Kenya has committed a further 600 police officers by the end of the year. Some schools in the capital remain closed due to security and others host an increasing number of displaced people which could not return to their destroyed homes. A further escalation of violence took place since early October 2024.

RECENT DEVELOPMENTS

4. Data point to a dire situation. Macroeconomic conditions remain difficult, with Haiti recording five consecutive years of negative growth (2019-23). Real GDP growth was negative 1.9 percent in FY2023, ending in September 2023. This reflected disruptions in production, exports, and in the distribution of goods and services (including energy) in local markets. The economy collapsed during March-May 2024 and has yet to fully recover. The airport in Port-au-Prince was closed from March to May and port capacity was at a minimum, as evidenced by staff's monitoring of trade flows using satellite data through Portwatch (Figure 2). The supply-side shock caused by the security crisis has greatly fed inflation and worsened the hunger crisis: after 10 months of steady and remarkable decline, inflation resumed rising in February 2024, reaching 27.9 percent (year-on-year) in September.

Crime and GDP Per Capita



Sources: World Development Indicators, World Economic Outlook database, and IMF staff calculations.
Note: The sample consists of 101 countries for which homicide rates are available in 2021. All dots refer to the values in 2021, except for the one of "Haiti in 2023".

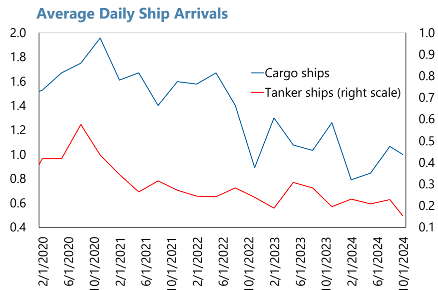
Haiti: Trade and Remittances Data

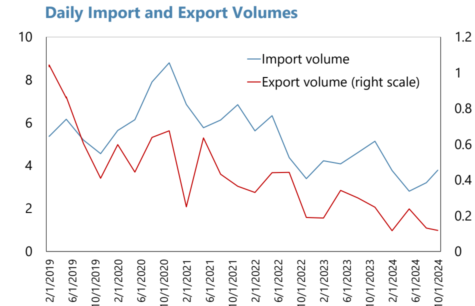
	Period	Amount (in millions of US dollar): FY19-23 (average)	FY24	FY23	Percentage change: FY24 vs average FY19-23	FY24 vs FY23
	Fiscal year to date					
Exports	October-July	892	642	782	↓ -28	↓ -18
Imports	October-July	3,650	3,547	3,868	↓ -3	↓ -8
Net Remittances	October-August	2,662	3,065	2,745	↑ 15	↑ 12
	Latest available month					
Exports	July	101	67	71	↓ -33	↓ -5
Imports	July	373	388	377	↑ 4	↑ 3
Net Remittances	August	252	287	254	↑ 14	↑ 13

Sources: BRH and Fund staff estimates.

Figure 2. Haiti: Monitoring Economic Activity Through Satellite Data

The pandemic and the intensification of criminal activity have disrupted trade flows. Import and export volumes, and the number of cargo and tanker ships are on a downward trend.



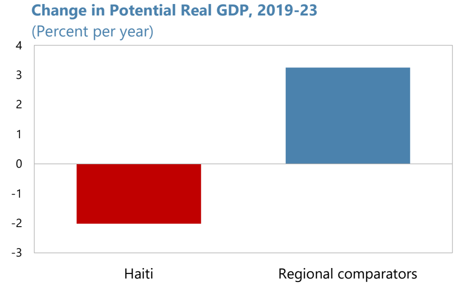


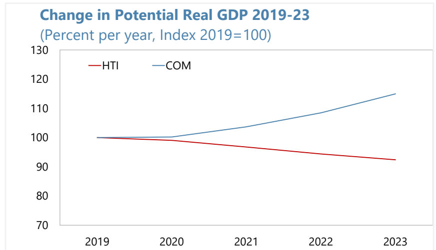
Satellite data suggest that trade activity fell dramatically beginning in March-April 2024.

Sources: IMF Portwatch (daily data), IMF Swift Monitor, and FlightsRadar24. Left upper chart: the blue line is the quarterly average of the daily arrivals of cargo ships. The red line is the quarterly average of the daily arrivals of tanker ships. Right upper chart: quarterly average of the daily import and export volumes.

Box 1. Haiti: Scarring from Multiple Crises—Loss in Potential Output

Results. Between 2019 and 2023, Haiti's potential real GDP fell on average by about 2 percent a year, while that of a comparator group increased by 3.2 percent a year (Figure 1.1). The cumulative total gap between Haiti and the comparator group in the period is equal to 25 percent (Figure 1.2).[1]





Sources: Haver, Analytics, WEO, and IMF staff calculations.
Note: Potential real GDP estimation accounting for natural disasters. Regional comparators include: Antigua and Barbuda, Bahamas, Belize, Dominica, and Jamaica.

Methodology. We use a growth accounting exercise with a Cobb Douglass production function:

$$Y_t = A_t(K_t)^{\alpha}(L_t h_t)^{1-\alpha},$$

where Y_t is real GDP, L_t is labor force, h_t is human capital, and K_t is capital stock, and A_t is total factor productivity.

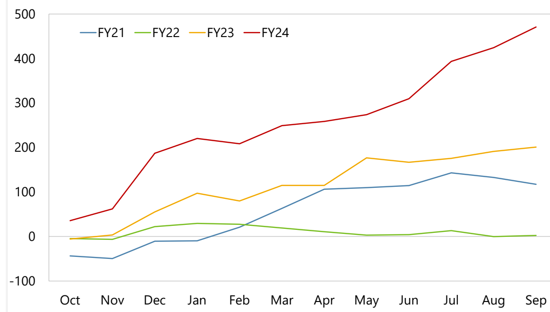
- *Step 1*. To account for the impact of natural disasters on capital stock, we remove changes in investment, I_t which are due to reconstruction efforts after natural disasters (to avoid upward bias in capital stock in the recovery phase). To this end, we estimate an ARIMA (1,0,1) model for investment and introduce a two-lag dummy for natural disasters. After subtracting the effect of natural disasters, we obtain a modified investment series: I_t^c.
- *Step 2*. Calculate the corrected capital stock, K_t^c by using the perpetual inventory method with the "correct" investment process, I_t^c, as an input.
- *Step 3*. Obtain the human-capital-adjusted labor force accounting for changes in population and in average years of schooling when available.
  Step 4. Estimate¸ using the growth accounting framework, the contribution of total factor productivity as a residual:
  $$A_t = Y_t/(K_t^c)^{1-\alpha}(L_t h_t)^{1-\alpha}.$$
- *Step 5*. Compute the trend for productivity, A_t^{Trend} using the filter of Hodrick-Prescott.
- *Step 6*. Use A_t^{Trend} and K_t^c to obtain potential output:
  $$Y_t^{Pot} = A_t^{Trend}(K_t^c)^{1-\alpha}(L_t h_t)^{1-\alpha}.$$

The impact of crime and climate on potential output. The channels through which crime affects growth are productivity, capital accumulation, and human capital. IMF (2023) computes the effect of crime on real GDP growth in a cross section of Latin American countries, with an elasticity ranging between -0.3 and -0.4 with respect to the homicide rate (measured in logs). Using homicide rate (i.e., homicides per 100,000 inhabitants) for Haiti which surged from 11 in 2019 to 59 in 2024, we conclude that crime could account for a drop in real GDP of at least 1.2 percent per year. In addition, climate will impact the computation of potential output through the difference between K_t and K_t^c (with the latter correcting for the upward bias due to reconstruction efforts in the aftermath of a natural disaster) and through the effect on natural disasters on productivity.

1/Prepared by: Sinem Kilic and Juan Passadore (WHD). Note: Regional Economic Outlook: Western Hemisphere, October 2023 (imf.org), "Securing Low Inflation and Nurturing Potential Growth," Online Annex 4, "Crime and its Macroeconomic Consequences in Latin America and the Caribbean." Note: Estimates of the homicide rate for 2024 (through August) are from UN Integrated Office in Haiti.

5. Latest data suggest that trade collapsed in recent months while remittances held up. The current account deficit widened in FY2023 to 3½ percent of GDP owing mainly to a collapse in exports (especially textile). The external position of Haiti in FY2023 is assessed as weaker than the level implied by fundamentals and desirable policies (Annex X). Preliminary BOP data point to a narrowing deficit so far in FY2024 to ½ percent of GDP, mainly the result of large import compression (amid strong real-side restraints on economic activity) and robust remittances. As a result, reserve buffers have been rebuilt to a comfortable level. Gross International Reserves (GIR) increased from US$2.1 billion at end-September 2022 to US$2.3 billion at end-September 2023—and stood at US$2.5 billion (equivalent to 5.7 months of imports) in August 2024. Net International Reserves (NIR) for September 2023 stood at US$356 million and jumped to almost US$1 billion (US$963 million in August 2024). The increase in net international reserves in FY2024 (US$607 million through August) was supported by net FX purchases by the BRH (US$471 million in the whole year, text chart), benefitting from a favorable FX supply in the market driven by remittances. Relative to the net reserves, gross reserves increased by a lower amount in FY2024

Haiti: Foreign Exchange Interventions by the Reserve Bank of Haiti
(Cumulative purchases per fiscal year, in millions of US dollars)



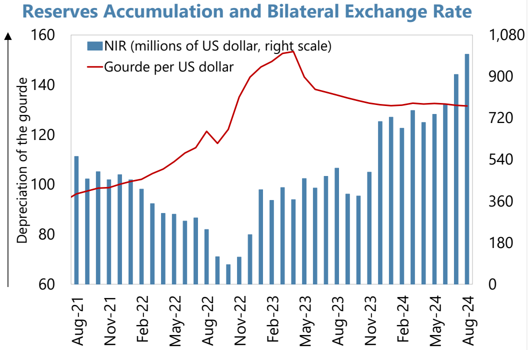
Sources: Bank of the Republic of Haiti and IMF staff calculations.

Haiti: Calculation of BRH Net International Reserves
(In millions of US dollars)

	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Change Sep 2024-Aug 2023
A. Gross International Reserves	**2,346**	**2,301**	**2,394**	**2,587**	**2,341**	**2,334**	**2,429**	**2,365**	**2,421**	**2,451**	**2,455**	**2,533**	**188**
Monetary gold	109	116	118	121	120	118	129	134	137	136	141	146	37
Holdings of foreign currency	24	36	60	42	35	28	27	21	17	44	24	55	31
Demand deposits abroad	371	334	330	542	396	413	475	446	479	471	446	475	104
Investments abroad	1,706	1,678	1,754	1,750	1,660	1,646	1,669	1,635	1,667	1,679	1,723	1,736	30
SDR holdings 1/	110	109	104	105	104	102	101	101	94	93	94	93	-16
Reserve Position in the Fund 1/	27	27	27	28	27	27	27	27	27	27	27	28	1
B. Reserve Related Liabilities	**143**	**143**	**139**	**140**	**378**	**379**	**380**	**347**	**343**	**345**	**253**	**256**	**113**
Liabilities to the IMF, excluding Food Shock Window 1/	141	140	137	138	137	137	136	135	131	130	131	133	-8
Short-term loans from private non-residents	0	0	0	0	240	240	240	206	206	206	112	112	112
Liabilities to IFIs	2	2	2	2	2	3	4	5	6	9	10	10	8
C. FX Denominated Liabilities to Residents	**1,813**	**1,777**	**1,770**	**1,743**	**1,238**	**1,279**	**1,296**	**1,316**	**1,340**	**1,325**	**1,292**	**1,280**	**-533**
FX liabilities to commercial banks, microfinance, and *caisses d'epargne*	1,265	1,229	1,222	1,195	1,205	1,246	1,263	1,283	1,308	1,292	1,259	1,247	-18
Government FX deposits (Venezuela transitory account)	515	515	515	515	0	0	0	0	0	0	0	0	-515
Swaps with financial institutions	33	33	33	33	33	33	33	33	32	32	32	32	0
D. Other FX Liabilities	**34**	**34**	**34**	**33**	**33**	**19**	**18**	**18**	**18**	**18**	**36**	**35**	**2**
Off-balance sheet FX liabilities	15	15	15	15	15	15	15	15	15	15	15	15	0
Project accounts	18	17	18	18	18	3	3	3	3	3	20	20	3
Special accounts	1	1	1	0	0	0	0	0	0	0	0	0	-1
E. Net International Reserves (A - B - C - D)	**356**	**348**	**451**	**671**	**691**	**658**	**736**	**684**	**720**	**763**	**874**	**963**	**607**
Memorandum items													
F. Food Shock Window (FSW) - Liability to the IMF 1/	107.7	107.6	109.2	109.9	108.9	108.7	108.4	107.9	108.4	107.7	108.8	110.3	2.6
G. Net International Reserves deducting FSW (E - F)	248	240	341	561	582	549	627	576	611	655	765	852	604

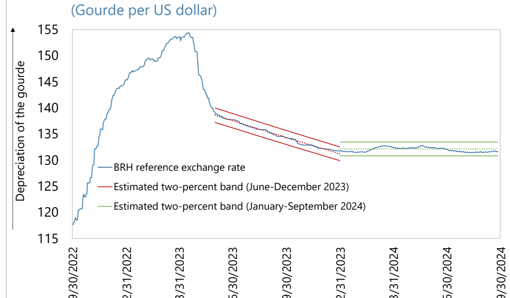
1/ IMF data.
Sources: BRH, IFS, and IMF staff calculations.

Reserves Accumulation and Bilateral Exchange Rate



Sources: Bank of the Republic of Haiti and IMF staff estimates.

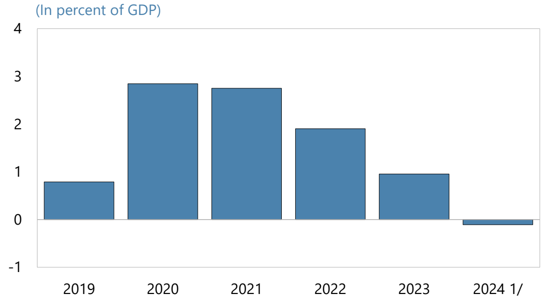
Bilateral Exchange Rate
(Gourde per US dollar)



Sources: Bank of the Republic of Haiti and IMF staff estimates.

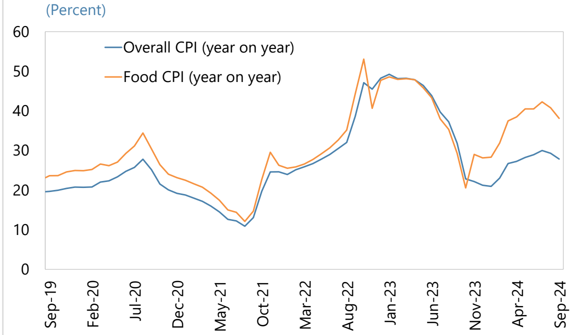
(US$188 million through August) due to the settlement with Venezuela, which reduced both FX assets and FX liabilities. The exchange rate exhibited a crawl-like behavior between June and December 2023 and has stabilized within a 2 percent band against the U.S. dollar since then. The authorities have continued to reduce the monetary financing of the fiscal deficit, in line with 2022-23 SMP objectives.

Monetary Financing of the Budget
(In percent of GDP)



Sources: Ministry of Finance (Tableau des Operations Financières de l'Etat—TOFE) and IMF staff estimates.
1/ Data are on a fiscal-year basis. 2024 refers to October 2023-July 2024, annualized.

Inflation
(Percent)

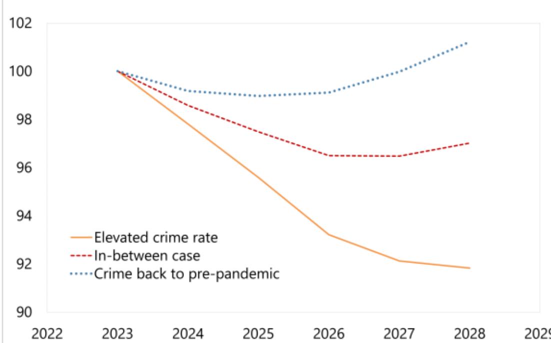


Sources: Haitian Institute of Statistics and Informatics (IHSI), and Bank of the Republic of Haiti.

6. Debt restructuring with Venezuela implemented in early 2024 significantly reduced the debt stock and debt service of Haiti. By end-September 2023, Haiti's outstanding Petrocaribe debt to Venezuela was US$2.2 billion, with US$642 million in arrears. In January 2024, Haiti and Venezuela finalized an agreement on a debt forgiveness of Petrocaribe debt of about US$1.7 billion in exchange for a lump-sum payment of US$500 million. As a result, Haiti's debt-to-GDP ratio dropped to 14 percent in FY 2024 allowing the authorities to save approximately annually US$95 million (or 12.5 billion gourdes) in debt service.

OUTLOOK AND RISKS

Haiti: Real GDP under Different Scenarios



Sources: World Bank Indicators and the World Economic Outlook database.

7. The macroeconomic outlook for Haiti remains clouded. Growth in FY2024 (ended in September 2024) is expected to be negative (for the sixth consecutive year), at minus 4 percent. Growth could reach 1 percent in FY2025 and 1½ percent over the medium term if the security situation improves. But further social turmoil would continue to disrupt economic activity. Staff's analysis suggests that bolstering domestic security could greatly enhance growth. Should crime (proxied by the homicide rate) be brought to pre-pandemic levels, the impact on growth could be as large as 1.9 percentage points annually in the short and medium term (Annex II) and 1 percentage point in steady state (long term), all else equal. Furthermore, staff's analysis (Annex III A) indicates that the medium- and long-term level of GDP could rise by 5-15 percent should Haiti's gender gap, proxied by different gender labor participation rates, close. The increase in GDP would be even larger if education gaps were to close.

Inflation is projected to ease further over the medium term, assuming adequate macroeconomic policies and improvement on the security front. The fiscal deficit of the NFPS is projected at about 0.1 percent of GDP. The current account deficit is projected to increase to 1 percent of GDP in the medium term as imports recover. Gross reserves are expected to grow this year, assuming confidence-building from the Kenya deployment mission and strong remittances; they could remain at 5½-6 months of imports over the medium term.

8. Domestic and external risks cast a long shadow (Annex IV, RAM). These risks include intensified political instability; continuous gang-related disruptions to economic activity, especially if full deployment of the MSS is delayed; a worsening of the hunger crisis; natural disasters; and pervasive corruption and weak rule of law. Externally, Haiti is vulnerable to volatile remittance flows, reduced external financing from development partners, and renewed surges in global food and energy prices. The macroeconomic baseline for Haiti is subject to elevated uncertainty. Given the country's fragility, conflict, and violence, it is highly vulnerable to macro risks that could erode confidence in the baseline projection. Such risks include continuation of recession, problems in mobilizing revenue owing to a resurgence of violence, and the transitional government's weakened capacity to implement policy. Under this adverse scenario, substantial monetary financing of the budget would likely resume, further undermining macroeconomic stability. The debt risk outlook is negative, in light of the high likelihood that Haiti debt carrying capacity will be downgraded in the next debt sustainability analysis (DSA) absent significant strengthening of country fundamentals. The accompanying DSA still assesses Haiti's risk of debt distress as high but sustainable. This is because of Haiti's large exposure to natural disasters, its large development and infrastructure needs, and its still-low potential growth—mainly the result of a lack of security and poor infrastructure. However, the sustainability of overall debt hinges on the ability of the authorities to secure donor financing over the short to medium term.

9. That said, the current government has a narrow window of opportunity to implement reforms that could help restore the country's potential over the medium and long term. Official transfers could rise if countries within and outside the region support the Kenya-led operation with additional financing and if they support Haiti's reconstruction. Normalization of the security situation would greatly improve the medium-term outlook. If this were combined with the implementation of a strong anti-corruption strategy, it could bring back the foreign direct investment FDI and talent that have left the country. Should downside risks materialize, additional donor support (via grants) will be essential to preserve macro stability and support priority spending, without reverting to monetary financing.

10. *Authorities' views*. The authorities' economic outlook is consistent with that of IMF staff. That said, they believe that GDP numbers, in and of themselves, do not accurately portray the real conditions of the Haitian population and the extent of the current humanitarian, social, and economic, crises. They indicated that the current government has nonetheless a narrow window of opportunity to implement reforms. Quite apart from the immense challenges, the country could face meaningful prospects in the medium term that would require strong support from the private sector and large development partners. The authorities expect only a small current account deficit in

FY2024, a result of import compression and security-related trade flow disruption, as well as strong remittances (supported by migration). Over the medium term, they see risks of a wider current account shortfall attributable to imports of consumer goods and a potential slowdown in remittances related to the expiration of Temporary Protected Status by the United States. They also see risks tilted to the downside and an exceptional level of uncertainty deriving mainly from the unsettled security situation, which could lead to further brain drain, prevent FDI inflows, and continue to undermine long-term growth. They see large multilateral and bilateral external assistance as paramount for supporting growth prospects to finance the large development needs and see the continuation of grant financing as essential to preserve debt sustainability.

2023 SMP PERFORMANCE

11. Building on progress achieved under the 2022 SMP (June 2022-May 2023), a new SMP was negotiated in June 2023. The new SMP went off track despite the authorities' continuously close engagement with staff.[3] A cyber/IT attack on the central bank in June 2023 and delay in providing timely monetary data prevented the completion of the first review in December 2023. The Fund addressed concerns about monetary data by providing capacity development (CD) assistance to the central bank in helping it compile for the first time the reserve data according to the international standard provided by the "reserve template." The central bank recompiled manually central bank balance sheet data, prior to a new software being introduced. A FIN-tailored new safeguard-monitoring mission in March 2024 revealed persistent weaknesses in foreign reserve management, with 60 percent of reserves invested in corporate bonds. The main lesson of the 2023 SMP is that without a minimum level of security, the authorities' commitment is insufficient to ensure successful implementation. Despite the challenges, until March 2024, the fiscal aggregates were in line with the approved program (2023 SMP) and the fiscal stance was more conservative than expected.

12. The worsened security situation led to further slippages (in providing data and lower tax collection and in delaying the achievement of some structural benchmarks), also the result of reduced capacity in data compilation because of the lockdowns. This prevented the completion of the combined First and Second Reviews in March. Despite slippages, the authorities continued to deliver, and most quantitative targets (QTs) were met until March. But implementation of structural benchmarks has been mixed. The authorities have continued to share detailed quarterly financial statements for the FAES and have provided monthly reports on the execution of fiscal spending financed by the Food Shock Window (FSW)—according to the template provided by staff, no later than 45 days after the end of each month. The General Finance Inspectorate has conducted internal audits of all ministries that use FSW emergency resources and is transmitting the documentation to the Superior Court of Accounts and Administrative Disputes (CSCCA). The authorities also had met—ahead of the December 2023 target—the structural benchmark on the Council of Ministries' approval of the amendments of the organic law on the financial intelligence unit. But all benchmarks introduced in December as part of the SMP extension were not met. These

[3] The initial nine-month SMP was approved in June 2023 and extended in December 2023 through September 2024.

include: (i) provision of more granular monetary data, including detailed information on government deposits at the central bank, as opposed to the provision of aggregate numbers, which was provided to staff with substantial delay; (ii) publication of core macroeconomic and financial indicators, according to timeliness and periodicity of the e-GDDS; (iii) publication of governance diagnostics and an accompanying action plan agreed by the authorities; and (iv) publication of the upcoming audit of the central bank for FY2023, albeit progress had been made on most fronts. Until a new government was in place, it was not possible to conclude the government diagnostic with an agreed action plan. The audit of the central bank has been much delayed because the Superior Court of Accounts has yet to approve the audit firm’s contract.

POLICY DISCUSSIONS

A. Fiscal policy—From Crisis to Resilience

13. Revenues. Haiti’s level of tax revenue is among the lowest in the world (5 percent of GDP). As a result of the social, political, and security crises, domestic revenue (excluding customs) has remained below pre-pandemic levels (Figure 3)—even before the escalation of gang activity in early 2024. That said, tax revenue performance in FY2023 was very promising. It rose by 55 percent, year-on-year in FY2023, thanks mainly to higher custom duties (which grew 120 percent). These duties accounted for 35 percent of total domestic revenue, which largely reflected higher fuel import taxes and improved customs revenue administration. Excise taxes also outperformed expectations, surging 310 percent, although representing only 5 percent of total domestic revenue. Revenue grew sharply during October-December 2023, owing mainly to continued strong customs collections which grew 48 percent y/y, well above inflation. But revenue began declining in early 2024 and collapsed by 73 percent in March 2024, reflecting economic paralysis, before beginning a mild recovery in July 2024.

14. Recent reforms. Since the last 2019 Article IV consultation, the government has passed important reforms aimed at raising domestic revenue over the medium term: 1) new tax code (and accompanying tax procedure code) in December 2022, which was originally supposed to be implemented in October 2024 but is now on hold pending finalization of implementing regulations;[4] 2) the publication of customs tariffs; and 3) a new customs code adopted in March 2023. The tax and tax procedure codes seek to rationalize and simplify the personal income tax and corporate income tax, including by broadening the tax base and eliminating many exemptions. Tax and customs administrations remain vulnerable to arbitrariness and corruption, due to the complex system, inequitable processes, and the low level of digitalization. Overall lack of transparency and accountability, weak integrity standards and oversight mechanisms leave officials and executives of tax and customs administrations exposed to corruption risks.

[4] Pending regulations include certain provisions on: (i) transfer pricing documentation and simplified declaration model, (ii) detailed list of products exempt from turnover taxes, (iii) detailed list of products subject to excise, (iv) procedures for appointing members of the tax litigation appeal commission, (v) application of special regimes (investment code, free zones, and industrial parks), (vi) registration and tax identification numbers, (vii) audit procedures, (viii) code of conduct for tax officials, and (ix) taxpayers charter and users’ service policy.

15. The capacity to raise taxes is essential, both in the short and medium term and digitalization can help. But it requires the restoration of security, implementation of the new tax code, and enhanced revenue administration. Staff's analysis (Annex V) suggests that, over the medium term, revenue gains from strengthening the digital infrastructure of customs administration (GovTech) could generate additional tax revenue of 0.6-0.9 percent of GDP a year by limiting the impact of trade fraud on the value, origin, and tariffs on imported goods or of smuggling. Other important reforms include the adoption and publication on the website of the 2024-27 strategic reform plan of the tax administration and custom administration to improve transparency of strategic objectives and expected results for both tax and customs administrations. The simplification of declaration procedures is a prerequisite for their digitization. For the Directorate General of Taxes (*Direction Générale des Impôts* or DGI), staff recommended abolishing the issuance of payment authorizations in the context of the periodic tax return procedure. On the General Administration of Customs (*Administration Générale des Douanes* or AGD), staff strongly encouraged to initially apply the simplified procedure as recommended by Article 108 of the Customs Code. Intensive use of technologies by the tax and customs administrations would increase transparency in revenue administration; strengthen traceability of the core operations; and reduce face-to-face interactions; and minimize the intrusion of officers into the affairs of users intending to comply with the law and meet their reporting and payment obligations. Accordingly, the customs and tax administrations must take advantage of the available technological solutions developed by mobile phone operators to set up tax payments by mobile telephone initially, and subsequently by bank transfer. It will also be essential to establish the interconnection of DGI and AGD IT systems, with a view to exchange data to enlarge the taxbase and fight more efficiently against frauds. The authorities can make progress by formalizing the information exchange protocol between the tax and customs administrations and developing the platform to support electronic exchange of data, as well as implementing the planned capacity development activities targeting local authorities who will oversee the determination of the property tax base.

16. Spending. Since the last 2019 Article IV consultation, the authorities have limited spending relative to historical averages, which enabled a rebuilding of fiscal buffers. But fiscal policy was at best weakly countercyclical (Annex VI A). In FY2023, spending decreased by 1.9 percent of GDP, thanks to a large drop in fuel subsidies.[5] Other current expenditures were contained (relative to

Haiti: Execution of Social Spending

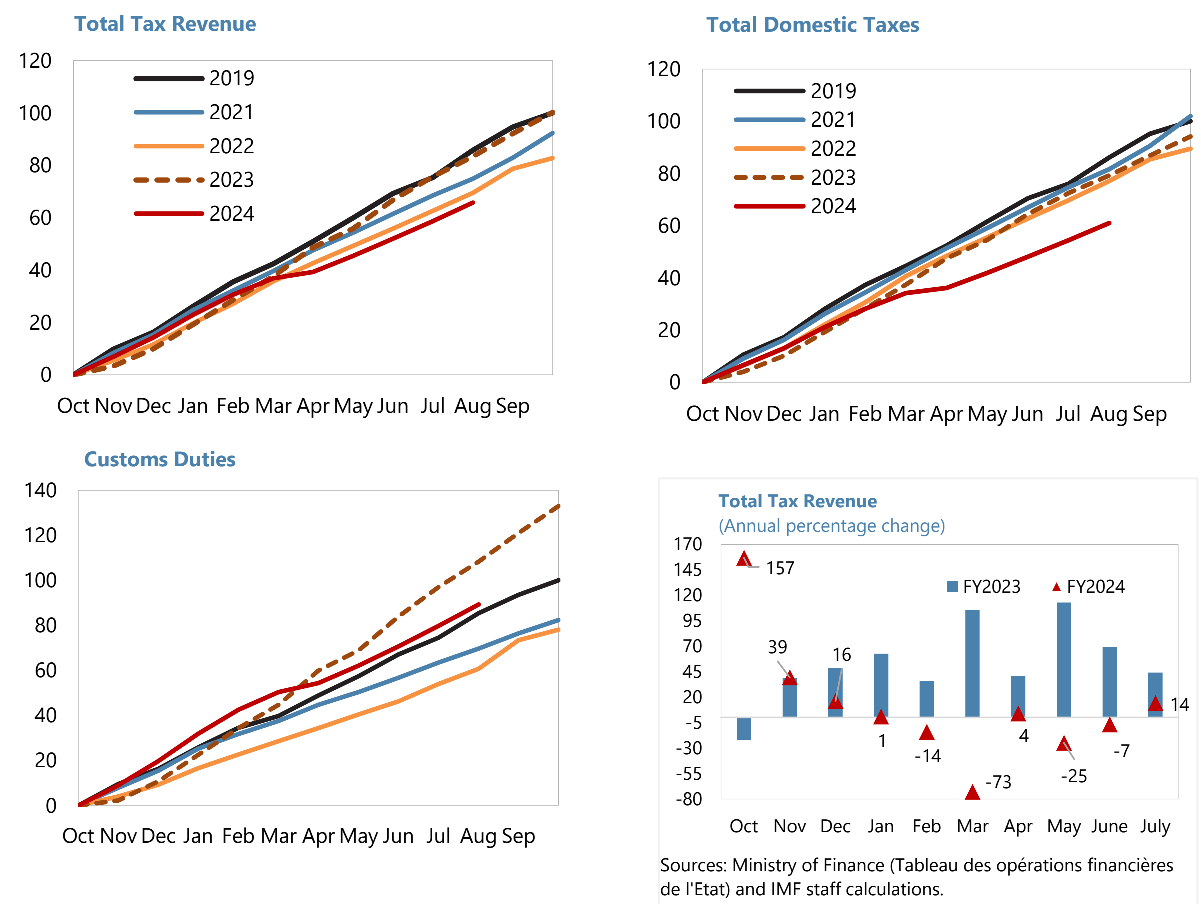
	FY2022		FY2023		Oct. 2022-Jun. 2023		Oct. 2023-Jun. 2024	
Ministry	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes	In percent of GDP	In millions of gourdes
Agriculture	0.09	1,953	0.07	2,031	0.07	1,218	0.05	1,113
Education	0.96	20,767	0.90	25,151	0.95	17,811	0.70	16,133
Health	0.30	6,433	0.26	7,327	0.26	4,929	0.20	4,600
MAST	0.18	3,964	0.12	3,301	0.14	2,652	0.05	1,264
Total	1.53	33,117	1.35	37,810	1.43	26,611	1.00	23,109

Sources: Ministry of Economy and Finance (MEF) and Fund staff estimates.

[5] In July 2023, the authorities reduced prices of all fuel products (with larger reductions on diesel and kerosene). The price of diesel fell from 670 to 620 gourdes; the price of kerosene, from 665 to 615 gourdes; and the price of gasoline from 570 to 560 gourdes.

inflation), with nominal wages and salaries rising at an annual rate of 17 percent and goods and services by 20 percent—and declining as a percent of GDP. Social spending was equivalent to 1.3 percent of GDP, below the previous year (1½ percent) —the result of the deteriorating security situation's impact on implementation. Lockdowns triggered by gang violence also hampered the authorities' ability to spend in FY2024 (at least through June).

Figure 3. Haiti: Revenue Performance, 2019–24



Sources: Ministry of Economy and Finance and IMF staff calculations. As for the top charts and lower left chart: index, cumulative values, September 2019= 100, nominal GDP discounted.

17. Fiscal balance. The authorities' containment of current spending yielded a zero balance for the non-financial public sector (NFPS) in FY2023 (while the SMP envisaged a deficit of 1.9 percent of GDP). Monetary financing reached 1 percent of GDP at the end of FY2023, below the 1.4 percent projected at the SMP's outset. The FY2024 budget (approved on September 28, 2023) was consistent with the 2023 SMP goal of reducing monetary financing of the deficit to lower inflation and restore stability. The fiscal balance of the NFPS is expected to register a surplus equal to 0.7 percent of GDP (excluding a one-off capital transfer owing to the repayment of the debt to Venezuela), with spending underperforming by 1.9 percentage points of GDP relative to FY2023.

With global oil prices rising only moderately, fuel subsidies are projected at zero in FY2024. At the same time, revenue on fuel imports is projected at 0.7 of GDP.

18. FY2024 revised budget and FY2025 budget. In August 2024, the Council of Ministries passed swiftly a revised budget (*budget rectificatif*) to take into account the lower revenue relative to the original budget and the recent debt operation with Venezuela—and to re-direct former interest payments to social spending. The FY2025 budget was approved on time before the start of the new fiscal year and points to a balanced budget, in line with staff projections; and the fiscal stance is appropriate. Staff and the authorities differ in the size of total revenues and grants as well as capital spending. Staff projects lower revenues and grants relative to the authorities (by 0.9 percent of GDP) and lower capital spending (also by 0.8 percent of GDP), with capital spending depending on the size of project grants. To mitigate fiscal risks from lower project grants, the authorities have discussed with staff a contingency plan. Shortfalls in revenue or external project grants need to be offset by limiting planned increases in current and capital spending in FY2025, while preserving social spending on the most vulnerable. The authorities agreed to avoid running domestic arrears to finance shortfalls and avoid resuming monetary financing of fiscal deficits.

19. Gender. The FY2025 budget purposefully introduced measures to close gender gaps. These include: a project called the Support for Women's Entrepreneurship under the Ministry of Industry and Commerce designed to support new jobs among youth, particularly women, with a budget allocation of 75 million gourdes; and an increased allocation by 30 percent relative to the previous year budget to the Ministry for Women's Affairs (for a total amount of 150 million gourdes) to promote gender equality rights and strengthen security and protection of women.

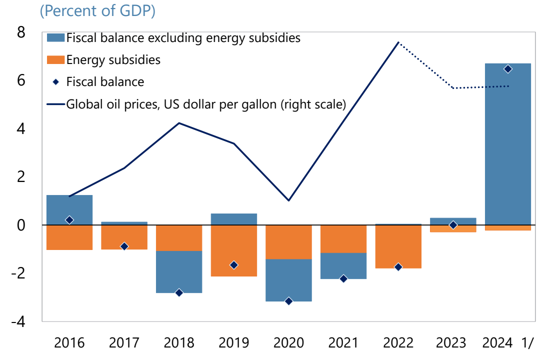
20. The medium-term fiscal framework. The authorities published the forward estimates in line with the 2022 SMP commitment. The fiscal balance is expected to shift into small deficit equal to 1.4-1.7 percent of GDP (Table 3b) over the medium term. The medium-term forecast rests on an increase in capital spending to support infrastructure needs and goods and service spending as a mild recovery unfolds; it also assumes a small increase in wages (to retain talent). In addition, the tax-to-GDP ratio will rise gradually, owing to further revenue administration reforms, while monetary financing of the budget will be capped at zero percent of GDP. Implementation of the tax code over the medium term is also expected to raise tax revenue.

B. Strengthening Social Assistance

21. Efforts to strengthen social safety nets have advanced and should continue. On September 9, 2023, the government started distributing the long-awaited fuel cards to low-income workers in the transportation sector to mitigate the impact of fuel price adjustments and to better target subsidies. These actions were accompanied by cash transfer (checks) to the most vulnerable as identified in the SIMAST database, which the World Bank and WFP helped maintain and expand.

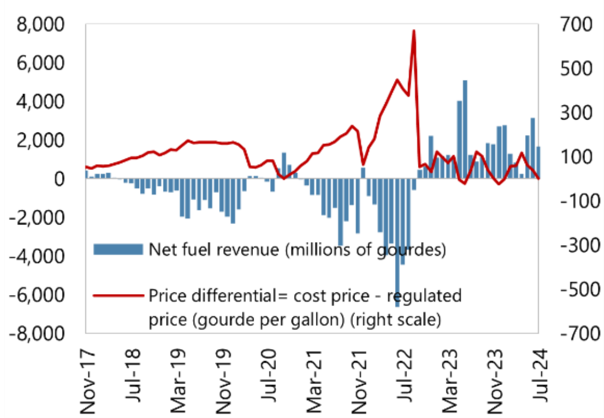
22. Fuel subsidy revisions were essential to ensure medium-term fiscal sustainability and progress has been made to adjust the prices. Given the political and social implications, the authorities have been following a cautious home-grown approach, both in terms of the modalities and timing of the reform, guided by good policy principles. They have reviewed the retail price-setting mechanism, as part of a draft amendment of the 1995 Law, in order to allow changes in international fuel prices and exchange rates to be partly passed on to consumers, with a smoothing mechanism that caps the monthly variation of retail prices, and they are considering a reform in due course. Since the price adjustment implemented in September 2022, which allowed prices at the pump to cover supply costs, the government has been considering allowing changes in international fuel prices and exchange rates to be partly passed on to consumers. This would protect the budget from large international price volatility, improve public finance management, and encourage the efficient consumption of fuel products. In addition, a smoothing price mechanism is being considered that would distribute international price and exchange rate volatility between consumers and the budget. The smoothing will generate subsidies in some periods (when oil prices rise) and savings in others (when oil prices drop) but lower than otherwise without smoothing. Staff emphasized the importance of an elaborated communication policy to help the authorities' reform strategy. Establishing a regulatory framework for the petroleum-products sector and strengthening related regulatory institutions should remain among the authorities' reform priorities. Introducing a simple smoothing mechanism (Annex VI B) would reduce the volatility of fuel net revenues and retail prices. Moreover, since the proposed pricing mechanism caps monthly price changes, the population will not be subject to ad hoc unforeseen discretionary adjustments—which could help enhance social stability.

Contribution of Energy Subsidies to the Fiscal Balance
(Percent of GDP)



Sources: World Economic Outlook (WEO) and IMF staff projections.
1/ Data refers to the first six months of 2024.

Fuel Prices and Net Revenues



23. Food Shock Window (FSW). Until July 2024, spending related to commitments previously indicated by the authorities on food security had been limited (about 3 billion gourdes or 20 percent of total FSW disbursement). Criminal activity, lockdown, and ongoing political transition prevented the previous government from targeting spending at the more vulnerable population (e.g., children could not attend schools regularly as a result of gang activity and displacements). The authorities provided lately detailed information of the amount authorized to be spent (Table 1).

24. ***Authorities' Views***. The authorities indicated that despite multiple challenges posed by the difficult juncture, they were able to be approved the FY2025 budget on time. They also emphasized that reducing gender inequality is one of the government's priorities as reflected in specific allocation of gender areas in the recently approved budget. These essentially aim to strengthen support for women's empowerment by improving women's education and training as well as their access to financing and participation in the labor market. These efforts also include improving access to health care, with a view in particular to reducing maternal mortality, and the implementation of programs dedicated to protection against gender-based violence. The authorities were open minded regarding channeling the FSW resources through the WFP, but they indicated having a strong preference from channeling them through the budget to demonstrate spending capacity, exercise more ownership, and avoid the overhead costs from a third party.

C. Addressing Governance and Enhancing Transparency to Lift Potential Growth

25. **Finalizing and publishing the results of the Fund-supported governance diagnostic assessment by December 2024 is urgent**. Similarly, the authorities' continued commitment will be critical to ensuring implementation of priority recommendations identified in the action plan. Important priority areas include establishing an agency or center (Pôle Anti-Corruption) for serious organized crime, corruption and related money laundering offences and publishing asset declarations of top officials. The implementation of the action plan of the governance diagnostics should be a priority and should provide a road map for reforms to enhance governance and fight corruption. The implementation of the plan will require CD not only from the Fund but also from development partners. Staff strongly urged the authorities to continue strengthening domestic revenue mobilization, thereby sustaining reductions in monetary financing of the budget. While such financing has been lately lower than expected, this has reflected lower spending, which is also the result of the security threats preventing full execution. Such expenditure levels will not be sustainable nor preferable given the economy's fragility and widespread poverty. As security stabilizes and spending capacity rises, higher revenue mobilization will be necessary to finance large investment needs. Staff underscored the importance of sustaining reforms to enhance digitalization, transparency and accountability in tax revenue collection and use of public funds. On the expenditure side, increasing spending capacity, better targeting social spending, and enhancing transparency of public spending are key for attracting donor support.

Table 1. Haiti: FSW. Spending Priorities Indicated by the Authorities
(In millions of gourdes)

Institution	Purpose	Measure	Original allocation 1/	Spent 2/	Authorized to be spent 3/
Fonds d'Assistance Economique et Social (FAES)	Food security	Reactivation of community restaurants and mobile canteens	2,000		200
		Distribution of food to vulnerable households (*paniers de solidarité*)	500	1,134	310
	Cash distribution to vulnerable population	Cash transfer to vulnerable households	2,500		595
		Cash to workers in subcontracting industries	1,500	1,113	656
Ministry of National Education and Vocational Training	Cash transfer to vulnerable households to encourage school attendance	Support to parents	7,500	442	5,561
Ministry of Trade and Industry	Grants/subsidies to public transportation drivers	Fuel cards for drivers	1,600	400	-
	Support for Micro, Small and Medium sized enterprises with difficulties	Establishment of a seed funding mechanism to finance businesses	-	-	50
Ministry of Social Affairs and Labor	Organization of an awareness and extension campaign for implementation of the Multisectoral emergency program for healing and social reintegration		-	-	5
	Social Reintegration of young people		-	-	50
	Strengthening MAST reception centers		-	-	75
	Extension, Updating and Strengthening of SIMAST		-	-	25
	Support plan for internally displaced persons		-	-	1,050
	Monitoring/Evaluation and reporting		-	-	-
Ministry of Public Works, Transportation and Communication	Implementation of High Labor Intensity Works (HIMO) throughout the 10 geographical departments of the country		-	-	132
Ministry of Agriculture, Natural Resources and Rural Development	Support for the Food Security Subprogram		-	-	245
	Anthrax Vaccination Campaign		-	-	100
Ministry of Women's Affairs and Women's Rights	Feeding Women in Detention		-	-	50
Total			15,600	3,089	9,104

Source: Ministry of Economy and Finance.

1/ Allocated under the FY23 budget.

2/ Spent until the adoption of the revised FY24 budget. No spending occurred during October 2023-July 2024.

3/ Funds transferred by MEF to institutions under the revised FY24 budget (ending in September 2024).

26. Public financial management (PFM) reforms should continue to enhance public finance reporting, transparency, and accountability. The authorities have been providing more detailed monthly data on budget execution (including spending on wages, goods and services, and capital investment by ministry and by project) and publishing (on the website of the *Direction Générale du Budget*, MEF) detailed budget execution by line ministries. They continue to share more detailed quarterly financial statements for the Fund for Economic and Social Assistance (FAES), following PFM best practices provided by FAD. The staff stressed the need to prepare the medium-term budget framework (MTBF), based on the adopted medium term fiscal framework (MTFF), and use a top-down approach to set expenditure ceilings to guide budget preparation at the ministry level. Building on this reform, in the medium run, each key line ministry should prepare a medium-term expenditure framework (MTEF) using its defined expenditure ceilings to ensure better resource allocation and prioritization. Other PFM reforms could include: 1) limit the volume of unspecified expenditure in the budget by bringing it down to around 3-5 percent of total government expenditure to improve fiscal transparency (text table); 2) reinstate the financial controller's prerogatives about a priori control over public investment expenditures; 3) adopt, and implement a revised expenditure execution manual; 4) revise the procurement law to streamline its internal control mechanisms and make the procurement system competitive and transparent; 5) further strengthen internal and external audits, including by the Inspectorate General of Finance and the Superior Court of Accounts and Administrative Disputes (CSCCA) to produce and publish an annual report to follow-up TA recommendations.

Haiti: Unspecified Expenditure in the Budget

	FY2021		FY2022		FY2023		FY2024		FY2025	
	In millions of gourdes	In percent of total expenditure	In millions of gourdes	In percent of total expenditure	In millions of gourdes	In percent of total expenditure	In millions of gourdes	In percent of total expenditure	In millions of gourdes	In percent of total expenditure
Public intervention 1/	24,624	14.7	20,778	11.4	26,650	11.2	22,263	9.6	32,150	10.7
Other public expenditure 2/	37,945	22.6	33,679	18.5	50,640	21.4	52,139	22.4	67,879	22.5
Total expenditure	167,707		181,592		236,972		232,913		301,065	

Source: Ministry of Finance and Economy.
1/ The recently approved 2024-25 budget categorizes expenditures in terms of administrative agencies (ministries). Among the different items composing total expenditure, one is unspecified called public intervention. All the specified expenditures of administrative agencies, plus public intervention, sum up to the total expenditure in the budget.
2/ The recently approved 2024-25 budget also uses classification accoding to economic activities (spending purposes). Among these, one item labeled "Other Public Expenditure" is also unspecified. All the specified expenditures of economic activities (spending purposes), plus other public expenditures, sum up to the total expenditure in the budget.

27. Improvements in governance are paramount for rebuilding the trust of investors and development partners, given low ODA flows in recent years. The forthcoming governance diagnostic action plan would help guide the government's dialogue with development partners. On monetary data, the recent STA recommendations on the reserve template should be implemented swiftly to enhance transparency. The audit of the central bank for the fiscal year ending September 2023 should be finalized by the end of December 2024.

28. Recommendations by FIN in the context of the recent tailored safeguard monitoring mission in March should be implemented urgently. Strengthening the governance and accountability arrangements in reserves management would also be key for enhancing the transparency of central bank operations. The BRH should commit to undertaking (in close consultation with staff and through Fund CD) an external comprehensive review of reserves management practices to address current shortcomings and align with leading practices for central banks on aspects related to, inter alia: (i) governance; (ii) policy/guidelines/strategic asset allocation; and (iii) portfolio composition. The review should establish a roadmap to guide the BRH through a transition in the medium term. The BRH should undergo an external assessment of its portfolio to determine: (i) the actual level of liquidity (considering the nature and quality of the assets); and (ii) the alternatives that may be available to the BRH, in the short term, to effectively transition to a reserve portfolio more aligned with the principles of liquidity and security. The shortcomings highlighted in the 2016 and 2019 safeguards assessments and the 2015 Technical Assistance over the investment policy and guidelines as well as the strategic asset allocation, remain valid.

29. Authorities' Views. The authorities reiterated their commitment to fight corruption and strengthen governance as a centerpiece of the government's action plan. They recognize that tangible and rapid progress in this area is essential to restoring macroeconomic stability, achieving inclusive growth, and addressing the root causes of the country's fragility, including violence. They intend to publish the IMF governance diagnostic and to build on the recommendations to complement and accelerate the implementation of ongoing reforms, with a focus on strengthening the rule of law, public finance governance, financial sector oversight, and anti-corruption and anti-money laundering frameworks.

D. Implementing Structural Reforms to Support Potential Growth

30. Beyond the immediate crisis, Haiti needs to implement reforms needed to exit fragility. While facing huge development challenges, Haiti also faces enormous long-term opportunities. This will require continuing preserving the fiscal space, improving the quality of public spending, investing in resilient infrastructure (both physical and digital) and human capital. In addition to tapping international assistance, these large investments should be financed by stepping up efforts in revenue mobilization. Closing gender gaps could greatly enhance economic activity by 5-15 percent (Annex III A) by boosting women's participation in the labor market. Other measures include tailoring a gender-friendly tax system, improving women's health and reducing maternal mortality, raising level of education and job skills, increasing financial inclusion. Unequal access to education could be addressed through targeted social spending, conditional cash transfers that encourage girls' access to education, and child allowances to reduce the dropout rate of girls. From a sectoral perspective, Haiti has untapped opportunities on the tourism sector, which would require sizable investment to improve business environment. Tapping these opportunities calls for a comprehensive strategy involving both the public and

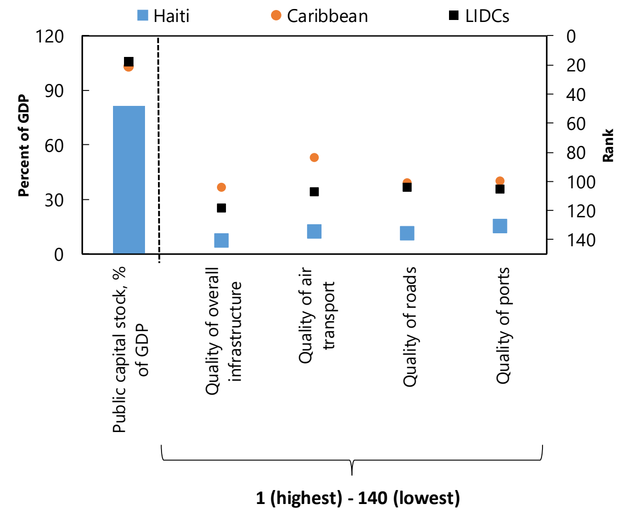
Haiti: Additional Spending Needs to Achieve the Sustainable Development Goals

Category	SDG Indicator	IMF staff estimates of additional SDG Spending Needs in percent of GDP[1]	Main Indicator Description[2]	Haiti (2015)[3]	Haiti (most recent)[4]	Objective
Human Capital Development	Health (SDG 3)	4.8	Maternal mortality ratio	391	350	70
	Education (SDG 4)	7.7	Literacy Rate	85	83	100
Physical Capital Development	Water, Sanitation and Hygiene (SDG 6)	1.6	Population using at least basic drinking water services	65	67	100
	Electricity (SDG 7)	0.1	Population with access to electricity	41	47	100
	Roads (SDG 9)	0.2	Population using internet	14	40	100
Total	All five SDGs	14.4				

[1]Additional SDG spending needs are estimated for the entire related SDG. Expressed as percent of 2030 GDP.
[2]Main indicator is defined by SDG Transformation Center and data availability for Haiti. Maternal mortality ratio is expressed as number of maternal deaths per 100,000 live births. Literacy rate is percent of population aged 15-24. All other indicators as expressed as percent of total.
[3]Relates only to main indicator mentioned.
[4]Relates only to main indicator mentioned. Data is latest available.
Sources: How to Assess Spending Needs of the SDGs, 2023; UN SDG Report; and IMF staff calculations.

the private sector. Staff discussed the authorities' specific development objectives for human capital development (health, education) and physical infrastructure (water and sanitation, electricity, and roads) for the medium term and aligned them to staff's estimates of the additional spending to achieve Sustainable Development Goals (SDGs) on these areas. Staff estimated that for Haiti the spending needs to achieve these five SDGs are equivalent to 14.4 percent of GDP, using 2030 GDP. The spending does not reflect only fiscal costs. The achievements of these goals will require a combination of 1) higher revenue, 2) donor financing (not already channeled through the budget to avoid double counting), 3) higher efficiency of spending; and 4) private sector financing. Staff estimates indicates that capital stock and infrastructure quality for Haiti is low which is not surprising given years of social unrest.

Capital Stock and Infrastructure Quality, Latest Value Available
(Percent of GDP, left axis; Rank, right axis)



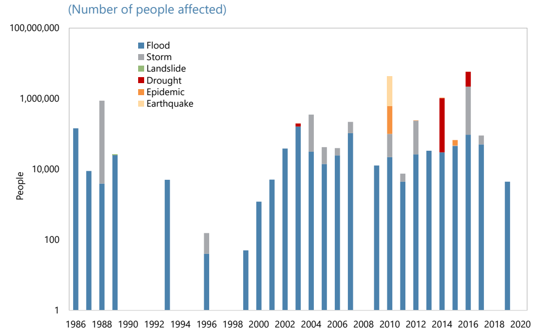
Sources: IMF Investment and Capital Stock Dataset, and World Economic Forum. Note: Left hand side, public capital stock as a fraction of the GDP. Right hand side, rankings of quality of infrastructure.

Climate Change and Natural Disasters

31. Haiti is very much exposed to natural disasters and climate shocks which poses severe macro-critical challenges. In addition to their devastating human cost, natural disasters and climate change destroy or damage infrastructure and other capital and impacting potential growth (Box 1).

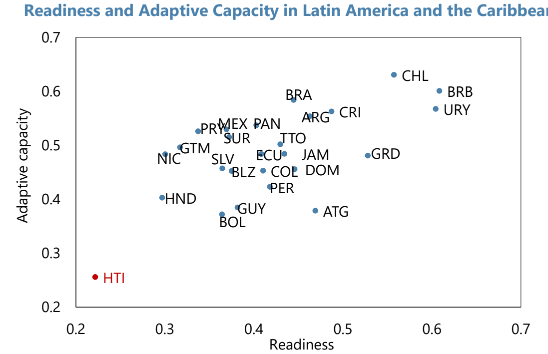
32. The government is implementing actions aimed at strengthening resilience and adaptation to climate change. Investments to exploit the potential of renewable energy through the development of micro-grids in rural areas are in progress with the support of USAID. Irrigation projects, adoption of new technical packages and ecosystem management are being implemented in order to strengthen the resilience of the agricultural sector and food security. With the aim of improving accessibility and rural resilience, efforts are focused on bridge and road constructions. Furthermore, to provide effective and efficient responses to disaster risks, the budget allocates every year US$6-7 million for three parametric insurance

Key Natural Hazard Statistics for 1990-2020
(Number of people affected)



Source: World Bank Climate Change Knowledge Portal.

Readiness and Adaptive Capacity in Latin America and the Caribbean

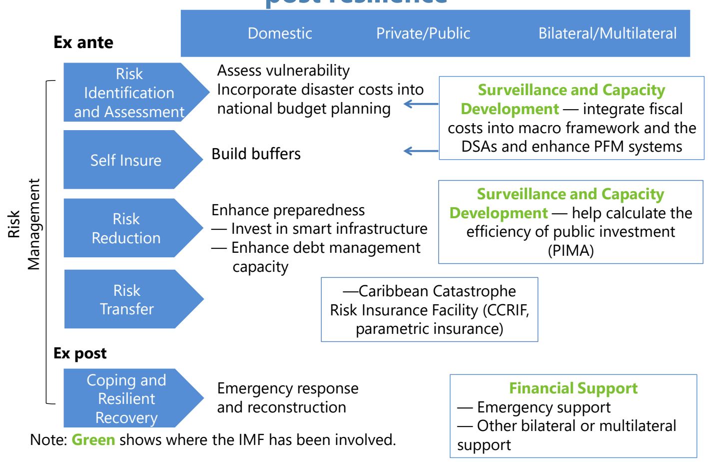


Sources: IMF-Adapted ND-GAIN, and IMF staff calculations.

policies against risks such as hurricane, earthquake, and floods. In addition, the budget has a special allocation in the Emergency Fund. The government is currently working to set up warning systems and temporary shelters in the departments most vulnerable to climate shocks.

33. Enhancing resilience to natural disasters and climate change entails a multi-pillar strategy at the national and regional, and multilateral levels. It also requires enhancing Haiti's risk management capacity (Annex XII).

Multi-pillar strategy: strengthening ex ante and ex post resilience



Note: Green shows where the IMF has been involved.

34. Authorities' Views. The achievements of SDGs will require financial support from development partners. The government is fully committed to build resilience to climate shocks. It intends to finalize in December 2024 a Climate Prosperity Plan to tackle the climate emergency, including through a full-scale deployment of renewable energy in due course.

E. Strengthening Monetary and Exchange Rate Policy Frameworks

35. Haiti's monetary policy framework was strengthened since the last Article IV consultation and central bank independence has increased lately. The monetary stance during the last two years has been tighter than programmed, as financing of the budget was reduced to zero, thereby enhancing the credibility of the policy frameworks. The current policy mix to reduce inflation (through the combination of continued fiscal adjustment and zero monetary financing of the budget) should help bring inflation down from currently high levels (which lead to large negative real rate of about 15 percent). Nonetheless, staff's analysis (Annex XI) suggests that inflation is more recently associated with security-related supply-side shocks. Thus, restrictive monetary and fiscal policies will not be sufficient to keep inflation under control without a normalization of the security outlook. Staff continued to recommend:

- greater exchange rate flexibility,
- a ceiling on credit to the NFPS as the main anchor to continuing avoiding monetary financing of the deficit; and
- short-term liquidity-absorbing operations at a fixed rate (policy rate) and full allotment to strengthen the monetary and exchange rate frameworks.

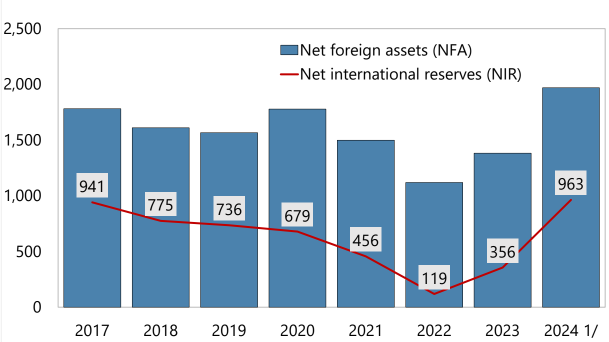
36. The BRH should continue to limit its interventions in the foreign exchange (FX) market to smoothing excessive exchange rate volatility and signaling a build-up of NIR. Deposit and credit dollarization remains high (Figure 6), which limits the effectiveness of monetary policy and heightens the economy's susceptibility to external shocks and financial instability. Recent data suggest that the authorities' interventions in the FX market are also to rebuild NIR. Staff recommended that the BRH:

- put in place an appropriate mechanism for FX interventions, such as well-designed weekly FX auctions, in lieu of the FX allocation system.
- advance its ongoing work on an FX market intervention rule; and
- complete the revision of banks' net open position limits (Annex VII, para 15).

37. Exchange rate system. The de jure exchange rate is floating. The de facto exchange rate is classified as *stabilized* since January 2024. Staff discussed with the authorities whether any changes had been introduced in the foreign exchange system since the last 2019 Article IV that could influence capital flows (CFMs) but did not find any such evidence.

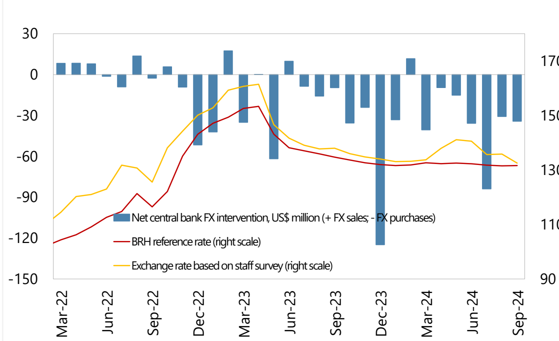
38. *Authorities' Views*. The authorities indicated that the main goal of monetary policy remains price stability. The fiscal and monetary authorities are committed to keeping the monetary financing of the budget to zero. They also indicated that FX market interventions (lately with net purchases of dollars) have been aimed mainly at smoothing the volatility of the gourde (i.e., prevent further appreciation) and improving the reserves cushion. The authorities acknowledged that the gourde has been appreciating in real terms and noted that a depreciation would not boost exports (as security and structural problems are the main impediments) and that a stable gourde is important to ensure price stability. They also indicated that the FX purchases did not expand the monetary base and that inflationary pressures have been attributable mainly to supply-side factors (i.e., security constraints to the movement of goods). The authorities stated they do not engage in prioritization or rationing in the FX market but note that there has been targeted provision of FX to critical sectors (through commercial banks), such as pharmaceutical imports during COVID, and more recently the oil sector. The authorities acknowledge the existence of an informal FX market, focused on cash transactions (as there is dual circulation of paper currency in Haiti). The informal market benefits from lower administrative constraints, the large size of the informal economy, and its ability to reach consumers in more locations. The BRH is trying to bring more market agents into formality. The authorities maintain that the main goals of recent

Net Foreign Assets and Net International Reserves of the Central Bank
(Millions of US dollars)



Sources: Bank of the Republic of Haiti and IMF staff estimates.
1/ August 2024.

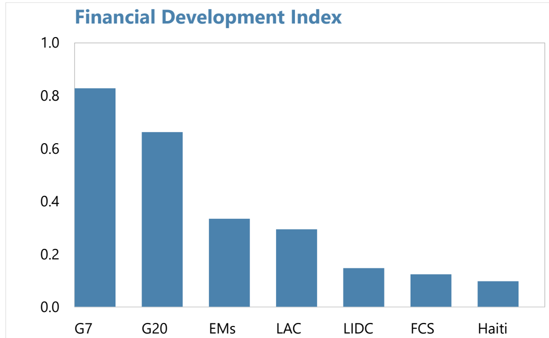
Exchange Rate and Foreign Exchange Interventions



Sources: Bank of the Republic of Haiti and IMF staff estimates.

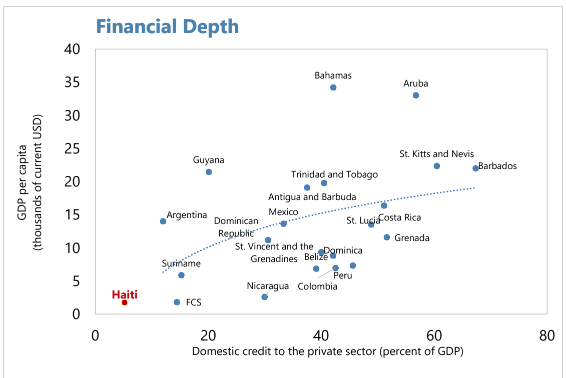
remittance regulations were to bring more formality to the FX market and protect consumers from unfavorable rates and abuses, not to change the allocation of funds by market agents. They affirm that transfer houses remain able to send funds abroad through the financial sector if they desire.

F. Safeguarding Financial Sector Stability

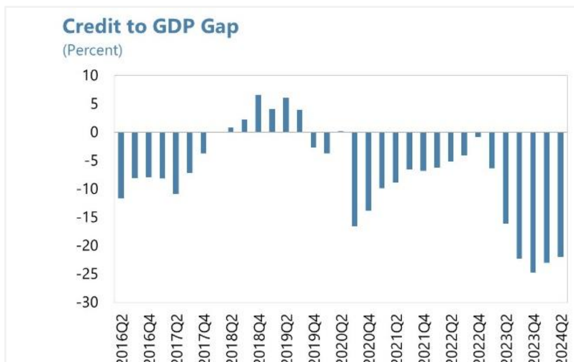


Sources: IMF Financial Development Index database and IMF staff estimates.
Notes: EMs=Emerging Markets, LAC=Latin America and Carribean, LIDC=Low Income and Developing countries, FCS=Fragile and Conflict-Affected States.

39. Background. Haiti ranks low on the Fund's Financial Development Index. Its financial system is small, with the assets (excluding the central bank) of the entire system equivalent to less than 20 percent of GDP. Haiti also has underdeveloped capital markets, with limited trading activity in stocks, bonds, and other securities. It would greatly benefit from financial deepening. Credit-to-GDP declined to 5.3 percent in FY2023 (from 10.5 percent in 2019) as banks reduced lending to the private sector, mainly because of the security crisis. Staff estimated the credit-to-GDP gap at negative 22 percent in June 2024. Haiti's banking sector remains highly concentrated, with the three largest banks holding more than 80 percent of banking system assets (Annex VIII). The worsening of the security crisis and governance issues have also weakened the financial sector. Vulnerabilities have increased, as reflected in lower capital adequacy ratios and a more-than-doubling of non-performing loans—from 5 percent in 2020 to 12 percent in June 2024. All banks but one, which is state-owned, meet the minimum capital adequacy ratio of 12 percent. The Board of the National Bank of Credit was replaced in early August, following internal investigations, and the new Board was placed under the supervision of the central bank. More information is needed to fully assess the risks faced by the financial sector, including the size of a possible recapitalization and the public funds required. The BRH has been strengthening banking supervision, with Fund assistance, to upgrade the regulatory framework and move to risk-based supervision. But six years of recession and security crisis have hurt the financial system. The BRH is advancing reforms to increase financial inclusion and access to credit, including in rural areas. Fiscal dominance, a pervasive problem until 2022, has been phased out, with no monetary financing of the deficit expected for FY2024 (ending in September 2024).



Sources: World Bank databank, World Economic Outlook, and IMF staff calculations.



Sources: Reserve Bank of Haiti and IMF staff calculations.
Note: Credit gap is the percent deviation of the Credit-to-GDP ratio from trend, estimated with a one-sided HP filter.

Nonfinancial corporates, however, continue to rely primarily on offshore funding and are thus vulnerable to currency mismatches and sudden withdrawals from external lenders. The BRH has advanced reforms to increase financial inclusion and access to credit, including in rural areas.

40. Reform efforts should focus on:

- **Emergency liquidity assistance (ELA)**. Staff and authorities discussed this option which could prove beneficial as banks continue to retain liquidity for precautionary reasons, and the BRH is considering it.

- **Banking supervision**. The BRH has carried out a conclusive test of the new risk assessment grids and rating matrix on two banks. It adopted and published the revised regulation on credit risk concentration. The final version of the revised regulation on credit risk classification and provisioning, recently reviewed by the BRH's banking supervision department, is expected by end November. Staff recommended to: (i) finalize the new chart of accounts for financial institutions,[6](ii) reactivate off-site supervision following a quasi-suspension, and (iii) continue the execution of the annual on-site inspection program.

- **Digital money**. The BRH conveyed that it does not plan to immediately implement CBDC but stressed the importance of having put a placeholder in the central bank framework, in anticipation of future implementation. Staff argued that devoting time and resources to considering a digital money is premature at this stage, given other pending priorities and indicated that if the BRH decides to proceed it should consider all aspects of the project's desirability and feasibility, including a robust evaluation of costs and risks, before proceeding.

- **Anti-money laundering/combating the financing of terrorism (AML/CFT)**. The Council of Ministers has adopted a new Decree *Reorganizing the Unité Centrale de Renseignement Financier (UCREF)* to replace the Financial Intelligence Unit (FIU) organic law. The decree aims to ensure UCREF's operational autonomy, its power to conduct operational and strategic analysis, and its access to a broad range of information held by other government agencies. The decree has started being implemented, including by nominating the Board of Directors and its full implementation is necessary to ensure that the FIU fully exercises its broader powers and responsibilities. Separately, an April 2023 decree which revamped the AML/CFT framework allowed Haiti to receive upgrades on 18 of the 40 FATF recommendations in the latest report by the Caribbean Financial Action Task Force. Recent progress was also made to the effectiveness of the AML/CFT system, including the resumption of some work on the national risk assessment, now expected to be completed in December 2025, and the operationalization of a tool for risk-based supervision of financial institutions by the BRH. The authorities should build on this progress and continue to address the other steps necessary to exit the FATF grey list and ease potential pressures on correspondent banking relationships, including assessing the risks related to the informal cash-based sector and legal persons, further pursuing efforts to implement risk-

[6] Staff has provided extensive support through past TA missions, including more recently in October 2023 on Haiti's banking chart of account alignment with IFRS 9.

based supervision of FIs by stepping up on-site inspections (to the extent permitted by the security situation) and applying remedial actions for non-compliance, and ensuring transparency of basic and beneficial ownership information on legal persons. The authorities should also take urgent steps to designate supervisors for high-risk Designated Non-Financial Businesses and Professions such as gambling and lottery sectors; and notaries and lawyers performing trust and company service provider (TSCP) activities. Other key priority measures to reinforce investigations and prosecutions of ML related to corruption and the recovery of criminal assets will be recommended in the Governance Diagnostic report.

41. ***Authorities' Views***. The authorities indicated that scarring from multiple recessions and persistent insecurity had a large impact on the health of the financial sector. They indicated that relaunching growth is essential to prevent further increase of non-performing loans. They also requested technical assistance from the Fund to perform stress tests. On AML/CFT, the authorities highlighted several ongoing efforts to build on the progress achieved and acknowledged that more urgent reforms are needed to mitigate money laundering/terrorist financing (ML/TF) risks and exit the Financial Action Task Force (FATF) grey list. A new committee will assess ML/TF risks related to legal persons and it has started collecting information with support from the EU's Global Facility on AML/CFT. The UCREF is working to improve its human and technical capacity to treat and analyze suspicious transactions reports and disseminate financial intelligence to competent authorities. The UCREF will have the support of the UN Office on Drugs and Crime, which is planning an on-site mission to install an advanced data collection and management software. The UCREF is engaging with the Anti-Corruption Unit (Unité de Lutte Contre la Corruption, ULCC) and law enforcement and judicial authorities to reinforce domestic cooperation on money laundering, corruption, and other key predicate crime investigations, with the aim to create a national task force to combat these threats. The UCREF is seeking to sign MOUs with counterparts in several countries in the region, while acknowledging that cooperation with countries with existing MOUs should also be stepped up. These reforms include designating supervisors for high-risk Designated Non-Financial Businesses and Professions, assessing the risks related to the informal sector, and nominating the UCREF's Board of Directors to ensure that it is fully operational and independent (the latter having been delayed by the political crisis).

G. Improving Data Adequacy for Surveillance and Other Issues

42. Shortcomings in the data provided to the Fund are hampering surveillance somewhat (Annex IX). While much progress has been achieved—in particular in compiling and disseminating fiscal data (especially at the central government level)[7] since the last Article IV—new shocks (related to technological problems at the central bank in the summer of 2023 and a sustained brain drain) have prevented broader advancements, and, at times, led to setbacks relative to the substantial results achieved in the context of the 2022 SMP. The provision of monetary data had been subject to delay, until recently. Revisions, especially to NIR, have been meaningful since the IT shock; and the surge of gang activity in early 2024 prevented central bank staff from physically accessing central

[7] Lack of comprehensiveness of SOE flow and debt data could generate fiscal risks.

bank premises for many months (given the bank's location in a dangerous part of the capital). Timeliness has improved since late summer 2024 when activities at the BRH normalized and it completed the manual recompilation of data. Recent TA from the Fund's Statistics Department has identified data compilation limitations in the BOP and International Investment Position data, which affect the estimates of errors and omissions (equivalent to 3.4 percent of GDP in FY2023, Table 4b). The inability of the official statistics to capture some development partner support—not channeled through the budget—remittances not channeled through the financial system, and other forms of informal activity, incomplete information on investment income, and stock-flow inconsistencies may explain these large errors and omissions. Insecurity has greatly hampered the production of timely and adequate data, including on national accounts. The challenging security environment has made it very difficult to undertake surveys to compile GDP data.

43. Over the next few months, staff will conduct a mission to assess GDP data sources and methodology. This work will ascertain whether the current structure of the economy—which suffered severe declines in capital stock, total factor productivity, and human capital since at least 2020, as well as huge population displacement—is still appropriately represented by the 2012 benchmark year or whether changes are necessary. Pending this assessment and a new action plan, the ongoing timeline to begin compiling and disseminating quarterly GDP data has been put on hold. Staff discussed with the authorities the strategy to improve capacity to close data gaps over time (Annex I). This requires firm prioritization and careful sequencing.

44. Staff discussed issues related to the SDR allocation, the adoption of international finance reporting standards, and safeguard-related matters. Staff emphasized the importance of reinforcing institutional frameworks governing the fiscal use of the SDR allocation. Staff also underscored the need for transparency measures for SDR-related spending and for communicating publicly on the BRH or MEF websites any future conversion of their SDR allocation into freely usable currencies—and the need to engage Fund staff on future SDR conversions. The team discussed with the BRH the ongoing progress in reaching full recovery after the cyberattack, as well as the alignment of the foreign reserve framework with best practices. Further efforts are needed to implement safeguards recommendations from the 2019 assessment and the recent targeted monitoring mission, particularly on foreign reserves, monetary data, and cyber-resilience. Staff will continue to engage with the BRH on these issues.

45. Country Engagement Strategy. In line with the Fund Strategy for Fragile and Conflict-Affected States, staff coordinated closely with Haiti's main development partners and finalized an updated Country Engagement Strategy (CES). The CES (Annex I) identifies the sources of fragility, the capacity development strategy, and policies to tackle them—as well as the main areas of collaboration with development partners.

46. *Authorities' Views*. The authorities reiterated their commitment to data transparency and indicated that delays over the last year were due mainly to the IT incident at the central bank. They also indicated that it was difficult to improve the quality of GDP calculations owing to the inability to conduct business surveys.

STAFF APPRAISAL

47. Haiti faces an unprecedented multidimensional crisis encompassing humanitarian, economic, social, and security problems. It is also facing a political transition. Since the last 2019 Article IV consultation, security has deteriorated severely, leading to destruction of physical infrastructure, prolonged economic paralysis, massive human displacement, and further acceleration of brain drain, including from key institutions. The dire security situation was compounded by several shocks: the pandemic, the assassination of President Moïse, an earthquake in 2021, repeated waves of cholera, and a hunger crisis linked to Russia's war in Ukraine. The food crisis and insecurity, in addition to causing terrible human suffering, have further fueled inflation, the most regressive tax on poor people. Pervasive governance issues have further undermined growth prospects over the last few years and potential GDP has dropped.

48. All in all, Haiti faces a challenging macroeconomic outlook and extremely high uncertainty. The supply-side shock caused by the security crisis would continue to greatly affect growth and feed inflation unless the security outlook improves. Fiscal revenues, which are essential to reconstruct basic infrastructure after years of social unrest and support large development needs, are only slowly recovering. Remittances would continue to finance consumption, although this reflects mainly an exodus of human capital which could further undermine a sustainable recovery. Growth is projected to be barely positive in 2025 (pending further improvements in the security outlook) and would stabilize at only 1½ percent over the medium term.

49. The authorities have a narrow window of opportunity to implement reforms that can help Haiti move from crisis to resilience and eventually help restore the country's potential over the medium and long term. Staff welcomes the timely passing of the 2024-25 budget, including gender budgeting measures. An urgent government priority is to re-start mobilizing revenue (after its collapse early this year as a result of the insecurity) to support large development needs and increase well-targeted spending.

50. Continued strengthening of the social safety net will be essential for cushioning the impact of the shocks on the population and alleviating widespread poverty. The authorities took meaningful steps, since the 2019 Article IV toward implementing the fuel reform strategy to allow changes in international fuel prices to be regularly passed on to consumers instead of ad hoc or sudden price adjustments. Staff recommends that the authorities follow through with the implementation of this reform which should be accompanied by mitigating measures to protect the most vulnerable, together with an effective communication strategy. Efforts to improve the quality of public spending and enhance transparency of public spending should continue. The use of resources related to the FSW should be promptly audited.

51. A government-led strategy to relaunch the economy would need to receive the essential financing support of the international community. This assistance is indispensable to support quality spending not only in the medium and long term, but also in the short term. Without it, Haiti would suffer large import compression. This assistance should take the form of grants. The authorities should avoid contracting non-concessional loans which can quickly undermine debt sustainability.

52. The careful pace of monetary tightening has been appropriate and consistent with the goal of fighting inflation. The fiscal and monetary authorities' commitment to keeping monetary financing of the deficit at zero has enhanced the credibility of the policy frameworks, despite still high supply-side inflation. But this restrictive monetary stance will not be sufficient to keep inflation under control without a normalization of security which is essential to reignite growth, including from the private sector. The adequate foreign exchange (FX) reserves, re-built during 2023-24, remain a valuable buffer in a shock-prone economy like Haiti. FX intervention should continue to be used only to smooth excessive exchange rate volatility, not substitute for macroeconomic policy adjustment when needed. The alignment of the foreign reserves framework with best practices would also be critical for avoiding financial risks. The FY2023 financial audit of the BRH is urgent and its eventual publication would be an important step in demonstrating transparency.

53. Addressing-financial sector vulnerabilities is paramount for mitigating financial risks. The worsened security crisis and recession have affected the financial sector. The risks associated with high non-performing loans (NPLs) warrant close monitoring and underscore the need for an urgent plan to mitigate a further increase. The BRH has been strengthening banking supervision, with Fund assistance, to upgrade the regulatory framework and move to risk-based supervision. Efforts should continue including with technical assistance.

54. Staff urges the authorities to prioritize efforts to improve data provision to the Fund. The quality and timeliness of monetary and reserve assets data should continue to be the top priority. Real sector data, in particular GDP, continues to face shortcomings that should be addressed with forthcoming technical assistance.

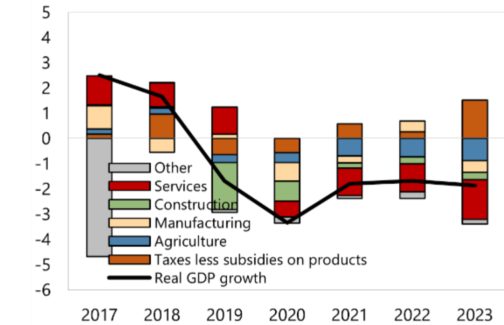
55. We welcome the authorities' commitment to publish the governance diagnostic assessment and accompanying action plan. It would provide a road map for reforms to enhance governance and fight corruption—and should be implemented in close collaboration with development partners. Sustaining progress on reforms to strengthen governance is essential for ensuring inclusive growth and building the trust of the private sector (and attract FDI).

56. Staff recommends that the next Article IV consultation for Haiti be held on the standard 12-month cycle.

Figure 4. Haiti: Real Sector Developments, 2016–24

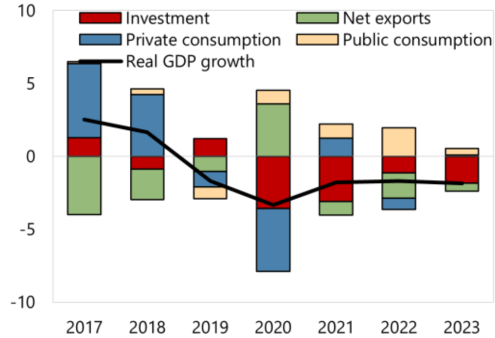
Real GDP has contracted for five consecutive years…[1]

Contribution to GDP Growth (Supply-side)
(Percent)



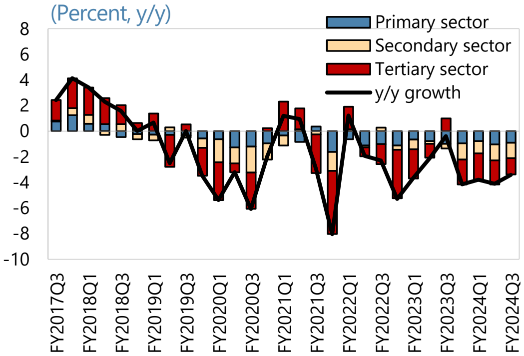
…due to a drop in investment and net exports.

Contribution to GDP Growth (Demand-side)
(Percent)



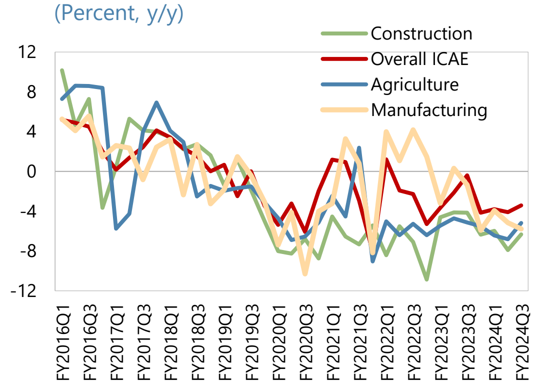
Conjunctional indicators point to negative growth across all sectors…

Conjunctural Indicator of Economic Activity (ICAE): Contribution to Growth
(Percent, y/y)



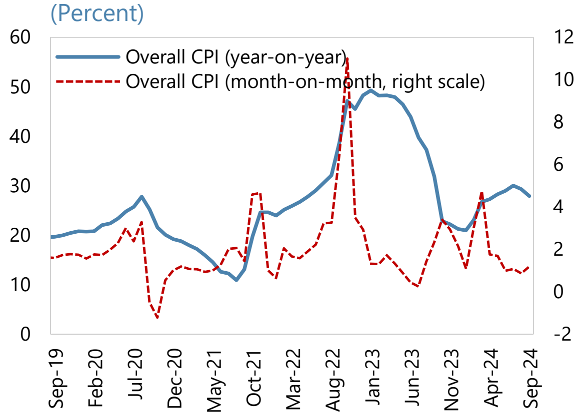
…in particular construction, manufacturing, and agriculture.

Conjunctural Indicator of Economic Activity
(Percent, y/y)



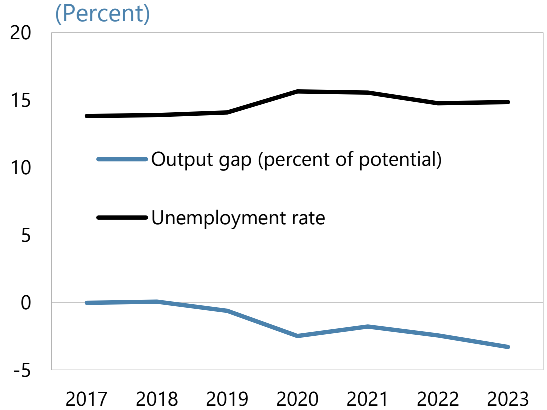
Inflation started to pick up again in 2024.

Inflation
(Percent)



The output gap has widened since 2017.

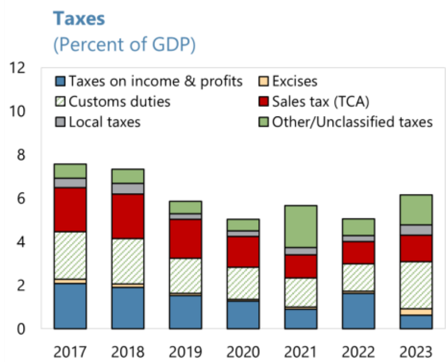
Potential Growth and Unemployment
(Percent)



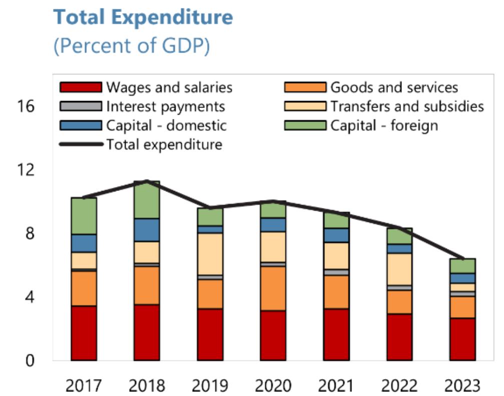
Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti, and IMF staff calculations.
1/ On a fiscal-year basis, ending on September 30.

Figure 5. Haiti: Fiscal Sector Developments, 2016–24

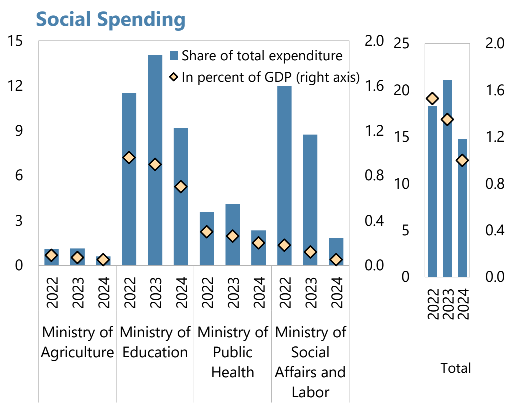
Tax revenues are extremely low.



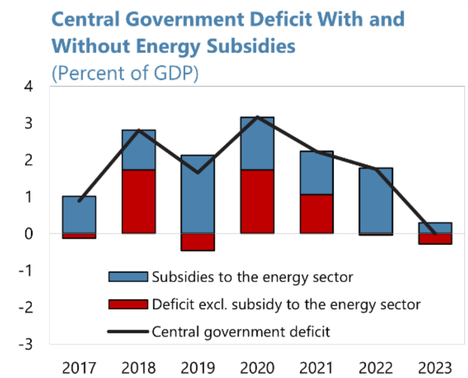
Spending has declined…



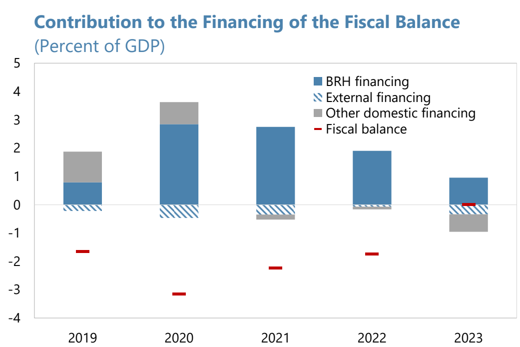
…including social spending.



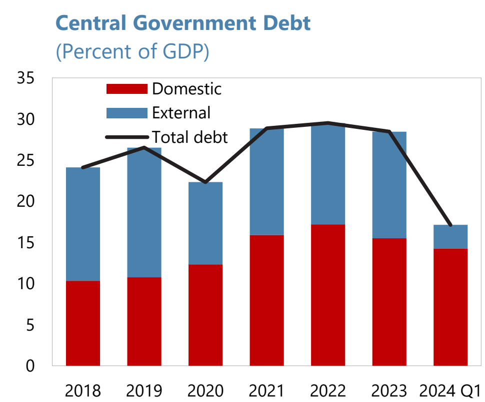
The fiscal deficit fell in 2023 due to lower fuel subsidies…



…which reduced the need for monetization.



Government debt declined in early 2024.

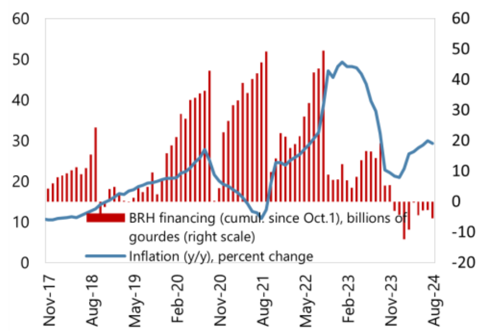


Sources: Ministry of Finance, Reserve Bank of Haiti, and IMF staff calculations.
Notes: Social spending for 2024 is through June. Central government debt data for Q1 2024 refers to calendar year.

Figure 6. Haiti: Monetary and Financial Sectors Developments, 2017–24

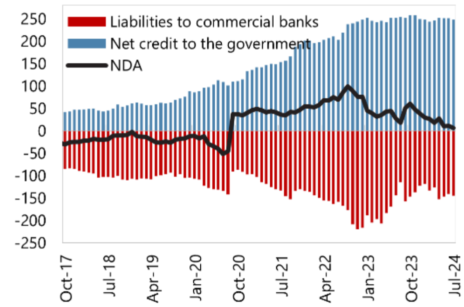
The BRH financing of the fiscal deficit has been negative since FY2024

Central Bank Financing to Government



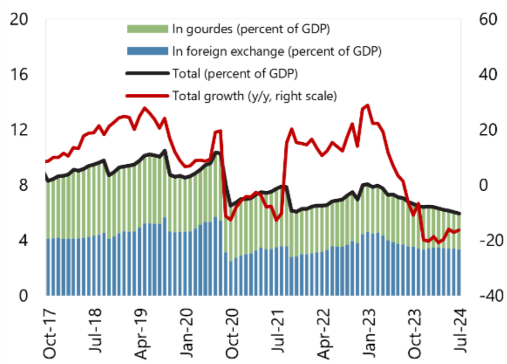
…with net domestic assets declining.

Net Domestic Assets (NDA) of the Central Bank
(Billions of gourdes)



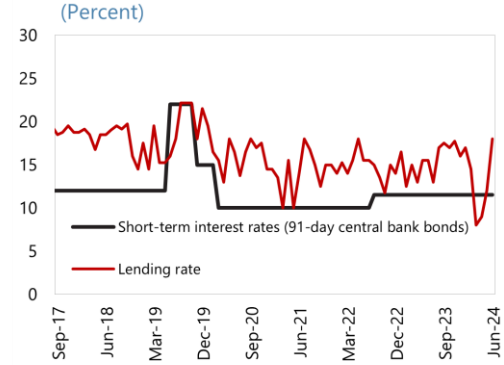
Private sector credit has collapsed since early 2023.

Private Sector Credit



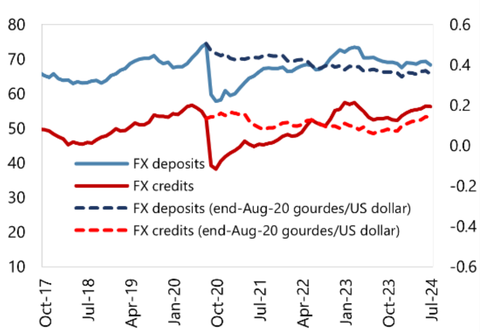
Monetary transmission has been weak, with market rates not responding to policy rates

Nominal Interest Rates
(Percent)



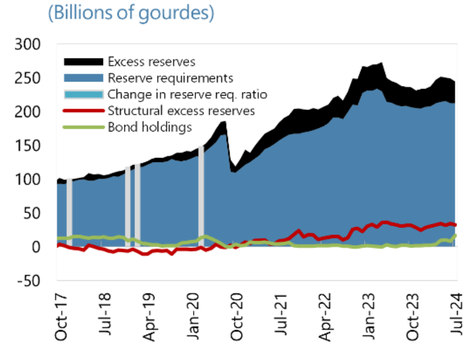
FX deposits and loans have been stable since August 2020, after the central bank revalued the gourde…

Dollarization



…While excess structural liquidity is rising in the banking system[1].

Structural Liquidity Excess of Banking System
(Billions of gourdes)

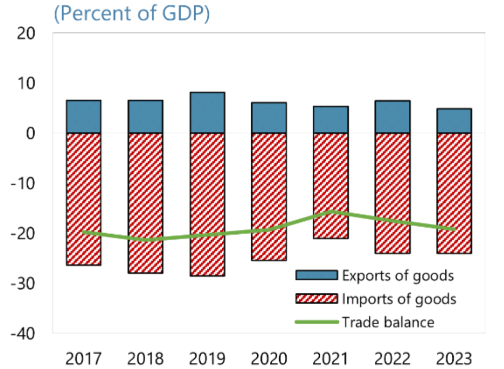


Sources: Bank of the Republic of Haiti and IMF staff calculations.
1/ Excess reserves are reserves above requirement ratios on deposits; structural excess reserves include excess reserves plus other bank deposits at the BRH minus reserves banks obtain under BRH facilities.

Figure 7. Haiti: External Sector Developments, 2017–24

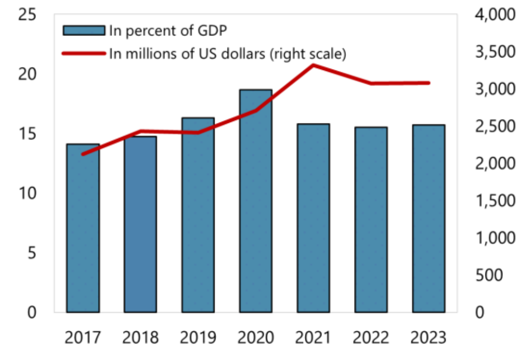
Haiti continues to have structural trade deficits.

Exports and Imports
(Percent of GDP)



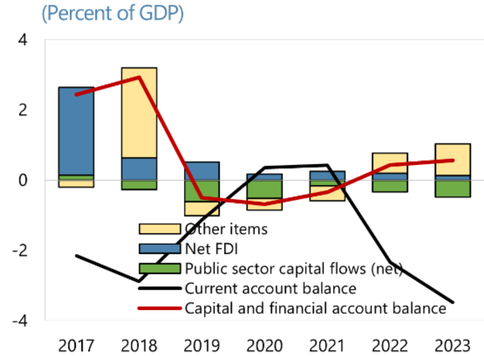
…Remittances (in dollar terms) are above pre-pandemic trend.

Remittances (net)



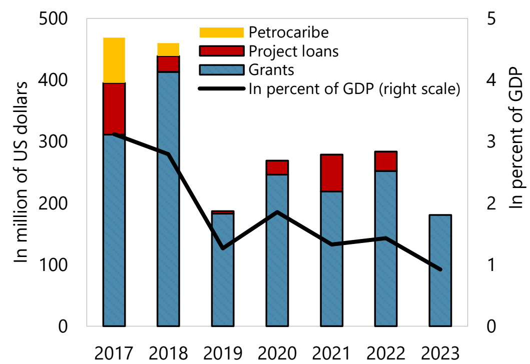
FDI has declined in recent years…

Composition of Capital and Financial Account
(Percent of GDP)



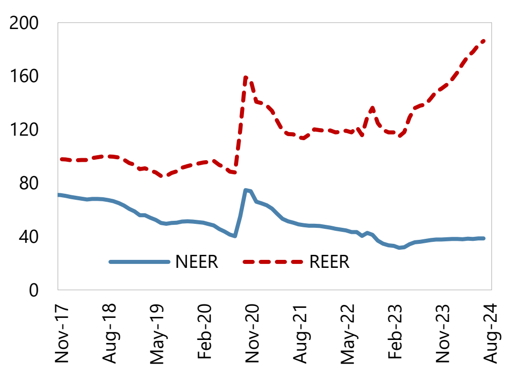
…As have donor flows.

Official Assistance



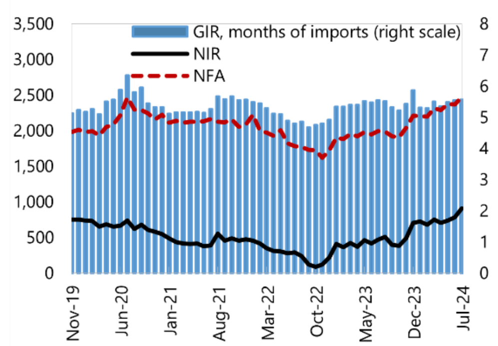
The REER has appreciated during 2023-24…

Real and Nominal Effective Exchange Rates
(Index)



…And net international reserves jumped to almost US$1 billion.

International Reserves
(Millions of US dollars)



Sources: Bank of the Republic of Haiti and IMF staff calculations.
Notes: REER=real effective exchange rate; NEER=nominal effective exchange rate; GIR=gross international reserves; NIR=net international reserves; NFA=net foreign assets.

Table 2. Haiti: Selected Economic and Financial Indicators, 2021–29
(Fiscal year ending September 30)

Nominal GDP (2023): US$21.5 billion — GDP per capita (2021): US$1,765
Population (2021): 11.9 million — Percent of population below poverty line (2021): 52.3

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)								
National Income and Prices									
GDP at constant prices	-1.8	-1.7	-1.9	-4.0	1.0	1.5	1.5	1.5	1.5
GDP deflator	19.3	29.8	31.5	29.1	23.2	17.6	10.4	9.7	9.1
Consumer prices (period average)	15.9	27.6	44.1	25.9	19.8	15.4	10.6	7.9	7.4
Consumer prices (end-of-period)	13.1	38.7	31.8	27.9	18.7	12.2	9.3	7.4	7.0
External Sector									
Exports (goods, valued in U.S. dollars, f.o.b.)	27.7	13.5	-25.5	-20.0	10.0	14.4	13.6	10.9	11.3
Imports (goods, valued in U.S. dollars, f.o.b.)	19.8	7.8	-1.0	-9.0	11.0	6.0	5.5	5.0	4.5
Remittances (valued in U.S. dollars)	22.5	-7.3	0.1	11.0	5.0	5.0	5.5	4.5	4.0
Real effective exchange rate (eop; + appreciation) 1/	-5.0	13.8	10.9	33.0	…	…	…	…	…
Money and Credit (valued in gourdes)									
Credit to private sector	15.2	17.4	-6.2	-5.3	21.1	14.7	12.0	10.1	9.4
Base money	21.5	23.1	3.1	10.0	13.5	11.5	10.0	9.0	8.0
Broad money	38.2	21.1	4.6	4.1	15.5	11.5	11.0	10.5	9.0
	(In percent of GDP; unless otherwise indicated)								
Central Government									
Overall balance (including grants)	-2.3	-1.8	0.9	7.2	-0.1	-1.4	-1.5	-1.6	-1.7
Domestic revenue	5.9	5.3	6.4	4.9	5.0	5.3	5.7	5.9	6.1
Grants	1.0	1.3	0.9	6.8	1.2	0.7	0.3	0.3	0.3
Expenditures	9.3	8.3	6.4	4.5	6.2	7.4	7.4	7.8	8.1
Current expenditures	7.4	6.8	4.9	3.4	4.2	4.2	4.3	4.5	4.6
Capital expenditures	1.9	1.6	1.5	1.1	2.1	3.2	3.1	3.3	3.5
Overall balance of the nonfinancial public sector 2/	-2.2	-1.7	0.0	6.6	-0.1	-1.4	-1.5	-1.6	-1.7
Savings and Investment									
Gross investment	18.0	15.9	13.9	6.1	7.8	10.7	14.2	19.1	23.2
Of which: public investment	1.9	1.6	1.5	1.1	2.1	3.2	3.1	3.3	3.5
Gross national savings	18.5	13.5	10.4	5.5	7.2	9.8	13.0	18.0	22.2
External current account balance (incl. official grants)	0.4	-2.3	-3.5	-0.5	-0.6	-0.9	-1.2	-1.1	-1.0
Net fuel exports	-3.1	-4.5	-3.6	-2.4	-2.3	-2.3	-2.3	-2.4	-2.3
Public Debt									
External public debt (medium and long-term, eop)	12.9	12.3	12.9	1.5	1.4	2.7	4.1	5.3	6.4
Total public sector debt (end-of-period)	28.9	29.5	28.5	13.9	11.4	10.9	11.4	11.9	12.5
External public debt service 3/	9.4	8.1	11.8	13.5	3.3	4.7	4.6	5.9	6.7
Memorandum Items:	(In millions of dollars, unless otherwise indicated)								
Net international reserves 4/	456	119	391	960	1,159	1,341	1,501	1,658	1,811
Gross international reserves	2,534	2,067	2,346	2,496	2,621	2,771	2,921	3,081	3,241
In months of imports of the following year	5.6	4.7	5.3	5.6	5.6	5.6	5.6	5.6	5.7
Nominal GDP (millions of gourdes)	1,699,208	2,168,223	2,798,324	3,468,166	4,315,508	5,151,163	5,772,370	6,429,161	7,119,428

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

1/ The real effective exchange rate for FY2024 reflects August 2024 data.

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

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

4/ Excludes banks' FX deposits, Venezuela escrow account, IMF liabilities (except Food Shock Window), and swaps.

Table 3a. Haiti: Non-Financial Public Sector Operations, 2021–29

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

	FY2021	FY2022	FY2023	FY2024	FY2024	FY2024Q1	FY2024Q2	FY2024Q3	FY2024	FY2025	FY2025	FY2026	FY2027	FY2028	FY2029
				Budget	Revised Budget	Est.	Est.	Est.	Proj.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.
Total Revenue and Grants	**118,340**	**142,478**	**204,261**	**257,980**	**238,647**	**48,988**	**34,733**	**41,291**	**405,702**	**302,860**	**264,283**	**311,425**	**344,163**	**398,985**	**455,512**
Domestic revenue	100,635	114,919	178,483	196,545	172,678	48,988	34,733	41,291	171,493	227,739	213,618	275,188	327,263	380,958	436,525
Domestic taxes	74,012	82,525	111,881	72,018	60,692	31,094	22,134	26,875	107,036	99,575	132,075	174,970	211,727	248,676	286,054
Customs duties	22,613	27,341	60,103	107,095	101,125	17,825	12,591	14,261	60,007	100,809	75,747	92,990	107,090	122,490	139,201
Of which: fuel taxes	0	0	20,312	19,360	20,480	6,756	6,024	8,879	23,836	23,848	28,974	34,584	38,755	43,165	47,799
Other current revenue	4,009	5,053	6,498	17,431	10,862	68	9	155	4,450	27,355	5,796	7,227	8,445	9,792	11,270
Grants	17,706	27,559	25,779	61,435	65,969	...	...	...	234,209	75,121	50,665	36,237	16,901	18,027	18,986
Budget support 1/	5,754	8,957	0	7,995	0	0	0	0	0	0	5,557	2,851	0	0	0
Project grants	11,951	18,602	25,779	53,440	65,969	...	...	...	28,370	75,121	45,108	33,386	16,901	18,027	18,986
Capital transfer 2/	0	0	0	0	0	...	...	...	205,839	0	0	0	0	0	0
Total Expenditure 3/	**158,220**	**180,515**	**179,017**	**273,028**	**232,913**	**35,125**	**30,404**	**30,025**	**156,025**	**301,065**	**268,953**	**381,944**	**428,977**	**500,116**	**573,960**
Current expenditure	126,058	146,603	135,913	162,964	141,019	33,943	29,698	28,071	119,043	175,498	179,568	218,131	249,988	287,671	327,864
Wages and salaries	55,130	63,030	73,846	81,883	80,549	20,369	16,624	16,529	71,079	92,530	96,845	118,174	135,311	153,922	174,007
Goods and services	35,472	32,504	39,029	49,901	44,697	8,146	8,557	7,485	33,507	51,912	51,912	64,539	75,209	86,981	99,879
Interest payments	6,014	6,596	7,975	2,932	1,701	2,178	2,084	1,781	7,574	1,228	1,763	9,051	11,309	14,623	16,601
Transfers and subsidies	28,843	44,474	15,063	22,098	13,122	3,249	2,433	2,276	6,882	24,109	24,078	26,366	28,159	32,146	37,377
Of which: Transfers to EDH	9,111	7,412	8,038	8,642	...	...	...	...	3,130	...	11,131	9,625	7,956	3,215	3,560
Of which: Fuel direct subsidies to oil companies	10,682	31,242	0	...	...	...	...	...	0	...	0	0	0	0	0
Exceptional expenditures 4/	600	0	0	6,150	950	0	0	0	0	5,720	4,970	0	0	0	0
Capital expenditure	32,161	33,913	43,104	110,064	91,894	1,181	706	1,954	36,982	125,567	89,386	163,813	178,989	212,445	246,096
Domestically financed	15,359	11,861	17,326	41,478	16,774	1,181	706	1,954	8,612	46,065	39,962	53,160	75,503	97,980	120,318
Foreign-financed	16,802	22,052	25,779	68,586	75,120	...	...	...	28,370	79,502	49,424	110,653	103,486	114,464	125,778
Central government balance incl. grants	**-39,879**	**-38,037**	**25,244**	**-15,049**	**5,734**	**13,863**	**4,329**	**11,266**	**249,677**	**1,795**	**-4,670**	**-70,519**	**-84,814**	**-101,131**	**-118,448**
Excluding grants and externally financed projects	-40,783	-43,544	25,244	-7,897	14,885	13,863	4,329	11,266	43,837	1,795	-5,912	3,897	1,772	-4,694	-11,657
Primary Balance of NFPS, incl. grants and other transfers to EDH	**-33,865**	**-31,442**	**33,219**	**-12,117**	**7,435**	**16,042**	**6,413**	**13,048**	**257,251**	**3,023**	**-2,907**	**-61,468**	**-73,505**	**-86,508**	**-101,848**
Adjustment (unsettled payment obligations)	-2,031	-256	25,213	0	0	13,384	-3,643	7,070	20,924	0	0	0	0	0	0
Overall Balance of NFPS, including grants	**-37,849**	**-37,781**	**31**	**-15,049**	**5,734**	**480**	**7,973**	**4,196**	**228,753**	**1,795**	**-4,670**	**-70,519**	**-84,814**	**-101,131**	**-118,448**
Overall Balance of NFPS, including grants (excl. capital transfer) 5/	-37,849	-37,781	31	-15,049	5,734	480	7,973	4,196	22,914	1,795	-4,670	-70,519	-84,814	-101,131	-118,448
Financing, NFPS	**37,848**	**37,780**	**-31**	**15,049**	**-5,734**	**-480**	**-7,973**	**-4,196**	**-228,753**	**-1,795**	**4,670**	**70,519**	**84,814**	**101,131**	**118,448**
External net financing	-5,865	-1,468	-9,400	-640	2,257	-420	-1,240	-323	-205,943	1,011	2,572	75,414	84,622	93,266	103,536
Loans (net)	-2,640	-5,822	-9,400	-640	2,257	-420	-1,240	-323	-205,943	1,011	2,572	75,414	84,622	93,266	103,536
Disbursements	4,851	3,450	0	15,146	9,151	0	0	0	0	4,381	4,316	77,267	86,586	96,437	106,791
Amortization	-7,491	-9,272	-9,400	-15,786	-6,894	-420	-1,240	-323	-205,943	-3,370	-1,743	-1,854	-1,964	-3,171	-3,256
Arrears (net)	-3,225	4,354	0	0	0	0	0	0	0	0	0	0	0	0	0
Internal net financing	43,714	39,249	9,368	15,689	-7,991	-59	-6,733	-3,873	-22,810	-2,806	2,098	-4,894	192	7,865	14,913
Banking system	50,483	52,437	27,690	36,000		838	-2,384	1,094	-4,196	16,204	21,108	9,774	16,482	23,865	14,913
BRH (includes the FSW) 6/	46,731	41,274	26,709	24,000	7,022	-3,049	-5,978	4,491	-4,196	0	0	0	0	0	0
Commercial banks	3,752	11,163	981	12,000		3,887	3,594	-3,397	0	16,204	21,108	9,774	16,482	23,865	14,913
Nonbank financing 7/	-6,769	-13,188	-18,321	-20,311	-15,013	-897	-4,348	-4,968	-18,614	-19,010	-19,010	-14,669	-16,290	-16,000	0
Memorandum Items															
Forgone fuel taxes and fuel direct subsidies	31,984	62,553	11,657	...	...	419	1,141	3,240	4,431	...	5,514	6,581	7,375	8,214	9,096
o/w Forgone fuel taxes	21,302	31,311	11,657	...	...	419	1,141	3,240	4,431	...	5,514	6,581	7,375	8,214	9,096
o/w Fuel direct subsidies to oil companies	10,682	31,242	0	...	...	0	0	0	0	...	0	0	0	0	0
Health, education and agriculture spending	28,173	33,117	37,810	...	...	9,708	7,454	...	62,427	...	79,837	97,872	109,675	122,154	135,269
Nominal GDP	1,699,208	2,168,223	2,798,324	3,672,147	3,468,166	...	...	...	3,468,166	4,315,508	4,315,508	5,151,163	5,772,370	6,429,161	7,119,428

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/ For FY2024, includes debt forgiveness granted by Venezuela.
3/ Commitment basis, except for domestically financed spending, which is reported on the basis of project account replenishments.
4/ Includes expenditures for electoral activities and support to political parties.
5/ Excludes a one-off capital transfer owing to the repayment of the debt to Venezuela
6/ Amounts include the full two-year debt-relief under the CCRT for FY2021-22, and the FSW disbursement for FY2023.
7/ 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 3b. Haiti: Non-Financial Public Sector Operations, 2021–29

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

	FY2021	FY2022	FY2023	FY2024 Budget	FY2024 Revised Budget	FY2024Q1 Est.	FY2024Q2 Est.	FY2024Q3 Est.	FY2024 Proj.	FY2025 Budget	FY2025 Proj.	FY2026 Proj.	FY2027 Proj.	FY2028 Proj.	FY2029 Proj.
Total Revenue and Grants	**7.0**	**6.6**	**7.3**	**7.4**	**6.9**	**1.4**	**1.0**	**1.2**	**11.7**	**7.0**	**6.1**	**6.0**	**6.0**	**6.2**	**6.4**
Domestic revenue	5.9	5.3	6.4	5.7	5.0	1.4	1.0	1.2	4.9	5.3	5.0	5.3	5.7	5.9	6.1
Domestic taxes	4.4	3.8	4.0	2.1	1.7	0.9	0.6	0.8	3.1	2.3	3.1	3.4	3.7	3.9	4.0
Customs duties	1.3	1.3	2.1	3.1	2.9	0.5	0.4	0.4	1.7	2.3	1.8	1.8	1.9	1.9	2.0
Of which: fuel taxes	0.0	0.0	0.7	0.6	0.6	0.2	0.2	0.3	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Other current revenue	0.2	0.2	0.2	0.5	0.3	0.0	0.0	0.0	0.1	0.6	0.1	0.1	0.1	0.2	0.2
Grants	1.0	1.3	0.9	1.8	1.9	...	...	...	6.8	1.7	1.2	0.7	0.3	0.3	0.3
Budget support 1/	0.3	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Project grants	0.7	0.9	0.9	1.5	1.9	...	...	...	0.8	1.7	1.0	0.6	0.3	0.3	0.3
Capital transfer 2/	0.0	0.0	0.0	0.0	0.0	...	...	...	5.9	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure 3/	**9.3**	**8.3**	**6.4**	**7.9**	**6.7**	**1.0**	**0.9**	**0.9**	**4.5**	**7.0**	**6.2**	**7.4**	**7.4**	**7.8**	**8.1**
Current expenditure	7.4	6.8	4.9	4.7	4.1	1.0	0.9	0.8	3.4	4.1	4.2	4.2	4.3	4.5	4.6
Wages and salaries	3.2	2.9	2.6	2.4	2.3	0.6	0.5	0.5	2.0	2.1	2.2	2.3	2.3	2.4	2.4
Goods and services	2.1	1.5	1.4	1.4	1.3	0.2	0.2	0.2	1.0	1.2	1.2	1.3	1.3	1.4	1.4
Interest payments	0.4	0.3	0.3	0.1	0.0	0.1	0.1	0.1	0.2	0.0	0.0	0.2	0.2	0.2	0.2
Transfers and subsidies	1.7	2.1	0.5	0.6	0.4	0.1	0.1	0.1	0.2	0.6	0.6	0.5	0.5	0.5	0.5
Of which: Transfers to EDH	0.5	0.3	0.3	0.2	...	...	...	...	0.1	...	0.3	0.2	0.1	0.1	0.1
Of which: Fuel direct subsidies to oil companies	0.6	1.4	0.0	...	...	...	...	...	0.0	...	0.0	0.0	0.0	0.0	0.0
Exceptional expenditures 4/	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Capital expenditure	1.9	1.6	1.5	3.2	2.6	0.0	0.0	0.1	1.1	2.9	2.1	3.2	3.1	3.3	3.5
Domestically financed	0.9	0.5	0.6	1.2	0.5	0.0	0.0	0.1	0.2	1.1	0.9	1.0	1.3	1.5	1.7
Foreign-financed	1.0	1.0	0.9	2.0	2.2	...	...	...	0.8	1.8	1.1	2.1	1.8	1.8	1.8
Central government balance incl. grants	**-2.3**	**-1.8**	**0.9**	**-0.4**	**0.2**	**0.4**	**0.1**	**0.3**	**7.2**	**0.0**	**-0.1**	**-1.4**	**-1.5**	**-1.6**	**-1.7**
Excluding grants and externally financed projects	-2.4	-2.0	0.9	-0.2	0.4	0.4	0.1	0.3	1.3	0.0	-0.1	0.1	0.0	-0.1	-0.2
Primary Balance of NFPS, incl. grants and other transfers to EDH	**-2.0**	**-1.5**	**1.2**	**-0.3**	**0.2**	**0.5**	**0.2**	**0.4**	**7.4**	**0.1**	**-0.1**	**-1.2**	**-1.3**	**-1.3**	**-1.4**
Adjustment (unsettled payment obligations)	-0.1	0.0	0.9	0.0	0.0	0.4	-0.1	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance of NFPS, including grants	**-2.2**	**-1.7**	**0.0**	**-0.4**	**0.2**	**0.0**	**0.2**	**0.1**	**6.6**	**0.0**	**-0.1**	**-1.4**	**-1.5**	**-1.6**	**-1.7**
Overall Balance of NFPS, including grants (excl. capital transfer) 5/	-2.2	-1.7	0.0	-0.4	0.2	0.0	0.2	0.1	0.7	0.0	-0.1	-1.4	-1.5	-1.6	-1.7
Financing, NFPS	**2.2**	**1.7**	**0.0**	**0.4**	**-0.2**	**0.0**	**-0.2**	**-0.1**	**-6.6**	**0.0**	**0.1**	**1.4**	**1.5**	**1.6**	**1.7**
External net financing	-0.3	-0.1	-0.3	0.0	0.1	0.0	0.0	0.0	-5.9	0.0	0.1	1.5	1.5	1.5	1.5
Loans (net)	-0.2	-0.3	-0.3	0.0	0.1	0.0	0.0	0.0	-5.9	0.0	0.1	1.5	1.5	1.5	1.5
Disbursements	0.3	0.2	0.0	0.4	0.3	0.0	0.0	0.0	0.0	0.1	0.1	1.5	1.5	1.5	1.5
Amortization	-0.4	-0.4	-0.3	-0.5	-0.2	0.0	0.0	0.0	-5.9	-0.1	0.0	0.0	0.0	0.0	0.0
Arrears (net)	-0.2	0.2	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
Internal net financing	2.6	1.8	0.3	0.5	-0.2	0.0	-0.2	-0.1	-0.7	-0.1	0.0	-0.1	0.0	0.1	0.2
Banking system	3.0	2.4	1.0	1.0	0.0	0.0	-0.1	0.0	-0.1	0.4	0.5	0.2	0.3	0.4	0.2
BRH (includes the FSW) 6/	2.8	1.9	1.0	0.7	0.2	-0.1	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.2	0.5	0.0	0.3	0.0	0.1	0.1	-0.1	0.0	0.4	0.5	0.2	0.3	0.4	0.2
Nonbank financing 7/	-0.4	-0.6	-0.7	-0.6	-0.4	0.0	-0.1	-0.1	-0.5	-0.4	-0.4	-0.3	-0.3	-0.2	0.0
Memorandum Items															
Forgone fuel taxes and fuel direct subsidies	1.9	2.9	0.4	...	...	0.0	0.0	0.1	0.1	...	0.1	0.1	0.1	0.1	0.1
o/w Forgone fuel taxes	1.3	1.4	0.4	...	...	0.0	0.0	0.1	0.1	...	0.1	0.1	0.1	0.1	0.1
o/w Fuel direct subsidies to oil companies	0.6	1.4	0.0	...	...	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0
Health, education and agriculture spending	1.7	1.5	1.4	...	...	0.3	0.2	...	1.8	...	1.9	1.9	1.9	1.9	1.9
Nominal GDP (millions of gourdes)	1,699,208	2,168,223	2,798,324	3,468,166	3,468,166	...	...	...	3,468,166	4,315,508	4,315,508	5,151,163	5,772,370	6,429,161	7,119,428

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/ For FY2024, includes debt forgiveness granted by Venezuela.

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

4/ Includes expenditures for electoral activities and support to political parties.

5/ Excludes a one-off capital transfer owing to the repayment of the debt to Venezuela

6/ Amounts include the full two-year debt-relief under the CCRT for FY2021-22, and the FSW disbursement for FY2023.

7/ 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 4a. Haiti: Balance of Payments, 2021–29

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

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account (Including Grants)	**88**	**-464**	**-683**	**-141**	**-187**	**-315**	**-409**	**-399**	**-370**
Current Account (Excluding Grants)	**-77**	**-653**	**-863**	**-356**	**-547**	**-548**	**-509**	**-499**	**-470**
Goods (net)	-3,286	-3,480	-3,759	-3,526	-3,921	-4,086	-4,233	-4,380	-4,494
Exports of goods	1,130	1,282	956	765	841	962	1,093	1,213	1,350
Of which: Assembly industry	1,066	1,191	870	734	774	885	1,006	1,116	1,242
Imports of goods	-4,416	-4,762	-4,715	-4,291	-4,762	-5,048	-5,326	-5,592	-5,844
Of which: Fossil fuels	-643	-890	-707	-644	-714	-757	-799	-839	-877
Services (net)	-490	-587	-449	-424	-451	-479	-503	-528	-554
Exports of services	142	101	139	111	122	128	135	142	149
Imports of services	-632	-689	-588	-535	-573	-607	-638	-669	-703
Primary Income (net)	23	24	4	-10	-10	-10	-21	-31	-41
Secondary Income (net)	3,840	3,580	3,522	3,819	4,195	4,260	4,347	4,540	4,720
Official transfers (net)	164	189	181	215	359	233	100	100	100
Private transfers (net)	3,316	3,072	3,076	3,414	3,585	3,764	3,971	4,150	4,316
Other transfers (net)	360	318	265	190	250	263	276	289	304
Capital and Financial Accounts	**-72**	**85**	**109**	**717**	**323**	**495**	**585**	**591**	**573**
Capital transfers 1/	55	63	57	1,527	50	50	51	54	57
Public sector capital flows (net)	-35	-66	-94	-1,547	18	486	501	517	545
Foreign direct investment (net)	51	39	24	17	19	30	46	71	111
Banks (net) 2/	-162	37	20	-70	-60	-70	-60	-80	-80
Other items (net) 3/	18	12	102	790	296	0	47	29	-60
Errors and Omissions	**-241**	**162**	**660**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**-225**	**-216**	**86**	**577**	**135**	**180**	**176**	**193**	**204**
Financing	**225**	**216**	**-86**	**-577**	**-135**	**-180**	**-176**	**-193**	**-204**
Change in gross reserves (+ is decrease)	-91	117	-284	-150	-125	-150	-150	-160	-160
Change in IMF credit and loans (+ is increase)	-5	-3	99	-11	-10	-30	-26	-33	-44
Exceptional financing	101	103	99	-416	0	0	0	0	0
o/w Changes in arrears 4/	90	96	97	-642	0	0	0	0	0
o/w Debt rescheduling and debt relief 5/	10	7	3	226	0	0	0	0	0
Memorandum Items:									
Change in US$ denom. reserve deposits at BRH (+ is decrease)	-164	68	-7	-18	4	1	-12	-25	-29
Change in NIR (statistical definition) (+ is decrease)	223	337	-272	-569	-199	-182	-160	-157	-153
Exports of goods, f.o.b (percent change)	27.7	13.5	-25.5	-20.0	10.0	14.4	13.6	10.9	11.3
Imports of goods, f.o.b (percent change)	19.8	7.8	-1.0	-9.0	11.0	6.0	5.5	5.0	4.5
Projected average oil price (U.S. dollars per barrel, APSP)	69.2	96.4	80.6	81.3	72.8	70.2	68.6	67.6	0.0
Debt service (in percent of exports of goods and services)	9.4	8.1	11.8	13.5	3.3	4.7	4.6	5.9	6.7
Gross international reserves (in millions of U.S. dollars)	2,534	2,067	2,346	2,496	2,621	2,771	2,921	3,081	3,241
(in months of next year's imports of goods and services)	5.6	4.7	5.3	5.6	5.6	5.6	5.6	5.6	5.7
Nominal GDP (millions of U.S. dollars)	21,017	19,826	19,603	26,283	30,614	33,173	34,155	35,664	37,497

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

1/ For FY2024, includes debt forgiveness granted by Venezuela.

2/ Change in net foreign assets of commercial banks.

3/ Includes arrears on oil imports.

4/ Up to FY2023, reflects accumulation of arrears toward Venezuela. For FY2024, reflects cancellation of arrears due to Venezuela, financed partly by payment from Haiti (US$500 million) and partly by debt forgiveness granted by Venezuela.

5/ For FY2021 to FY2022, includes CCRT debt relief. For FY2024, includes debt forgiveness granted by Venezuela.

Table 4b. Haiti: Balance of Payments, 2021–29
(In percent of GDP on a fiscal year basis; unless otherwise indicated)

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current Account (Including Grants)	**0.4**	**-2.3**	**-3.5**	**-0.5**	**-0.6**	**-0.9**	**-1.2**	**-1.1**	**-1.0**
Current Account (Excluding Grants)	**-0.4**	**-3.3**	**-4.4**	**-1.4**	**-1.8**	**-1.7**	**-1.5**	**-1.4**	**-1.3**
Trade balance	-15.6	-17.6	-19.2	-13.4	-12.8	-12.3	-12.4	-12.3	-12.0
Exports of goods	5.4	6.5	4.9	2.9	2.7	2.9	3.2	3.4	3.6
Of which: Assembly industry	5.1	6.0	4.4	2.8	2.5	2.7	2.9	3.1	3.3
Imports of goods	-21.0	-24.0	-24.1	-16.3	-15.6	-15.2	-15.6	-15.7	-15.6
Of which: Fossil fuels	-3.1	-4.5	-3.6	-2.4	-2.3	-2.3	-2.3	-2.4	-2.3
Services (net)	-2.3	-3.0	-2.3	-1.6	-1.5	-1.4	-1.5	-1.5	-1.5
Receipts	0.7	0.5	0.7	0.4	0.4	0.4	0.4	0.4	0.4
Payments	-3.0	-3.5	-3.0	-2.0	-1.9	-1.8	-1.9	-1.9	-1.9
Income (net)	0.1	0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Current transfers (net)	18.3	18.1	18.0	14.5	13.7	12.8	12.7	12.7	12.6
Official transfers (net)	0.8	1.0	0.9	0.8	1.2	0.7	0.3	0.3	0.3
Private transfers (net)	15.8	15.5	15.7	13.0	11.7	11.3	11.6	11.6	11.5
Other transfers (net)	1.7	1.6	1.4	0.7	0.8	0.8	0.8	0.8	0.8
Capital and Financial Accounts	**-0.3**	**0.4**	**0.6**	**2.7**	**1.1**	**1.5**	**1.7**	**1.7**	**1.5**
Capital transfers 1/	0.3	0.3	0.3	5.8	0.2	0.2	0.2	0.2	0.2
Public sector capital flows (net)	-0.2	-0.3	-0.5	-5.9	0.1	1.5	1.5	1.5	1.5
Loan disbursements	0.3	0.2	0.0	0.0	0.1	1.5	1.5	1.5	1.5
Amortization	-0.5	-0.5	-0.5	-5.9	0.0	0.0	0.0	0.0	0.0
Foreign direct investment (net)	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.3
Banks (net) 2/	-0.8	0.2	0.1	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Other items (net) 3/	0.1	0.1	0.5	3.0	1.0	0.0	0.1	0.1	-0.2
Errors and Omissions	**-1.1**	**0.8**	**3.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-1.1**	**-1.1**	**0.4**	**2.2**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**
Financing	**1.1**	**1.1**	**-0.4**	**-2.2**	**-0.4**	**-0.5**	**-0.5**	**-0.5**	**-0.5**
Change in net foreign assets (+ is decrease)	-0.4	0.6	-1.4	-0.6	-0.4	-0.5	-0.4	-0.4	-0.4
Change in IMF credit and loans (+ is increase)	0.0	0.0	0.5	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Exceptional financing	0.5	0.5	0.5	-1.6	0.0	0.0	0.0	0.0	0.0
o/w Changes in arrears 4/	0.4	0.5	0.5	-2.4	0.0	0.0	0.0	0.0	0.0
o/w Debt rescheduling and debt relief 5/	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Exports of goods, f.o.b (percent change)	27.7	13.5	-25.5	-20.0	10.0	14.4	13.6	10.9	11.3
Imports of goods, f.o.b (percent change)	19.8	7.8	-1.0	-9.0	11.0	6.0	5.5	5.0	4.5
Projected average oil price (U.S. dollars per barrel, APSP)	69.2	96.4	80.6	81.3	72.8	70.2	68.6	67.6	0.0
Debt service (in percent of exports of goods and services)	9.4	8.1	11.8	13.5	3.3	4.7	4.6	5.9	6.7
Nominal exchange rate	80.9	109.4	142.7	…	…	…	…	…	…
Gross international reserves (in millions of U.S. dollars)	2,534	2,067	2,346	2,496	2,621	2,771	2,921	3,081	3,241
(in months of next year's imports of goods and services)	5.6	4.7	5.3	5.6	5.6	5.6	5.6	5.6	5.7
Nominal GDP (millions of U.S. dollars)	21,017	19,826	19,603	26,283	30,614	33,173	34,155	35,664	37,497

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

1/ For FY2024, includes debt forgiveness granted by Venezuela.

2/ Change in net foreign assets of commercial banks.

3/ Includes arrears on oil imports.

4/ Up to FY2023, reflects accumulation of arrears toward Venezuela. For FY2024, reflects cancellation of arrears due to Venezuela, financed partly by payment from Haiti (US$500 million) and partly by debt forgiveness granted by Venezuela.

5/ For FY2021 to FY2022, includes CCRT debt relief. For FY2024, includes debt forgiveness granted by Venezuela.

Table 5. Haiti: Summary Accounts of the Banking System, 2021–29

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				I. Central bank					
Net Foreign Assets	146,005	131,774	185,645	258,989	317,130	376,945	438,221	496,603	557,263
(In millions of U.S. dollars)	1,499	1,120	1,383	1,970	2,165	2,346	2,517	2,699	2,881
Of which: Gross International Reserves (US$ Mil)	2,534	2,067	2,346	2,496	2,621	2,771	2,921	3,081	3,241
Of which: Net Intl. Reserves (nonresidents) (US$ Mil.)	1,969	1,526	1,796	2,383	2,579	2,759	2,930	3,112	3,294
Of which: Net international reserves (US$ Mil.) (Res FX+Nonres) 1/	456	119	391	960	1,159	1,341	1,501	1,658	1,811
Of which : Commercial bank forex deposits (in millions of U.S. dollars)	1,324	1,255	1,262	1,280	1,276	1,275	1,287	1,312	1,341
Net Domestic Assets	42,096	99,713	53,094	3,712	-18,881	-44,505	-72,670	-98,233	-126,878
Net credit to the nonfinancial public sector	166,625	237,927	252,466	237,270	237,270	237,270	237,270	237,270	237,270
Of which: Net credit to the central government 2/	168,899	242,311	261,540	246,344	246,344	246,344	246,344	246,344	246,344
Claims on central government	207,676	292,786	328,498	344,302	344,302	344,302	344,302	344,302	344,302
Central government deposits	38,777	50,475	66,958	97,958	97,958	97,958	97,958	97,958	97,958
Of which: IMF CCRT debt relief	-2,634	-2,087	-2,198	-3,037	-3,877	-3,877	-3,877	-3,877	-3,877
Liabilities to commercial banks (excl. gourde deposits)	138,460	157,539	178,422	197,307	215,903	233,854	253,042	270,307	288,342
BRH bonds/Open market operations	3,525	2,630	4,555	24,555	24,555	24,555	24,555	24,555	24,555
Commercial bank forex deposits	134,935	154,909	173,868	172,753	191,348	209,299	228,487	245,752	263,787
Other	-18,134	-11,484	-44,259	-52,209	-65,327	-78,264	-87,881	-98,049	-108,735
Base Money	188,101	231,487	238,738	262,701	298,249	332,441	365,550	398,370	430,385
Currency in circulation	108,670	133,411	146,758	157,085	178,342	197,896	215,626	232,829	249,212
Commercial bank gourde deposits	79,431	98,077	91,980	105,615	119,907	134,545	149,924	165,541	181,173
				II. Consolidated banking system					
Net Foreign Assets	205,868	203,605	257,043	338,111	414,060	494,553	576,099	655,185	739,434
(In millions of U.S. dollars)	2,114	1,730	1,915	2,572	2,827	3,077	3,308	3,561	3,823
Of which: Commercial banks NFA (in millions of U.S. dollars)	615	610	532	602	662	732	792	862	942
Net Domestic Assets	305,095	415,028	390,066	335,716	364,430	373,184	387,089	409,137	420,677
Credit to the nonfinancial public sector	206,497	296,664	318,252	303,056	324,164	333,939	350,421	374,286	389,199
Of which: Net credit to the central government 2/	202,659	293,987	316,372	301,176	322,284	332,058	348,540	372,405	387,318
Claims on central government	259,300	362,559	401,598	417,402	438,510	338,734	355,216	379,081	393,994
Central government deposits	56,641	68,572	85,226	116,226	116,226	6,675	6,675	6,675	6,675
Credit to the private sector	138,572	161,957	152,445	144,632	174,022	198,872	222,045	244,013	266,462
In gourdes	72,552	77,196	69,435	66,173	81,835	95,836	109,485	122,977	137,161
In foreign currency	60,926	79,521	77,520	72,969	86,697	97,546	107,070	115,546	123,811
Other	-66,770	-75,172	-116,022	-147,057	-168,841	-194,711	-220,462	-244,245	-270,068
Broad Money	510,963	618,634	647,109	673,828	778,490	867,736	963,187	1,064,322	1,160,111
Currency in circulation	98,150	123,511	124,113	134,440	155,697	175,251	192,981	210,184	226,567
Gourde deposits	134,373	157,617	166,705	177,464	213,534	234,724	263,364	305,545	344,384
Foreign currency deposits	270,986	329,793	348,280	353,272	400,616	448,653	496,138	536,756	576,841
(In millions of U.S. dollars)	2,782	2,802	2,594	2,670	2,735	2,792	2,849	2,917	2,982
				(12-month percentage change)					
Currency in circulation	14.9	25.8	0.5	8.3	15.8	12.6	10.1	8.9	7.8
Base money	21.5	23.1	3.1	10.0	13.5	11.5	10.0	9.0	8.0
Broad money (M3)	38.2	21.1	4.6	4.1	15.5	11.5	11.0	10.5	9.0
Gourde deposits	17.3	17.3	5.8	6.5	20.3	9.9	12.2	16.0	12.7
Foreign currency deposits	64.0	21.7	5.6	1.4	13.4	12.0	10.6	8.2	7.5
Credit to the private sector	15.2	17.4	-6.2	-5.3	21.1	14.7	12.0	10.1	9.4
Credit in gourdes	3.1	6.4	-10.1	-4.7	23.7	17.1	14.2	12.3	11.5
Credit in foreign currency	33.9	30.5	-2.5	-5.9	18.8	12.5	9.8	7.9	7.2
Memorandum Items:									
Foreign currency deposits (% of total private deposits)	67.4	68.3	69.4	66.5	65.2	65.6	65.3	63.7	62.6
Foreign curr. credit to priv. sector (% of total)	45.5	50.5	52.4	52.4	51.4	50.4	49.4	48.4	47.4
Commercial banks' credit to private sector (% of GDP)	7.9	7.2	5.3	4.0	3.9	3.8	3.8	3.7	3.7
Real private credit sector growth	2.2	-21.2	-38.1	-33.2	2.4	2.5	2.7	2.7	2.4

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

1/ In statistical definition. Excludes banks’ FX deposits, Venezuela escrow account, IMF liabilities (except Food Shock Window), and swaps.

2/ Changes in stocks of net claims on government differ from domestic financing data in Table 2a due to differences in accounting practices (cash vs. accrual) and in the recording of revaluations of positions denominated in foreign exchange.

Table 6. Haiti: External Financing Requirements and Sources, 2021–29

(In millions of US$ on a fiscal year basis; unless otherwise indicated) 1/

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Requirements	**509**	**752**	**1,241**	**2,706**	**695**	**740**	**697**	**709**	**690**
Current account, excluding official transfers	77	653	863	356	547	548	509	499	470
Government debt amortization (non-IMF)	95	96	94	1,547	12	12	12	18	17
Net repayments to the IMF	5	3	0	11	10	30	26	33	44
Increase in reserve assets	91	0	284	150	125	150	150	160	160
Clearance of arrears	0	0	0	642	0	0	0	0	0
Errors and omissions	241	0	0	0	0	0	0	0	0
Sources	**509**	**752**	**1,241**	**2,706**	**695**	**740**	**697**	**709**	**690**
Official current transfers	164	189	181	215	359	233	100	100	100
Current project grants	148	170	181	215	320	215	100	100	100
Budget support	16	19	0	0	39	18	0	0	0
Official capital transfers	65	70	60	1,753	50	50	51	54	57
Capital project grants	55	63	57	60	50	50	51	54	57
Debt forgiveness (capital account)	0	0	0	1,467	0	0	0	0	0
Debt forgiveness (exceptional financing)	10	7	3	226	0	0	0	0	0
Foreign direct investment	51	39	24	17	19	30	46	71	111
Other investment (central bank, banks, non-banks, other)	-143	49	123	720	236	-70	-13	-51	-140
Loan disbursements to the government	60	30	0	0	31	498	512	535	562
Net IMF financing	0	0	99	0	0	0	0	0	0
SDR allocation	221	-1	0	0	0	0	0	0	0
Reserve assets drawdown	0	117	0	0	0	0	0	0	0
Incurrence of arrears	90	96	97	0	0	0	0	0	0
Errors and omissions	0	162	660	0	0	0	0	0	0
Memorandum Items:									
Gross international reserves	2,534	2,067	2,346	2,496	2,621	2,771	2,921	3,081	3,241
(in months of next year's imports of goods and services)	5.6	4.7	5.3	5.6	5.6	5.6	5.6	5.6	5.7

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

Table 7. Haiti: Financial Soundness Indicators, June 2021–June 2024

(In percent; unless otherwise stated)

	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Size and Growth												
Asset volume (in US$ millions)	5,341	5,320	5,268	5,216	5,239	4,771	4,591	4,686	4,718	4,780	4,885	4,879
Deposit volume (in US$ millions)	4,352	4,327	4,276	4,304	4,294	3,942	3,784	3,833	3,849	3,868	3,944	3,985
Asset growth (in gourde terms), y/y	38.8	32.2	23.7	20.6	17.3	28.2	27.4	10.2	4.2	-7.6	-7.5	-0.3
Credit growth (net, in gourde terms), y/y	21.2	20.6	18.8	12.1	14.6	23.3	16.9	2.7	-9.6	-22.4	-22.5	-18.8
Capital Adequacy												
Regulatory capital to risk-weighted assets	22.3	20.8	21.4	20.7	18.2	20.3	19.6	19.4	20.4	20.3	20.3	21.4
Regulatory capital to assets	7.9	7.6	7.5	7.2	6.5	7.0	6.8	6.7	7.0	7.0	7.0	7.4
Asset Quality and Composition												
Loans (net) to assets	25.1	24.8	24.8	24.2	24.5	23.8	22.8	22.5	21.3	20.0	19.1	18.3
NPLs to gross loans	5.6	6.3	7.8	8.7	6.7	10.9	11.1	10.5	8.5	8.8	12.8	12.0
Provisions to gross NPLs	103.1	96.5	77.8	71.3	89.5	57.2	59.6	65.1	79.4	84.7	59.5	66.1
Earnings and Profitability												
Cumulative since beginning of calendar year												
Return on assets (ROA)	2.1	2.0	1.9	2.4	1.7	2.6	2.1	1.0	1.4	1.5	1.1	0.8
Return on equity (ROE)	23.2	21.5	21.2	26.1	21.2	30.5	23.9	10.3	15.0	14.4	10.9	7.7
Net interest income to gross income	51.1	51.6	51.4	45.6	53.5	49.5	53.2	61.6	61.0	59.8	61.6	64.1
Operating expenses to net profits	58.6	59.4	62.9	56.1	60.5	50.8	58.5	72.3	65.0	65.2	70.9	74.0
Efficiency												
Interest rate spread 1/	9.4	9.1	9.0	8.8	9.9	9.1	9.2	9.9	12.9	11.4	10.5	10.7
Liquidity												
Liquid assets to total assets 2/	50.3	48.5	47.8	48.2	47.5	47.4	48.4	48.7	48.5	48.0	48.3	49.3
Liquid assets to deposits 2/	61.8	59.6	58.8	58.4	57.9	57.3	58.7	59.6	59.4	59.3	59.9	60.3
Dollarization												
Foreign currency loans to total loans (net)	44.9	47.2	47.7	52.2	50.5	55.9	58.1	54.0	54.1	53.5	56.5	58.1
Foreign currency deposits to total deposits	66.1	66.5	66.3	66.9	67.3	71.7	72.7	69.5	68.7	67.7	68.5	68.8
Foreign currency loans to foreign currency deposits	20.9	21.6	22.0	22.8	22.4	22.5	22.1	21.4	20.5	19.5	19.5	19.0

Source: BRH Banking System Financial Summary and IMF 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 4, which reflect the consolidated banking system.

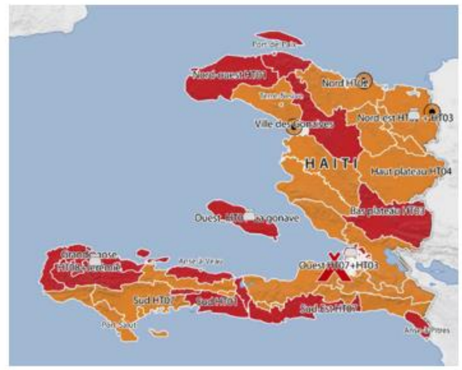
1/ Defined as the difference between average lending rate and average fixed deposit rate in the banking system.

2/ Liquid assets comprise cash and central bank bonds.

Annex I. Country Engagement Strategy

1. Framing. This Country Engagement Strategy (CES) updated the pilot CES endorsed by the Executive Board in January 2020. Developments in Haiti since then have continued to compound the country's problems, leaving it stuck potentially in a *fragility trap*. Despite weaknesses, since 2022 Haiti had made notable progress in several key areas. The country exhibited some resilience, partly the result of reform measures aimed at improving governance, public financial management, and revenue mobilization (a pre-condition for the government to function and to provide basic services to the population). These improvements were anchored by the 2022 SMP and were bolstered by the support of the international community. But efforts on the structural and macro front did not lift economic growth, owing to the escalation of crime and the impact of a series of shocks. Progress in revenue mobilization had evaporated during the recent episodes of gang violence through June 2024 and started again, although with many challenges, as the new transitional government began its mandate and security started slowly to improve. Although the large flow of remittances to Haiti has been an important source of temporary resilience supporting consumption, it cannot substitute for FDI (which are virtually nil given the poor business environment) in supporting potential growth.

Annex I. Figure 1. Acute Food Insecurity



Source: Integrated Food Security Phase Classification.

2. Sources of fragility. Haiti is one among the most fragile states in the world. Half its population lives below the poverty line.[1] The sources of fragility are multiple: weak institutions (pervasive corruption and weak governance and rule of law); exposure to natural disasters and climate shocks; gender gaps in economic opportunity; and capacity constraints, including low access to basic education (especially for girls) and record-high brain drain spurred by the loss of jobs and opportunities. Compounding these weaknesses, Haiti has recently endured a series of crises, including the pandemic, a devastating earthquake in 2021, political assassination of its President in 2021 and consequent political instability, an ongoing cholera outbreak, a food crisis causing acute hunger (Annex I Figure 1), and, more recently, unprecedented gang violence. The deterioration of the security situation over the last four years, culminating in the recent security crisis, has led to a surge in the number of displaced people, further worsening brain drain and capacity constraints (Annex I Figure 2). Social indicators are distressingly low.

3. Haiti now faces a dire humanitarian crisis. While Haitians, especially children, were already suffering severe malnutrition and food insecurity due to the spillovers of war in Ukraine, suffering was compounded in 2024 by the surge in criminal activity. As more than half of household consumption spending is on food, the resurge of inflation has caused a hunger crisis. The latest security crisis lockdown has worsened supply-side inflation pressures, owing to a drastic drop in

[1] Poverty in Haiti remains very high. The World Bank estimations show that in 2023, poverty likely increase to 29.2 percent ($2.15/day international poverty line) and 58.0 percent ($3.65/day).

imports as gangs took control of the main port in the country in Port-au Prince through mid-July. That port typically handled 85 percent of imported goods and gang control prevented (in March and April) or hindered (in May and June) the distribution of fuel in the country.

4. Macroeconomic implications of fragility. The many causes of the deep-rooted fragility have weakened Haiti's monetary and fiscal policy frameworks (Annexes VI and VII). These frameworks tend to be pro-cyclical (i.e., expansionary during upturns and contractionary during downturns). Pervasive criminal activity by gangs has constrained tax collection (tax revenue as a percent of GDP is 5 percent), which resulted in the past in fiscal dominance and large monetary financing of the budget; low capacity to target spending to the most vulnerable; poor quality and transparency of public spending; risk of misappropriation of public funds; poor data quality; enormous investment needs; lack of budget support by development partners owing to weak governance; a weak judiciary system that had helped concentrate economic power and encouraged rent-seeking activities by public officials. The weak judiciary and rent seeking behaviors are reflected in Haiti's low ratings in the World Governance indictors in many areas (Annex I Figure 3) and record low FDI.

5. Haiti has long endured a great degree of political uncertainty over the last few years. Since early 2020, democratic institutions of government in Haiti have deteriorated, with no effective apparatus to enforce the rule of law. The assassination of President Moïse in July 2021 further aggravated the political instability. Former Prime Minister Henry then chaired an interim government seeking to approve structural reforms by decree with the aim of holding new elections by December 2023 but encountered several months of widespread protests questioning his legitimacy. In September-October 2022, the economy ground to a halt as gangs took control of the main oil terminal at Varreux and blocked the distribution of fuel in the country. A new agreement was signed on December 21, 2022, with representatives of all political parties, and the private sector and NGOs called a "national consensus for an inclusive transition and transparent elections." The agreement included a timetable for installing an elected government by February 7, 2024, and it established a *High Council for the Transition* and a *Body for the control of government action* to enhance the government's accountability and fight corruption. But the country has been without elected representatives since January 2023. With gangs controlling most of the capital and the national police severely understaffed and ill-equipped to address the escalating violence, the UN Security Council approved in October 2023 a Kenya-led multi-country security support mission (MSS) for Haiti, which began a slow deployment at the end of June 2024. Other countries inside and outside the region have pledged personnel to join the MSS in the months ahead.

6. After many years of political turbulence, the newly appointed government has a window of opportunity for change. This would entail implementing necessary reforms, which could help Haiti exit fragility over the long term, with the support of developing partners. The first priority is to restore some degree of security, a precondition for improving the well-being of Haitians and also for macro stability.

A. A Multi-layered Strategy to Support Haiti: The Role of the Fund

7. The Fund's engagement with Haiti has strengthened in the last few years—supported by the new IMF Strategy for Fragile and Conflict Affected States. Staff's recent engagement has been guided by the following pillars which have been all supported by capacity development in close collaboration with development partners to enhance complementarities:

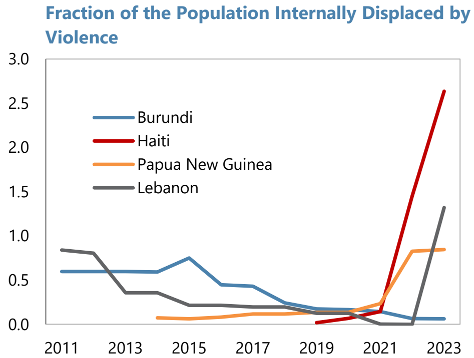
- **The *Article IV Consultation***. Haiti is among countries with delayed Article IV consultation, with the last one discussed at the Board in January 2020. This 2024 Article IV consultation incorporates both short- and medium-term perspectives. In addition to staff analysis, it also signals policy priorities of the government to development partners, including the need to retain grants in the context of the accompanying debt sustainability analysis jointly prepared by IMF/WBG. The analytical work prepared by staff, in agreement with the authorities, points to the need of policies to support potential growth in the medium term and strengthen policy frameworks. Annex II as well as Box 1 of the Staff report focus on the impact of rising crime on economic activity. They quantify the impact on Haiti's real GDP. They also reveal the strong scarring effects of crime on growth, which partly explain the fragility trap. Two annexes on gender point to the importance of closing gender gaps to boost potential growth. Given the weak monetary and fiscal frameworks, three analytical annexes detail how to make fiscal and monetary policy more countercyclical. The Annex on GovTech indicates that strengthening digital infrastructure could generate additional tax revenue by limiting the impact of trade fraud on the value, origin, and tariffs on imported goods or of smuggling. The note on macro-financial linkages highlights vulnerabilities in the financial sector after six years of consecutive recession. A note on climate stresses the importance of a multi-pillar strategy to enhance ex-ante and ex-post resilience which the authorities have already started implementing. The annex on inflation dynamics points to both demand and supply side factors.

- ***A new SMP***. A new SMP, which is still being finalized, building on previous efforts, seeks to enhance governance, help fight corruption, and lock in the progress achieved under recent SMPs.

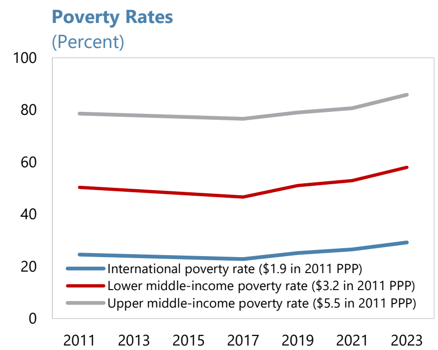
- **The forthcoming *governance diagnostic assessment***. This diagnostic is intended to operationalize actions aimed at fighting corruption (over the short, medium, and long term). Strengthening governance and reducing corruption are essential for Haiti's exit from fragility. The authorities have indicated the wish to publish the report once it is finalized later in 2024.

Annex I. Figure 2. Sources and Indicators of Fragility

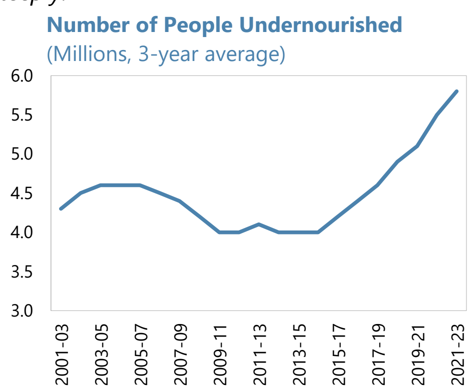
Violence has taken a heavy toll on Haitians…



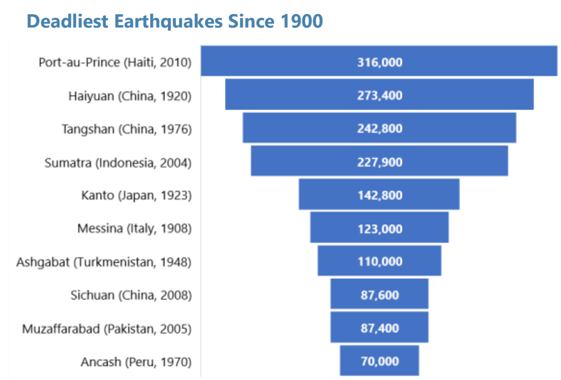
…and progress in reducing poverty was reversed.



The number of people undernourished has increased steeply.



Haiti is very prone to natural disasters.



Sources: International Organization for Migration (IOM), Fed, World Bank, Disaster Risk Management Knowledge Centre (DRMKC); INFORM Risk Index; the United States Geological survey, and Fund staff estimates.

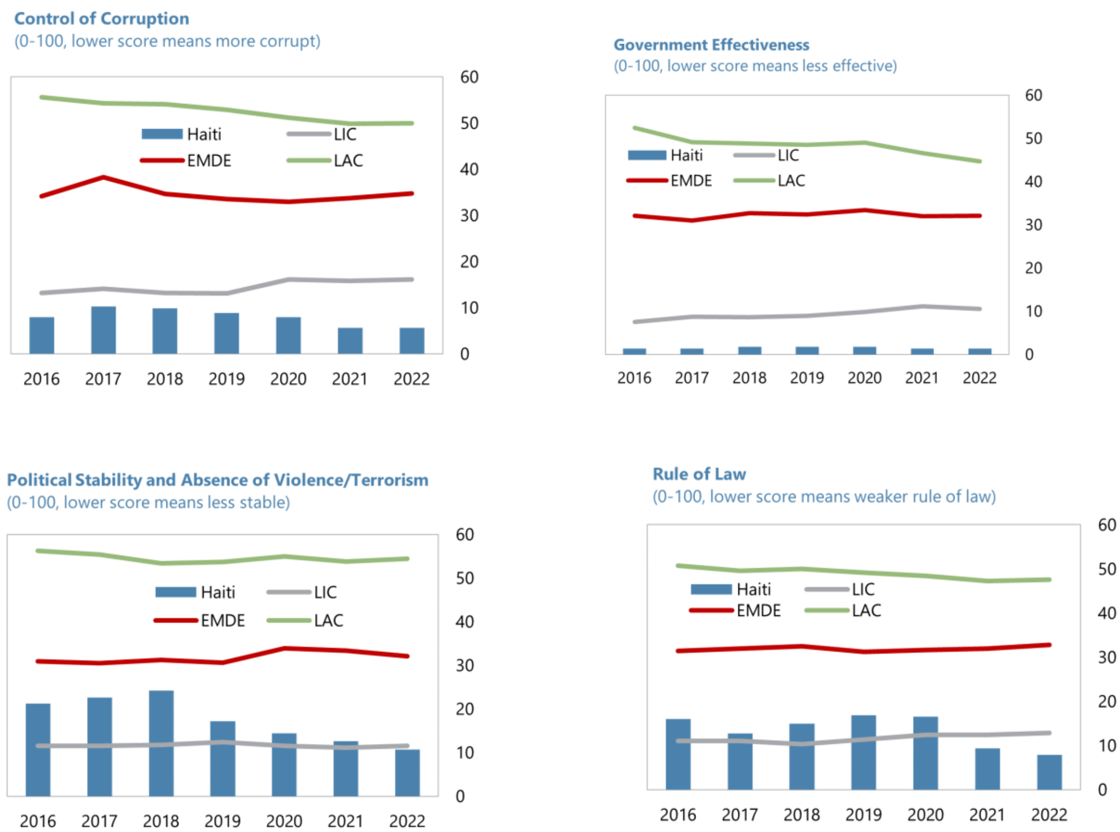
B. Capacity Development Focused on Enhancing Governance and Transparency

Mapping Structural Benchmarks with Capacity Developmnet

Structural benchmarks (SBs) under 2022 SMP	CD Purpose	CD Outcomes
SB 1: **Publish** procurement contracts **SB 2:** Expand Treasury Single Account to include main central budgetary units **SB 3:** Adopt a Medium-Term Fiscal Framework **SB 4:** **Publish** main donor fund (*FAES*) quarterly reports **SB 5:** Draft revisions to the AML/CFT law **SB 6:** Approve new tax code **SB 7:** **Publish** customs codes and tariffs **SB 8:** Make Tax Identification Number compulsory and **publish** database **SB 9:** Amend central bank law **SB 10:** Complete the financial audit of the central bank	Improve governance and transparency in public procurement and public spending Enhance social protection Address deficiencies identified in FATF Action Plan Boost domestic revenue mobilization Build institutions to reduce monetary financing of the deficit, enhance safeguards and central bank governance	Published public procurement contracts; Most extrabudgetary funds are now on budget; Prepared a medium-term fiscal framework with NFPS as anchor; Approved the revisions to the AML/CFT framework; Published quarterly and annual reports on the operations and finances of the main donor funds (FAES); Approved tax code; published codes and tariffs related to customs; Safeguards and revisions of CB framework.

8. **Fund's capacity development (CD) has increased in recent years**. Its delivery was also embedded by the 2022 and 2023 Staff Monitored Programs (SMPs). Each structural benchmark under recent SMPs has been supported by ongoing CD tailored to Haiti's specific circumstances.

Annex I. Figure 3. Selected Governance Indicators



Sources: Worldwide Governance Indicators, D. Kaufmann, and A. Kraay, 2023 Update, and IMF staff estimates.

9. Outcomes of CD on tax reforms, PFM, AML/CFT have been encouraging, owing to the authorities' commitment and to long-term CD. While progress has been non-linear, it has gained momentum. In particular timely publication of monthly execution budget data has greatly improved over the last two years. Looking ahead, the implementation of the new tax code remains a top CD priority for raising much-needed tax revenue to finance the country's large development needs.

10. The ability of the central bank to carry out risk-based supervision has been enhanced through extensive CD provided by staff which is still ongoing. Topics covered by the TA program include assessing banks' risk profile, developing supervisory manuals, and providing training to supervisors to align practices with the Basel standards.

Annex I. Box 1. Integration between Capacity Development and SMPs

In achieving the SMP objectives, the Fund has supported the authorities through the following CD agenda. Furthermore, staff has collaborated with development partners on governance and customs administration issues.

Governance diagnostic assessment; expected to be published in late 2024.

Risk-based supervision to support central bank's efforts.

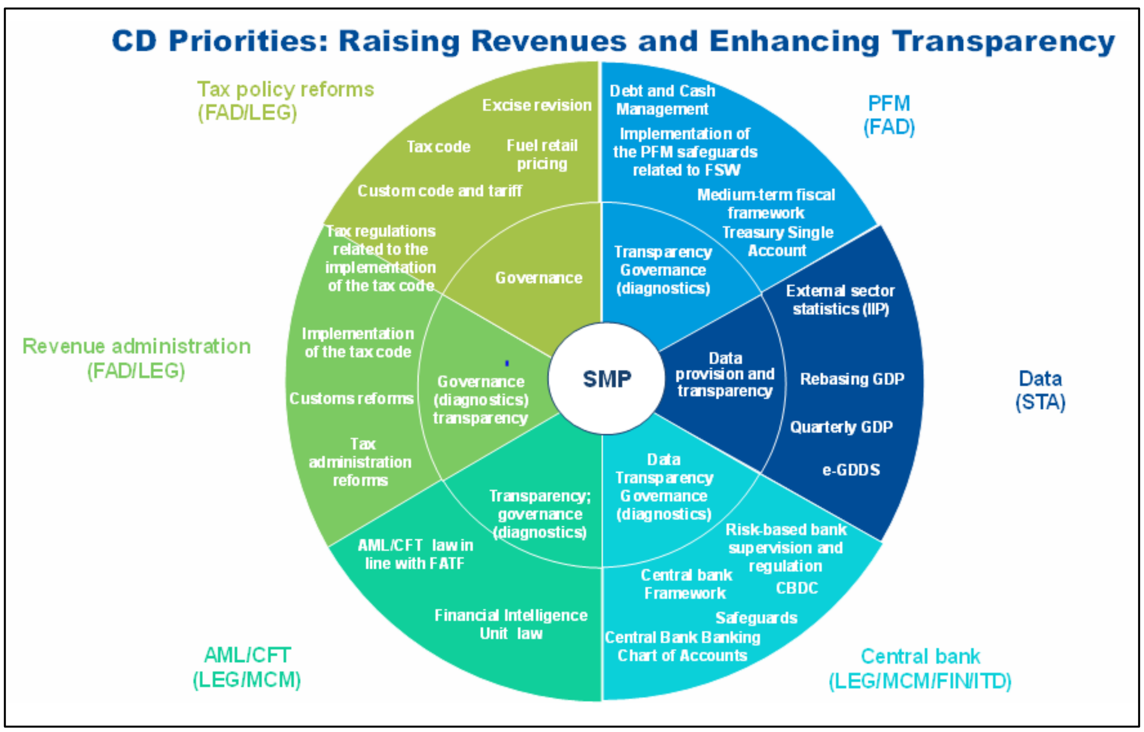
Revision of the excise chapter of the new tax code; ongoing.

Revenue administration and customs reform: to facilitate and ensure a timely and appropriate implementation of the recently approved General Tax Code and strengthen the customs procedures code; ongoing.

Production of quarterly GDP data to address compilation issues also related to annual GDP.

Improvement in the timeliness and quality of balance of payments statistics, including starting the compilation of the reserve template (ongoing).

Transparency of beneficial ownership of legal persons, or designation of AML/CFT supervisors for Designated Non-Financial Businesses and Professions.

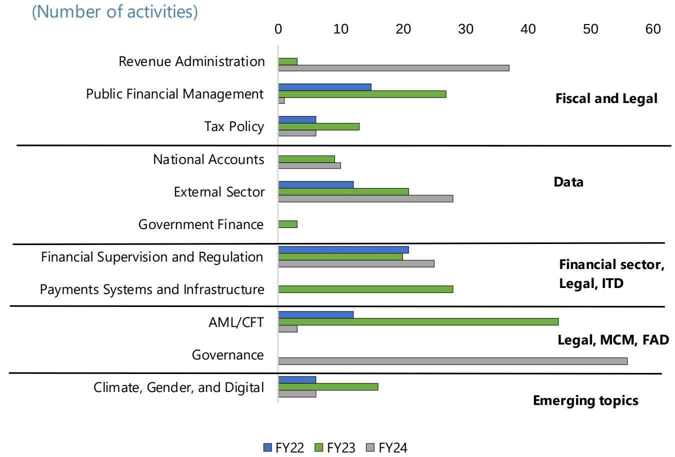


C. Leveraging Partnerships with Development Partners

11. In line with the Fund's Strategy on FCS, leveraging partnerships is necessary to remain focused. Since October 2022, the Fund country team launched a *joint governance matrix,* with key development partners, on governance/PFM to improve coordination efforts and better support the authorities (Appendix I). IMF staff has continued to collaborate closely with Haiti's development partners. Extensive collaboration with development partners was also instrumental in the design of the structural benchmark and quantitative targets of the recent SMPs. Our multilateral partners include the World Bank, IADB, EU, the United Nations (including meeting periodically with UN Ad Hoc Advisory Group on Haiti, chaired by Canada), and the World Food Program (WFP), while the main bilateral partners include the U.S., Brazil, Canada, and France. In collaborating with development partners, Fund staff has leveraged its comparative advantage expertise in macroeconomic and financial policies, by stepping up capacity development, reinforcing the capacity and resources of the Haiti team, and eventually increase the Fund's footprint in the field when security conditions permit.

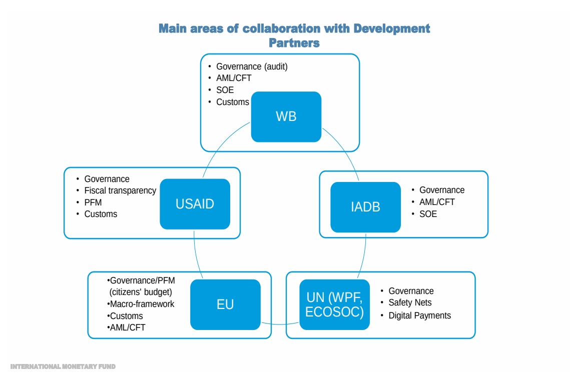
Composition of CD Delivery by Workstream

(Number of activities)



12. Going forward, it will be important to continue ensuring a strong strategic partnership with Haiti's key development partners. Partnerships will be essential for:

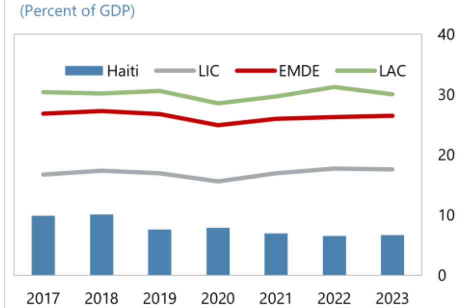
- building sufficient momentum and support for the government's efforts to achieve macroeconomic stability and set Haiti on a sustainable and inclusive growth path;
- catalyzing donor support (strategic partnerships);
- and building institutional capacity in collaboration with other partners (technical partnerships).



13. The Rapid Crisis Impact Assessment (RCIA). The preliminary RCIA prepared between July and October 2024 by the World Bank, the InterAmerican Development Bank, the European Union, and the United Nations in partnership with the government of Haiti provides an initial assessment of the current crisis, which is still ongoing, and provides a recovery framework and an investment plan for next two fiscal years.

General Government Revenue

(Percent of GDP)



Sources: World Economic Outlook Database

14. Re-establishing political stability and security are fundamental to Haiti's economic and social development. Without the return of law and order, it would be impossible to improve the business climate and promote private investment and human capital formation, essential pre-conditions for inclusive and sustainable growth and development.

15. Economic reform priorities over the near-term are many and varied. The reform strategy would focus on four key objectives: (i) maintaining macroeconomic stability and raising growth, with domestic resource mobilization being the first priority; (ii) strengthening governance and transparency, particularly with regard to public finances and procurement; (iii) building a social safety net; and (iv) preparing and implementing a comprehensive package of mitigating measures to accompany fuel adjustments while ensuring that domestic fuel prices are in line international prices. Domestic revenues are among the lowest in the world as a share of GDP and must be increased. Indeed, use of additional government revenues to strengthen the social safety net, enhancing the health and education systems, pay police salaries and improve law and order and defense, and develop key infrastructure will be crucial for garnering public support for the authorities' reform program. The Fund has already provided a large amount of TA in the areas of its comparative advantage and, if the TA recommendations are implemented, these objectives could be achieved.

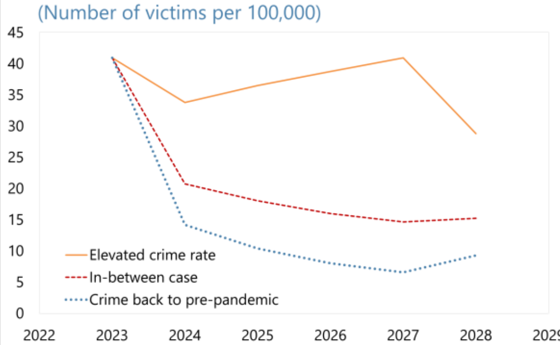
16. Outreach. Strategic communication will be necessary to advance the strategy and raise awareness and understanding of key issues. Outreach should focus on progress achieved by Haiti, especially on issues related to macroeconomic stability and governance in close collaboration with development partner.

Annex II. Impact of Crime on Economic Activity

1. Haiti's security situation has deteriorated in recent years and months.[1] After the assassination of President Moïse in 2021, crime and gang warfare spiked, and gangs now control more than 80 percent of Port-au-Prince. Homicides and kidnappings skyrocketed in 2023 and even more so in 2024. The surge in gang violence caused greater displacements and a contraction of economic activity across all key sectors through multiple channels. It also contributed to the worst food crisis of recent years and to the prolonged inflation crisis. Although crime in Haiti has deep roots in extreme poverty, corruption, and systemic fragility, the intensified gang activity has deepened the challenges posed by crime.

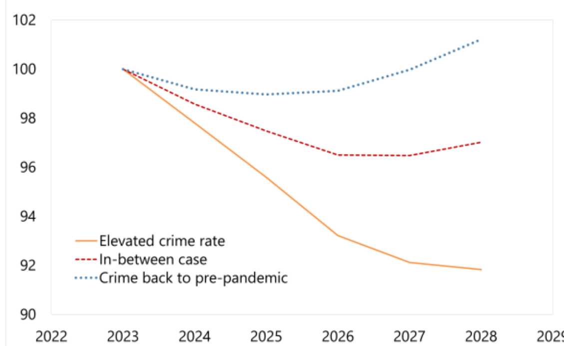
2. This analysis quantifies the impact of the rise in crime on Haiti's real GDP in the medium term and shows that crime significantly reduce economic growth.[2] Should crime (proxied by homicide rate) be reduced to its pre-pandemic level, growth could rise by as much as 1.9 percentage points a year during 2024-28. Two scenarios are used to illustrate the impact of crime on Haiti's GDP. In the first scenario, crime measured by the homicide rate stays high between 2024 and 2028. In the second scenario, the crime rate falls to pre-pandemic levels for the same period. Real GDP growth contrasts sharply in the two scenarios: average annual real GDP growth contracts by 1.6 percent in the former scenario but expands by 0.2 percent in the latter. One caveat is that the simulation exercises do not consider other drivers of growth and, hence, these numbers should not be interpreted as GDP projections.

Haiti: Homicide Rate under Different Scenarios
(Number of victims per 100,000)



Sources: World Bank Indicators, and the World Economic Outlook database.

Haiti: Real GDP under Different Scenarios



Sources: World Bank Indicators, and the World Economic Outlook database.

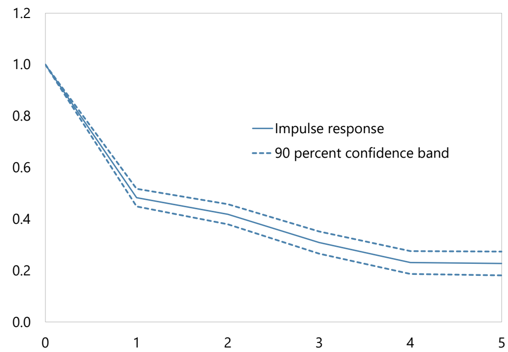
3. The analysis reveals the strong scarring effects of crime. A closer look at the dynamic response of crime and real GDP to a shock in crime suggests that, based on the average international experience, the economy would not recover fully, even over the medium term, without additional measures. The real homicide rate will exceed the pre-shock level persistently even five years after the shock, and real GDP will stay below the pre-shock level. The size of the impact is

[1] Prepared by Weicheng Lian (WHD).

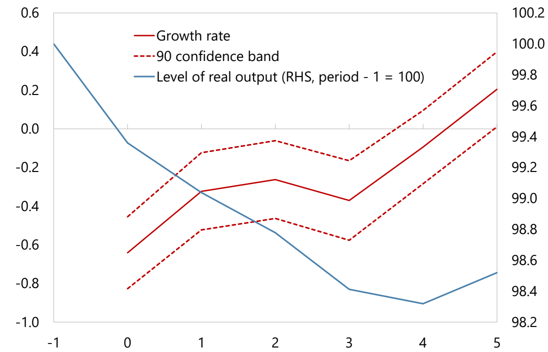
[2] The model is based on a global sample of 166 countries over the period of 1992-2021. Homicide rate is used as a measure of crime, following a standard practice in the literature (See IMF REO, online Annex 4. Crime and its Macroeconomic Consequences in Latin America and the Caribbean).

large: for a 50 percent increase in the homicide rate, real GDP would remain below the pre-shock level by 1/2 percent of GDP five years after the shock. This is because crime and insecurity affect negatively productivity, capital accumulation and give rise to brain drain and displacements. The uncertainty regarding the evolution of the security crisis amplifies the adverse economic effects of crime through persistent scarring.

Persistently Higher Homicide Rate 5 Years Post-Shock



Impact of 50% Increase in Homicide Rate on Real Output



Sources: World Bank Indicators, and the World Economic Outlook database.

4. The analysis also assesses the impact of crime on investment. Crime affects growth through two channels, namely, i) its negative impact on investment and ii) its negative impact on consumption, employment, and production efficiency. We run two scenarios, one where the homicide-rate remains elevated in 2024-28 and one where it returns to its-pre-pandemic level. In the first scenario, GDP growth (per year) is 1.9 percentage points lower than in the second scenario, largely on account of the lower investment path (explaining 1.1 percentage points of the overall difference).

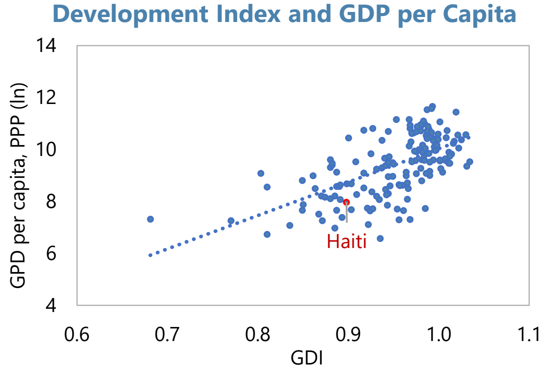
Annex III A. Closing Gender Gaps

Staff's estimates show that closing the gender gap in labor force participation could increase Haiti's GDP by between 5 and 15 percent in the long term. We also take stock of the existing gender gaps in Haiti comparing Haiti to peer countries—low-income countries, fragile and conflict-affected states, and Caribbean countries and how they constrain the country's economic outcomes. Finally, we examine the policies and reforms that could help reduce gender disparities, particularly in the labor market, to reap large growth gains.[1]

A. Introduction

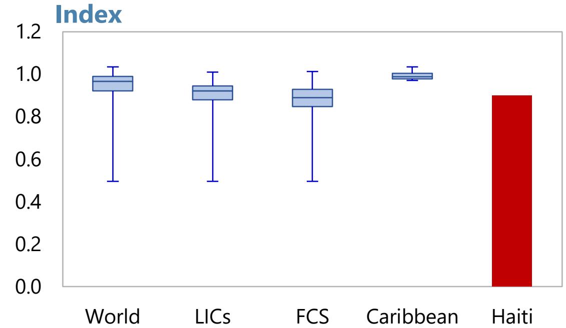
1. **Many studies have underscored how gender gaps in various dimensions—including education, labor force participation, access to resources, and political representation—can affect macroeconomic and financial outcomes, especially growth**. Countries with higher levels of gender development tend to have higher income levels (Figure 1). Investing in female education not only increases women's economic opportunities but also has positive intergenerational effects on children's health and education (Schultz 2002). Closing the gender gap in education can also increase the pool of skilled workers and boost innovation and productivity (Duflo 2012). Likewise, encouraging and supporting female entrepreneurs can lead to job creation and innovation and fuel economic growth (Kochhar and others 2017). Conversely, unequal access to financial services, including credit and savings, increases income inequality (Aslan and others 2017) and can hinder women's economic empowerment. Legal reforms and property rights that empower women are key in reducing gender disparities and supporting economic development and convergence (World Bank 2012, 2019; Server 2022). Reducing gender-based violence can also boost economic growth substantially (Ouedraogo and Stenzel 2021) and help reduce fragility.

Annex III A. Figure 1. Gender Development Index and GDP per Capita



Sources: United Nations Development Programme, World Bank, and IMF staff calculations, 2021 data.

Annex III A. Figure 2. Gender Development Index



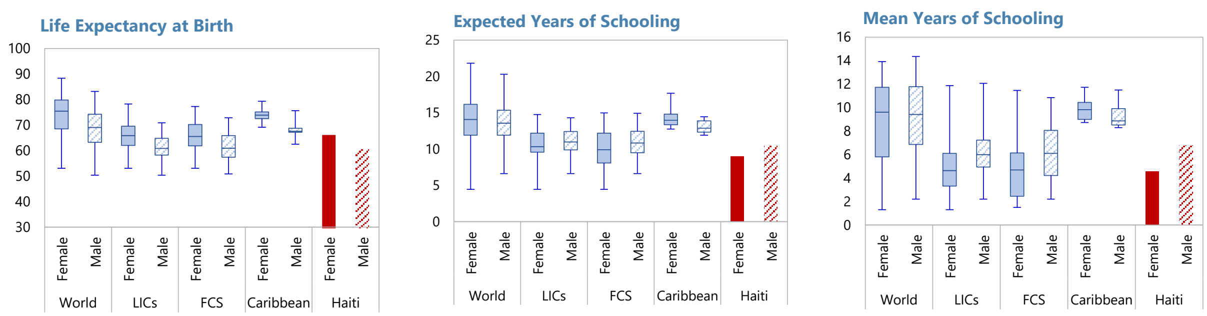
Sources: United Nations Development Programme and IMF staff calculations, 2021 data.

[1] Prepared by Arsène Kaho (WHD).

B. Gender Gap Trends in Haiti

2. Gender development in Haiti, as measured by the United Nations Development Programme (UNDP) Gender Development Index (GDI), is one of the lowest in the world. This index measures gender inequalities in three dimensions of human development: i) health, measured by life expectancy at birth for women and men; ii) education, measured by expected years of schooling for female and male children and mean years of schooling for female and male adults 25 years and older; and iii) command over economic resources, measured by female and male estimated earned income. Haiti's GDI, on a downward trend starting in 2016, stood at 0.898 in 2021, falling in the first quartile worldwide. It remains slightly above the median for other FCS, but well below the median for LICs and Caribbean countries (Figure 2). The country's performance is also lagging peer FCS and LICs with regard to education-related components in the index—for both female children and adults (Figure 3). Women's life expectancy, however, remains higher than men's in Haiti and also above the median for women in LICs and FCS.

Annex III A. Figure 3: Haiti: Gender Development Indicators



Sources: United Nations Development Programme and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states, 2021 data.

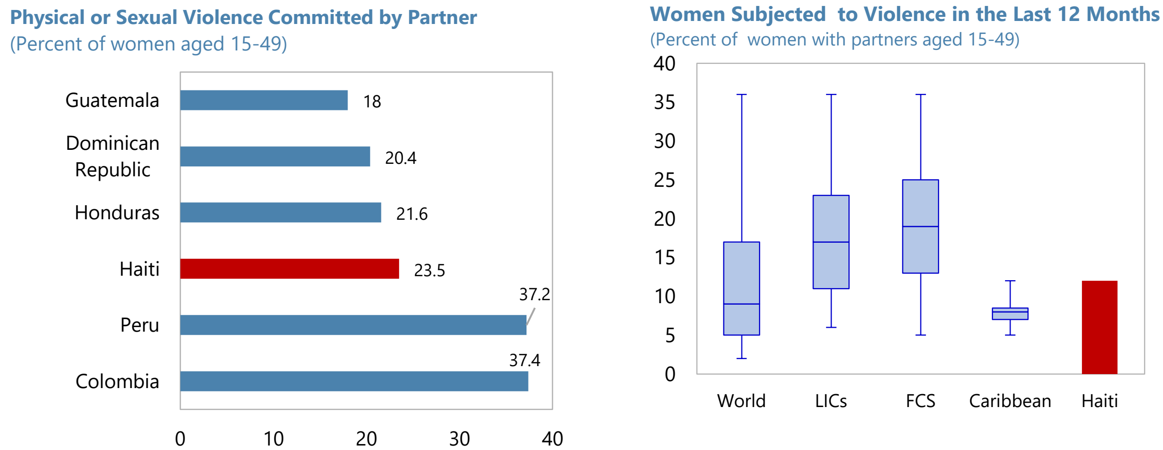
3. Weak gender development in Haiti reflects relatively limited opportunities for women. In addition to their lower levels of education relative to men, women have less access to financial services and face greater constraints in starting and running businesses (Figure 4). The country's high rate of maternal mortality—falling in the fourth quartile worldwide and well above the median for LICs and FCSs—and elevated gender-based violence (Figure 5) are additional major impediments to women's empowerment and development.

4. The limited opportunities for women's empowerment in Haiti mean they experience unfavorable economic conditions. Even though women's labor force participation appears relatively high—slightly above the third quartile worldwide—it remains more than 8 percentage points lower than Haitian men (Figure 6). In addition, Haitian women's unemployment rate, in general—and especially for women with basic education—remains among the highest in the world. Their unemployment rate is above the third quartile worldwide, with the latter being four times higher than the median of LICs and three times higher than the median of FCSs. Also, when employed, women's income averages one quarter below men's (Figure 3) and women's jobs are more likely to be vulnerable (Figure 6).

Annex III A. Figure 4: Selected Gender Opportunity Indicators

Sources: United Nations Development Programme, World Bank World Development Indicators and Women, Business, and the Law Index, and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states

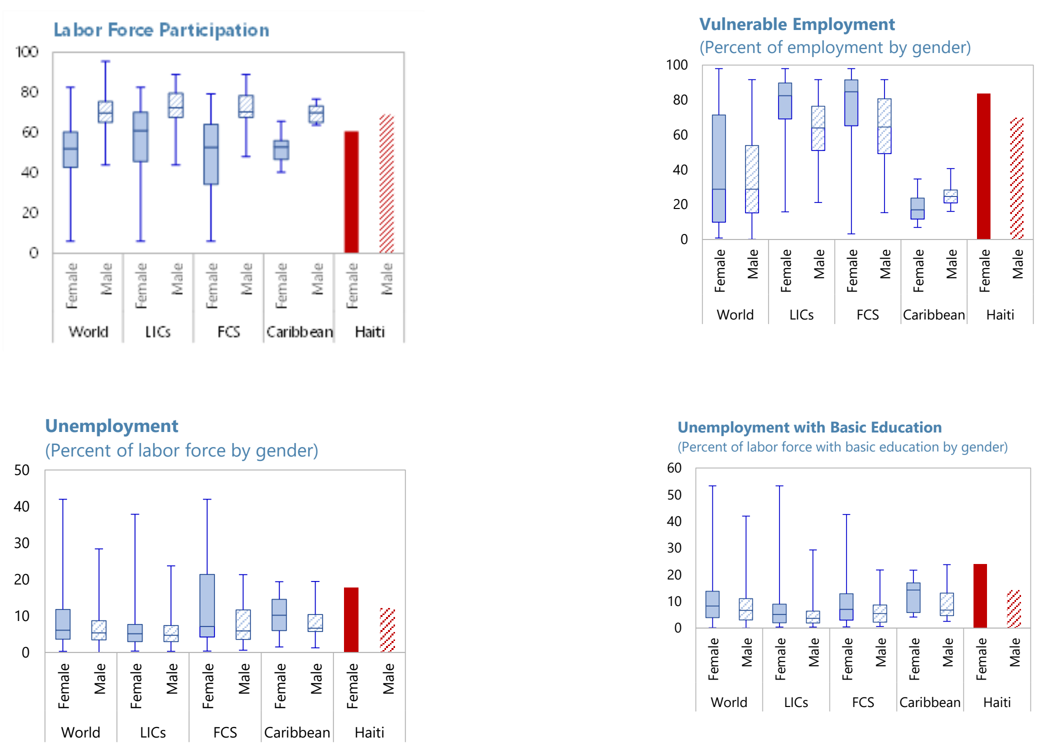
Annex III A. Figure 5: Selected Gender Based Violence Indicators



Sources: The United Nations Office on Drugs and Crime's International Homicide Statistics database and Inter-Agency Working Group on Violence Against Women, World Health Organization, Global Health Observatory Data Repository, and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states.

5. **The representation of women at the parliamentary level has been very low** (see Annex III B, Figure 2). Women accounted for less than 3 percent of members in the latest parliamentary elections, one of the lowest rates of parliamentary representation in the world.

Annex III A. Figure 6: Selected Gender Outcomes Indicators

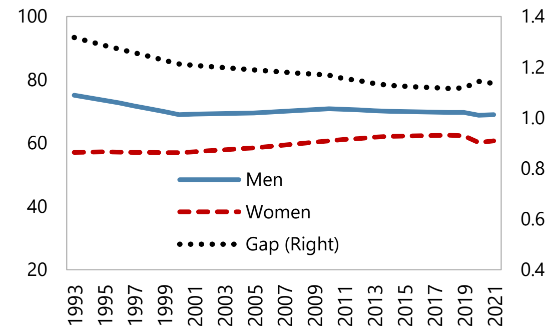


Sources: International Labour Organization and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states.

C. Potential Gains from Closing Gender Gaps in Labor Market Participation

6. We estimate the GDP gains that would accrue from reducing the gender gap in labor market participation would be sizable, ranging between 5 to 15 percent. Although this gender gap has narrowed over the past 30 years, it remains considerably elevated and it widened further in 2019 and 2020 (Figures 7), owing to the deteriorating security situation and political instability in the country. The narrowing of the gap is also attributable mainly to the decline in the male participation rate rather than to the modest increase in the female rate. Closing this gap would be beneficial but also economically as women bring new skills and ideas to the workplace that could boost overall productivity.

Annex III A. Figure 7: Labor Force Participation Rate



Sources: International Labor Organization and IMF staff calculations.

7. **The methodology used to estimate GDP gains from greater gender diversity in the labor force draws on Ostry, Alvarez, and Papageorgiou (2018)**. The authors distinguish between female and male labor in the production function and estimate the elasticity of substitution between these two production factors. The estimated elasticity of substitution (about 2) implies that female and male labor forces are complementary. Hence, greater female labor force participation increases GDP as the labor force rises and this increase is compounded because of the complementarity between women and men. Thus, the stronger the complementary relationship, the greater the positive effect on growth.

D. Policies to Close Gender Gaps in Labor Market Access

8. **A multipronged approach is needed to support the authorities' efforts to address the many obstacles to boosting women's participation in the labor market**. Implementation of these policies must be accelerated, as most of them will only have an impact over the medium to long term. This requires sustained investment and a stable institutional framework. The policies would include the following:

- **Tailoring a gender-friendly tax system**. As recent research has confirmed (Fabrizio and others 2020 and Coelho and others 2022), tax reforms can help reduce women’s disincentives to work. Reforms to the taxation of labor income would have the largest impact on gender inequality, with more progressive and individualized systems contributing the most to reducing gender gaps in the labor market and employment.

- **Improving women's health and reducing maternal mortality**. This will require not only increasing investment in the construction of new health facilities and the upgrading of existing ones, while enhancing staff skills, but also reducing access costs and improving the quality of services offered to women.

- **Raising women's level of education and job skills**. As in the health sector, sustained investment is needed to increase girls' access to quality education and vocational training. More urgently, efforts must be made to reduce the gender gap in terms of mean years of schooling, school attendance, and educational achievement by tackling the social and economic drivers of these disparities.

- **Ramping up social programs targeting vulnerable and poor women**. The scaling up of existing social safety net programs, including by better targeting women most in need, should help address barriers to women's access to the healthcare system and improve girls' educational outcomes.

- **Increasing women's financial inclusion**. Harnessing the potential of fintech could foster women's access to finance and accelerate their empowerment. This requires strengthening the country's existing digital infrastructure (see Note on Reaping the Benefits of Digitalization in Haiti), including Internet access, and conducting awareness raising campaigns to increase women's digital literacy.

- **Stepping up the fight against gender-based violence**. This demands stronger prevention, warning, and education tools for communities, as well as victim-support and grievance mechanisms, including strong support by the judicial system.

9. To enhance the accountability and effectiveness of policies aimed at improving gender equality, the authorities could consider implementing gender-responsive budgeting. This would allow closer monitoring and evaluation of government gender policy budget commitments to ensure they are met.

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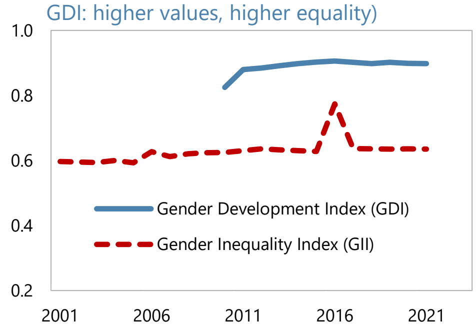
Annex III B. Macro-Critical Gender Gaps: The Case of Haiti

1. Overall, gender inequality in Haiti has remained stable and continues to be higher than in most Latin American and Caribbean countries (Figure 1), according to composite indicators[1] of gender inequality—such as the Gender Inequality Index and the Gender Development Index that measure different dimensions of gender equality of opportunity, outcomes and representation.[2]

Annex III B. Figure 1: Composite Indicators of Gender Inequality

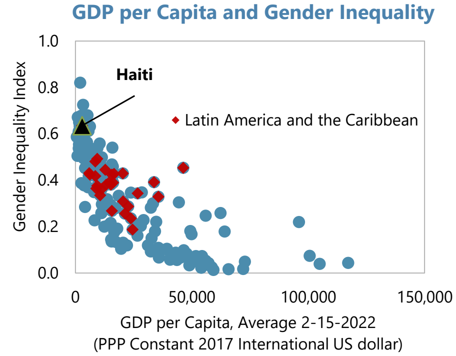
There has been little change in overall indicators of gender inequality in Haiti over the past decade…

Composite Gender Indices
(Index, 0-1; GII: higher value, lower equality; GDI: higher values, higher equality)



… and the level of inequality remains elevated relative to regional peers.

GDP per Capita and Gender Inequality



Sources: United Nations Development Programme , World Bank World Development Indicators, World Economic Forum and IMF staff calculations.

2. Inequality of outcomes and representation remains an issue (Figure 2). The gap between female and male labor force participation rates has declined, but the share of seats held by women in national parliaments lags regional comparators. Women are less likely to be wage and salaried workers.

3. Haiti has made limited progress in gender equality in its legal system over the past decades. Several areas call for further improvement (Figure 3). The World Bank's Women Business and the Law Report (2024) highlights an overall legal score of 52.5 (out of 100) for Haiti, below the average for Latin America and the Caribbean. Gaps persist in the areas of safety, marriage, parenthood (e.g., availability of maternity leave, paid leave for fathers), childcare services, and entrepreneurship.

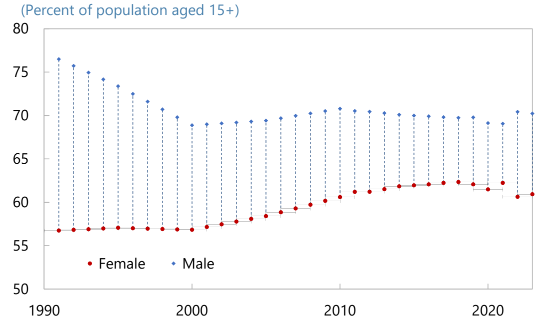
[1] Prepared by Jiajia Gu, SPR.

[2] The GDI captures health (female and male life expectancy at birth), education (female and male expected years of schooling for children; female and male mean years of schooling for adults), and female and male estimated earned income. The GII captures reproductive health (maternal mortality, adolescent fertility), empowerment (education, political representation), and gender gaps in labor force participation.

Annex III B. Figure 2: Outcomes and Representation

The gender gap in labor force participation has declined over the past decades but gap remains…

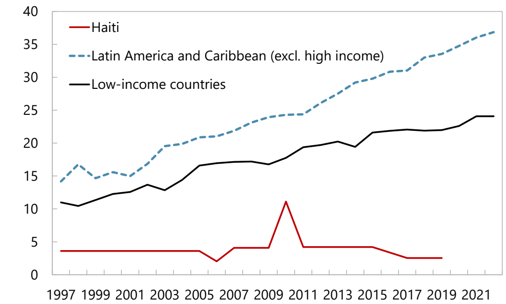
Labor Force Participation Rate
(Percent of population aged 15+)



Source: World Bank Gender Data Portal.

Female representation in national parliament is below regional comparators…

Proportion of Seats Held by Women in National Parliaments

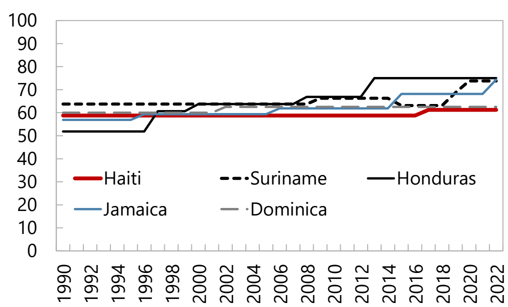


Sources: World Bank, World Development Indicators and IMF staff estimates.

Annex III B. Figure 3: Legal Rights

Haiti has made limited progress in legal rights over the past decades…

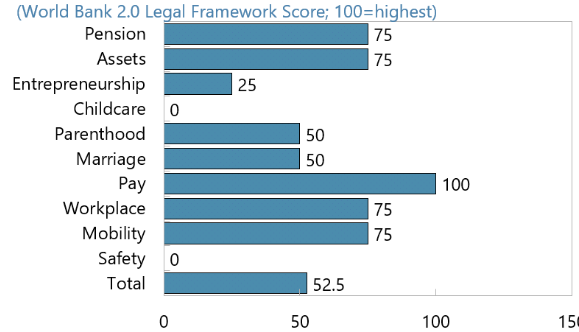
Legal Rights Index
(Index 0-100, higher values higher equality)



Source: World Bank, Women Business and the Law.

…with several gaps still existing in legal equity between women and men.

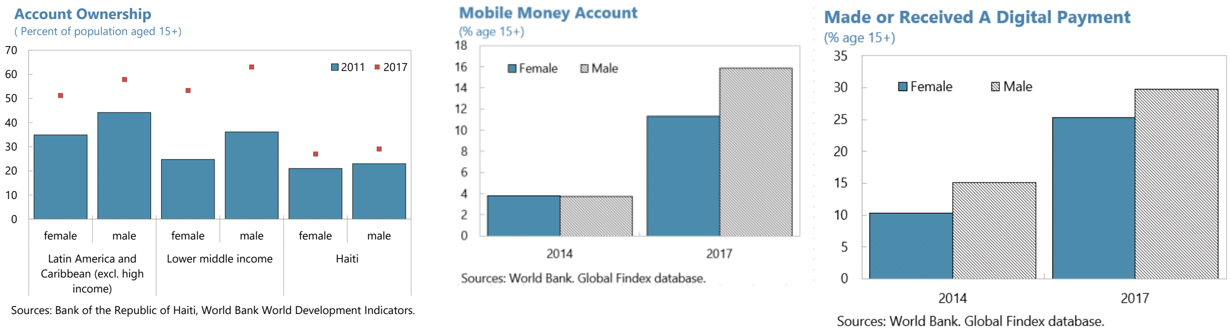
Legal Equity
(World Bank 2.0 Legal Framework Score; 100=highest)



Sources: World Bank, Women Business and the Law (2024).

4. **Haiti has made progress in financial inclusion, but gender gaps persist in some areas.** In 2017, 13 percent of women had savings in financial institutions, compared to 11 percent of men. While account ownership rates for both genders increased from 2011 to 2017, a 2-percentage points gender gap remains, and financial access for both men and women are lower than for regional comparators. In 2019, 47 percent of women and 45 percent of men remained completely excluded from the formal financial system. Women are underrepresented in access to credit, with 64 percent of credit allocated to men and 36 percent to women in 2023. This imbalance could negatively impact women's entrepreneurial activities and overall economic growth. As noted in the Central Bank's National Strategy for Financial Inclusion, these gaps highlight the importance of designing policies to support the needs of targeted groups.

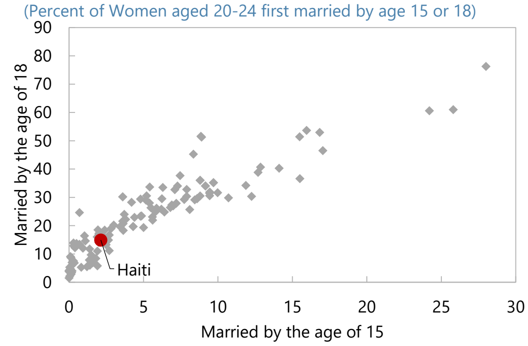
Annex III B. Figure 4: Opportunities and other Issues



5. **Child marriage remains significant in Haiti** (Figure 5). About 22 percent of women are married by the age of 18. High rates of child marriage could lead to high rates of adolescent (and risky) pregnancy—increasing the risk of maternal death and putting pressure on the health sector. Additionally, they also result in lower secondary enrollment rates for girls. According to the IMF's Child Marriage Toolkit, eliminating child marriage in Haiti could potentially increase per capital growth by 0.9 percentage point.

Annex III B. Figure 5: Child Marriage

(Percent of Women aged 20-24 first married by age 15 or 18)



Source: United Nations Population Fund (UNFPA).

6. **Haiti has high levels of Gender-based violence**. According to the World Bank's Gender Based Violence Country Profile, physical violence affects 28 percent of women ages 20 to 45 in the country. In 45 percent of cases, the act of violence is perpetrated by the intimate partner. In Haiti, the proliferation of gang attacks, kidnappings, political and economic upheaval increases violence against women. Gender inequalities, a root cause of gender-based violence, is now understood as one of the drivers of fragility, conflict and violence. According to IMF research, a one ppt decrease in the share of women who experience intimate partner violence is associated with an 8-9 percent increase in economic activity.

7. **Investing in infrastructure and services could disproportionately increase women's economic activity**. Access to electricity has improved in Haiti, but a significant gap remains between rural and urban areas. These gaps disproportionately burden women's time as they typically undertake unpaid work, including fetching water, cooking, laundry, cleaning, and other household chores. Improving such infrastructure could therefore have a disproportionate impact on women's time and their economic activity. There is also a significant unmet demand for contraception by women in Haiti, according to the latest data.

8. Table 1 highlights other potential macrocritical gender inequalities for Haiti, while Table 2 shows the data availability on macrocritical gender gaps. In particular, gender disaggregated data on school enrollment, literacy, STEM education, informal employment and gender wage gap could be collected or updated, including as part of general efforts to strengthen data collection.

Table 1. Haiti: Selected Indicators of Gender Inequality

	2017	2018	2019	2020	2021	2022	Latin America and the Caribbean 1 /				
							Latest year available	25th Percentile	75th Percentile	Median	Average
Composite Gender Indices											
Female Human Capital Index (HCI) 2/	0.46	0.46	...	0.46	...	...	2020	0.53	0.62	0.59	0.57
Gender Development Index (GDI)	0.92	0.92	0.93	0.93	0.93	0.93	2022	0.97	1.00	0.99	0.99
Gender Inequality Index (GII) 3/	0.63	0.63	0.62	0.62	0.62	0.62	2022	0.33	0.42	0.39	0.38
Global Gender Gap Index 2/	...	...	...	...	...	...	2022	0.71	0.75	0.74	0.73
Women Business and the Law Index (WBL) 4/	61.25	61.25	61.25	61.25	61.25	61.25	2022	74.38	87.81	80.94	80.55
Labor and Income											
Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15-64 yrs)	-10.25	-10.11	-10.39	-10.26	-9.65	-12.25	2022	-21.52	-22.52	-24.44	-23.83
Gender Wage Gap 5/	...	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Informal Employment Rate	...	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15-64 yrs)	-7.58	-7.40	-7.72	-7.64	-6.82	-9.79	2022	-23.24	-19.07	-25.34	-23.83
Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15-64 yrs)	5.65	5.67	5.73	5.85	5.94	5.99	2022	1.54	3.74	2.98	2.74
Gender Gap in Gross Pension Replacement Rate (as share of average worker earnings)	...	...	...	...	...	...	...	...	...	...	...
Leadership and Social											
Proportion of Seats Held By Women in National Parliaments	2.54	2.54	2.54	...	...	...	2022	19.38	35.48	28.23	29.40
Proportion of Women in Managerial Positions	...	...	...	...	...	...	...	...	...	...	...
Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent) 3/	...	23.00	...	...	...	...	2018	21.00	28.00	24.00	24.88
Access to Finance											
Gender Ratio: Number of Household Loan Accounts with Commercial Banks (Females' Accounts for 1,000 Female Adults / Males' Accounts per 1,000 Male Adults)	...	...	...	...	...	...	...	...	...	...	...
Gender Ratio: Number of Household Deposit Accounts with Commercial Banks (Females' Accounts per 1,000 Female Adults/ Males' Accounts per 1,000 Male Adults)	...	...	...	...	...	...	...	...	...	...	...
Gender Gap in Adults Who Borrowed From a Financial Institution (Share of Female - Share of Male, percentage points)	1.19	...	...	...	...	...	2021	-1.69	-7.17	-7.59	-10.12
Gender Gap in Adults Who Own a Financial Institution Account (Share of Female - Share of Male, percentage points)	-2.16	...	...	...	...	...	2021	-3.84	-2.27	-7.94	-6.28
Gender Gap in Adults with Mobile Money Account (Share of Female - Share of Male, percentage points)	-4.57	...	...	...	...	...	2017	-2.46	-4.65	-2.53	-2.17
Gender Gap in Adults Who Made or Received Digital Payments in the Past Year (Share of Female - Share of Male, percentage points)	-4.44	...	...	...	...	...	2021	-5.05	-1.47	-6.86	-7.46
Education											
Gender Gap (F-M) in Adult Literacy Rate	...	...	...	...	...	...	...	...	...	...	...
Gender Gap (F-M) in Mean Years of Schooling	-1.37	-1.31	-1.25	-1.19	-1.19	-1.19	...	...	...	...	...
Gender Gap (F-M) in Primary Gross Enrollment Rate	...	...	...	...	...	...	2021	-0.78	-1.11	-1.44	-1.30
Gender Gap (F-M) in Secondary Gross Enrollment Rate	...	...	...	...	...	...	2021	4.17	3.03	3.11	6.71
Gender Gap (F-M) in Tertiary Gross Enrollment Rate	...	...	...	...	...	...	...	...	...	...	...
Health											
Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults	-95.51	-96.25	-102.58	-102.38	-102.12	...	2021	-76.56	-104.49	-96.55	-92.54
Gender Gap (F-M) in Life Expectancy at Birth	5.65	5.69	6.01	5.99	5.72	...	2021	6.34	5.81	6.04	6.32
Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs) /3	351.00	359.00	349.00	350.00	...	...	2020	43.00	96.00	71.50	82.87
Total Fertility Rate (Births Per Woman)	3.02	2.96	2.92	2.87	2.81	...	2021	1.58	2.32	1.82	1.86

Source: GenderDataHub /8

1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights used for averages, are available on the Gender Data Hub.
2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.
3/ A higher value on this indicator corresponds to worse outcomes for women. For example, the Gender Inequality Index is scored on a scale of 0-1, where a higher score indicates higher inequality.
4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.
5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSO 08 Classification.
6/ Gross enrollment rates can exceed 100% due to the inclusion of over-aged and under-aged pupils/students because of early or late entrants, and grade repetition.
7/ The adult mortality rate refers to the probability that those who have reached age 15 will die before reaching age 60 (shown per 1,000 persons). In other words, a value of 150 means that out of 1,000 persons who have reached age 15, 150 are expected to die before reaching age 60, and 850 are expected to survive to age 60. This is based on a "synthetic cohort": current life-table mortality rates are applied to the current cohort of 15 year olds, assuming no changes in mortality.
8/ See Gender Data Hub metadata for original data sources and definitions.

Table 2. Haiti: Availability of Gender Disaggregated Data

Country Name	Area Dept	N. missings	Enroll Second	Literacy	LFP	Employment	Informal Empl	Wage Gap	WBL	Account	Credit	Mat Mortality
Aruba	WHD	9	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗
Dominica	WHD	8	✓	✗	✗	✗	✗	✗	✓	✗	✗	✗
St. Kitts and Nevis	WHD	8	✓	✗	✗	✗	✗	✗	✓	✗	✗	✗
Antigua and Barbuda	WHD	7	✓	✗	✗	✗	✗	✗	✓	✗	✗	✓
Grenada	WHD	7	✗	✗	✗	✗	✓	✗	✓	✗	✗	✓
Bahamas, The	WHD	5	✓	✗	✓	✓	✗	✗	✓	✗	✗	✓
Barbados	WHD	5	✓	✗	✓	✓	✗	✗	✓	✗	✗	✓
St. Vincent and the Grenadines	WHD	5	✓	✗	✓	✓	✗	✗	✓	✗	✗	✓
Belize	WHD	4	✓	✗	✓	✓	✗	✓	✓	✗	✗	✓
Haiti	WHD	4	✗	✗	✓	✓	✗	✗	✓	✓	✓	✓
Nicaragua	WHD	4	✗	✗	✓	✓	✗	✗	✓	✓	✓	✓
Puerto Rico	WHD	4	✓	✓	✓	✓	✗	✗	✓	✗	✗	✓
St. Lucia	WHD	4	✓	✗	✓	✓	✓	✗	✓	✗	✗	✓
Suriname	WHD	4	✓	✓	✓	✓	✗	✗	✓	✗	✗	✓
Trinidad and Tobago	WHD	4	✗	✗	✓	✓	✗	✗	✓	✓	✓	✓
Canada	WHD	3	✓	✗	✓	✓	✗	✗	✓	✓	✓	✓
Guyana	WHD	2	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓
Jamaica	WHD	2	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓
United States	WHD	2	✓	✗	✓	✓	✗	✓	✓	✓	✓	✓
Argentina	WHD	1	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
Colombia	WHD	1	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
Guatemala	WHD	1	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
Honduras	WHD	1	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓
Uruguay	WHD	1	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓
Bolivia	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Brazil	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chile	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Costa Rica	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dominican Republic	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ecuador	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
El Salvador	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mexico	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Panama	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paraguay	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peru	WHD	0	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Total		96	6	16	5	5	15	19	1	13	13	3

Source: IMF, Gender Data Hub.

Note: LFP = labor force participation rate; WBL = women, business, and the law index.

Annex IV. Risk Assessment Matrix

Source and Relative Likelihood	Impact	Policy Response
Global Risks		
High **Commodity price volatility**. Supply and demand fluctuations (e.g., due to conflicts, export restrictions and OPEC+ decisions) cause recurrent commodity price volatility, external and fiscal pressures, and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High **ST/MT** Persistent inflationary pressures. Eroding real incomes. Worsening fiscal and external balances.	Protect the vulnerable through targeted fiscal measures. Continue the fuel subsidy reform to ensure long-term fiscal sustainability.
Medium **Global growth slowdown**. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	High **ST/MT** Lower remittances from the United States, creating large adverse spillovers to the broad economy. Worsening fiscal and external balances.	Protect the vulnerable through targeted fiscal measures. Monitor financial risks closely and strengthen banking supervision.
High **Deepening geoeconomic fragmentation**. Broader conflicts inward-oriented policies and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary systems, and lower growth.	High **ST/MT** Cancellation of HOPE/HELP trade preferences. Lower FDI inflows.	Improve competitiveness through structural reforms.
Medium **Climate change**. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	High **MT/LT** Lower long-term growth and FDI inflows.	Seek donor financing to build ex ante structural and financial resilience and enhance post-disaster response.
Domestic Risks		
High **Worsening security and political instability**. Interruptions or delays in the full deployment of the Multinational Security Support Mission. Intensification of gang criminal activity. A delay in planned elections due to persistent insecurity.	High **ST/MT** Further displacements of people, restrictions to flow of people and supply chain disruption (including fuel shortages), lower FDI inflows and long-term growth.	Continue to coordinate closely with development partners and intensify request for international support to enhance security. Prioritize government spending, ensure sound financial institutions, strengthen governance, including AML/CFT publishing timely and accurate data to reassure markets and donors.

Domestic Risks		
High **Natural disasters**. Hurricanes, heavy rains, earthquakes, and droughts.	**High ST/MT** Disruption in economic activity, lower FDI inflows and long-term growth.	Seek donor financing to build structural resilience and enhance post-disaster response.
High **Infectious diseases**. Depleted sanitation and health infrastructure leads to outbreaks of communicable diseases (e.g., cholera, tuberculosis).	**High ST/MT** Disruption of economic activities and lower long-term growth. Increased pressure on public health system,	Increase the health spending targeted at infectious diseases. Seek international donor support for building resilience and addressing emergencies.
Medium **Insufficient international support**. Financial support is delayed and insufficient to address short-term security and humanitarian needs, and to support the medium-term reconstruction and institutional needs.	**High ST/MT** Persistence of insecurity, impediments to economic activity, and worsening of the humanitarian crisis. Increased pressure on fiscal resources.	Intensify outreach to donors. Increase international communication on financing needs.

Annex V. Domestic Revenue Mobilization: Reaping the Benefits of Digitalization Through GovTech

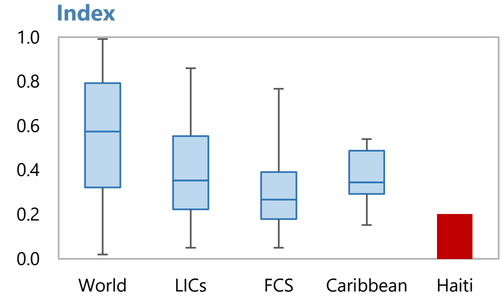
A. Introduction and Main Messages

1. **Digitalization is a strong lever to transform developing countries' economies and improve governance and public sector efficiency.** In this note, we assess Haiti's progress in digitalization in public administration and offer recommendations for closing the country's digital gap with benchmark countries. Using an econometric model, we estimate the revenue gains from strengthening the digital infrastructure of customs administration, which would reduce opportunities for fraud and smuggling. We estimate that the tax revenue generated could range between US$129 and US$189.3 million, or between 0.6 and 0.9 percent of GDP.[1]

2. **Haiti can realize potential gains in tax revenue with increased digitalization of the public sector.** The next session reviews Haiti's progress in public sector digital transformation as measured by the World Bank Govtech Maturity Index (GTMI). Haiti's performance is benchmarked against comparable country groups, including Low-Income countries (LICs), Fragile and Conflict-Affected States (FCS), and Caribbean countries (Car). In the third section, we estimate the tax revenue gains that could result from reduced fraud and smuggling, which could be achieved by strengthening the digital systems of the customs administration—*Administration Générale des Douanes* (AGD). Finally, we take stock of current initiatives to accelerate digitalization of the tax administration—*Direction Générale des Impôts* (DGI)—and AGD discusses additional measures to support these efforts. A box on the review of the literature on the benefits of GoveTech is presented at the end.

B. Assessing Progress in Public-Sector Digitalization

Annex V. Figure 1: GovTech Maturity Index



Sources: World Bank GovTech database and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states.

3. **Progress in the digitalization of the public sector in Haiti is assessed using the World Bank Govtech Maturity Index (2022)**. This index measures—on a scale of 0 to 1—the maturity of countries in terms of digital transformation of public administrations in four areas: (i) core government systems and shared digital platforms, (ii) online service delivery, (iii) digital citizen engagement, and (iv) GovTech enablers (further details on this index are provided here). Haiti's GTMI score fell to 0.202 in 2022 from 0.272 in 2020, placing the country in

[1] Prepared by Arsène Kaho (WHD).

Group D[2]—countries with a low or minimal focus on GovTech development. Haiti's score is well below the global median and those of LICs, FCSs, and other Caribbean countries (Figure 1).

4. Haiti's weak overall GTMI score is attributable mainly to a poorer performance on three of the four indices that constitute this index (Figure 2). These include the Core Government Systems Index (CGSI—assessing the integrated approach to government digital architecture and systems, including government cloud interoperability framework); the Public Service Delivery Index (PSDI— measuring the maturity of online public service portals, with a focus on citizen-centric design and universal accessibility); and the GovTech Enablers Index (GTEI-capturing strategy, institutions, laws, and regulations, as well as digital skills and innovation policies and programs to foster GovTech). As to the fourth index, Digital Citizen Engagement Index (DCEI—measuring aspects of public participation platforms, citizen feedback mechanisms, open data, and open government portals), Haiti's score is above the median for FCSs and Caribbean countries and close to the median for LICs.

5. The deficiencies in Haiti's public-sector digital environment identified by the GTMI survey are multiple and cover a wide range of areas. These include the following, with respect to the four areas covered by the GTMI:

1. Core government systems:

- The lack of a shared cloud platform available for all government entities.
- The lack of interface between public finance administration information systems, including tax and customs administrations.
- The lack of a Human Resources Management Information System self-service portal for employees and managers.
- The lack of a public investment management system.
- The limited capabilities of the e-procurement portal, which does not allow e-tendering and e-contracting and does not comply with the Open Contracting Data Standards
- The need to strengthen governance of the operations of most government information systems (notably Treasury, DGI, and AGD) in terms of, for example, compliance, security, and auditing.

2. Electronic delivery of public services:

- The lack of a one-stop shop online public services portal and a mobile application enabling users to access public services.
- The lack of e-payment services.

[2] Other Western Hemisphere countries in category D are St. Kitts and Nevis, with a GTMI score of 0.236 and Suriname, with a score of 0.152.

- DGI has an online tax services portal but does not offer online transactional services or electronic invoicing.
- The DGI portal offers electronic filing of tax and customs declarations but only for a limited number of taxes.
- The lack of online service portals for customs, social insurance, and pensions.

3. Digital engagement of citizens:

- Although an open data portal has been created, there is no national platform for citizens to participate in policymaking or to provide feedback on the delivery of public services.

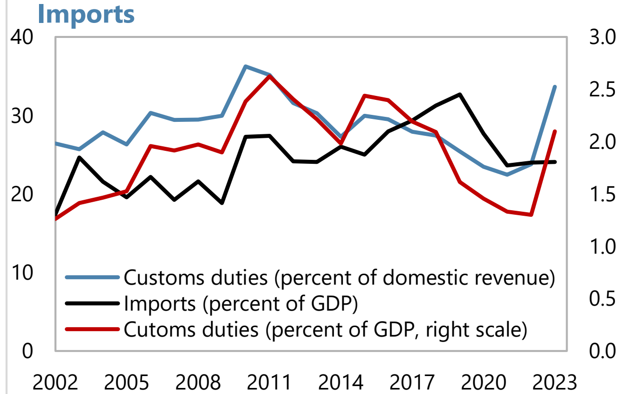
4. GovTech enablers :

- The 2018-23 State Modernization Program includes a section on e-governance that could constitute a national digital strategy, but there is no specific government entity dedicated to its implementation.
- There are no right-to-information laws governing the conditions for making data and information available to the public online or in digital form.
- There is no legal or institutional framework to protect personal data and for management of digital risks.

C. Potential Fiscal Gains from Enhanced Digitalization

6. Strengthening the digital infrastructure of the customs administration will increase revenue. Customs revenue accounts for a sizable share of Haiti's government revenue (Figure 3). This revenue has been trending downward until 2022, since peaking in 2010 at 36.3 percent of domestic revenues and 2.4 percent of GDP—even though overall imports continued to grow until 2019. The decline in customs revenue through 2022 is attributable to several variables, including the limited control of the tax base and pervasive corruption.

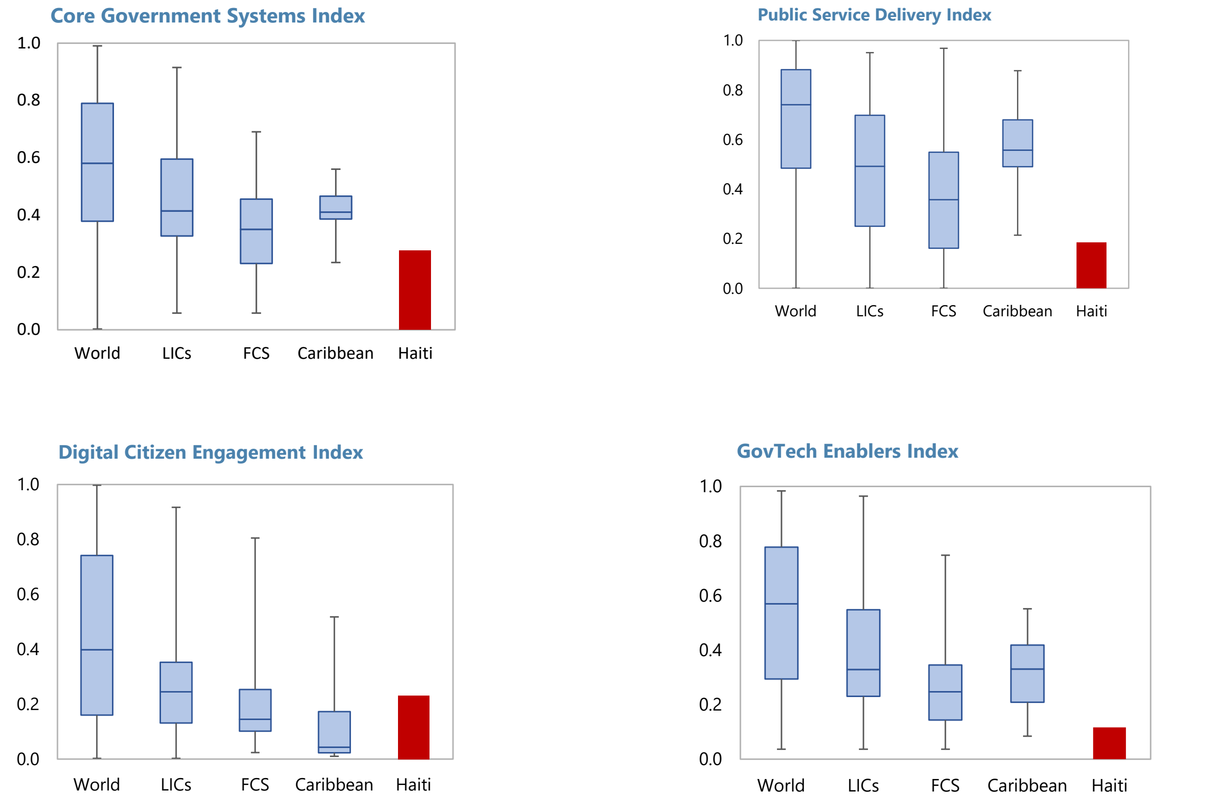
Annex V. Figure 3: Customs Duties and Imports



Sources: Bank of the Republic of Haiti and IMF staff calculations.

7. The methodological approach used to estimate customs revenue gains resulting from enhanced digitalization draws on the trade gravity model developed in the IMF Fiscal Monitor (2018). This model estimates the level of aggregate misreporting of imports value using the following equation:

Annex V. Figure 2: GovTech Maturity Indicators

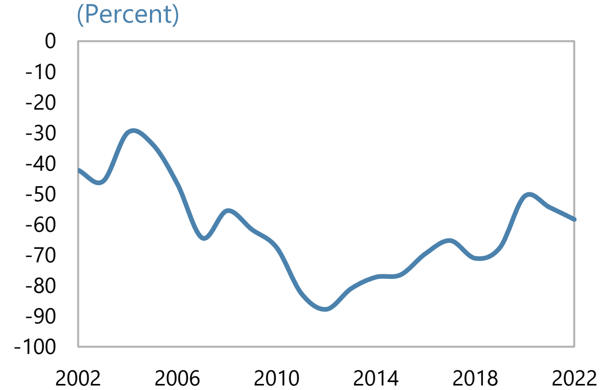


Sources: World Bank GovTech database and IMF staff calculations.
Note: LICs=Low-income countries and FCS=Fragile and conflict-affected states.

$$\frac{V_{xmt}^{m}-V_{xmt}^{x}}{(V_{xmt}^{m}+V_{xmt}^{x})/2} = \beta_0 + \beta_1 Z_{xmt}^{\sigma} + \beta_2 Z_{xmt}^{m} + \beta_3 Z_{xmt}^{x} + a_t + a_{xm} + \varepsilon_{mt} \qquad (1)$$

where V_{xmt}^{m} is the total annual value of exports of goods from country *x* to country *m*, as declared by importing country *m*, and V_{xmt}^{x} the value of the same trade flow as declared by exporting country *x*. The dependent variable, defined as the trade gap, is the difference between these two values normalized by the declared average bilateral trade flow. Figure 4 illustrates the evolution of the trade gap for Haiti since 2001. The matrix Z_{xmt}^{σ} includes a set of independent variables approximating the cost, insurance, and freight associated with bilateral trade, as well as the distance. The existence of common borders and languages. Z_{xmt}^{m} and Z_{xmt}^{x} are matrices that include variables reflecting the specific characteristics of importing and exporting

Annex V. Figure 4: Trade Gap
(Percent)



Sources: IMF Direction of Trade Statistics and IMF staff calculations.

countries influencing the trade gap, such as the VAT rate (or equivalent indirect tax rate), weighted average tariff, GDP and GDP per capita, inflation, exchange rate, and participation in regional or international trade agreements. These matrices also include the United Nations e-Services Index—normalized between 0 and 1—measuring the scope and quality of online public-sector services, including online tax filing and business registration. The dummy variables a_t and $a_{xm,}$ respectively, capture year-specific and country peer-specific fixed effects that influence the cost of bilateral trade. The detailed list of variables used to estimate (1) and the data sources are provided in Annex V Tables 1 and 2.

8. **Revenue gains resulting from the reduction in trade fraud is derived from equation (1), holding other factors constant and using the estimated coefficient of the digitalization index.** We also define $V^m_{Total} = \sum_x (V^m_{xm})$ *and* $V^x_{Total} = \sum_x (V^x_{xm})$ as the aggregate value of bilateral trade at the level of importing country *m* as declared by country *m* and *x*, respectively, and assume that progress in digitalization in the importing country increases only V^m_{Total}.and does not affect V^x_{Total}. Revenue gains are therefore estimated as follows:

$$Revenue\ Gain_t = \tau_{rate} \,.\Delta(V^m_{Total} - V^x_{Total}), \qquad (2)$$

where τ_{rate} is the average tax rate of interest (VAT or tariff). Equation (2) can then be rearranged to include the change in the importing country's digitalization index Δz^m and its estimated impact β^m_{digit}:

$$Revenue\ Gain_t = \tau_{rate} \,.\tfrac{1}{2}(V^m_{Total} + V^x_{Total})\,.\,\beta^m_{digit}\,.\,\Delta z^m \qquad (3)$$

9. **The results of the econometric estimation of equation (1) presented in the Annex show that the importing country's digitalization index is positively and significantly associated with its trade gap.** Customs revenue gains for Haiti resulting from halving the country's distance to the digital border (Δz^m)[3] could therefore be derived by incorporating into equation (3) the estimated coefficient of the digitalization index,[4] imports data (free on board and cost, insurance, and freight) for 2021, and the weighted average tariff for the same year. Annual revenue gains are estimated between US$129 and US$189.3 million, or revenue increases of between 0.6 and 0.9 percent of GDP.

D. Policies to Foster Public Administration Digitalization

10. **The Haitian authorities have put in place a legal and institutional framework to foster public sector digitalization, but it should be updated and strengthened**. Two laws, on electronic signatures and electronic exchanges were passed in 2017. Previously, regulatory texts had been

[3] With the Online Services Index for Haiti standing at 0.0865 in 2022, halving it from the frontier (the index's maximum value, set at 1) would bring it to 0.5432, roughly the level of the index for such countries as Barbados (0.5388), Guatemala (0.5409), Côte d'Ivoire (0.5467), Grenada (0.5507), and Montenegro (0.5528).

[4] The coefficients used are those of the two TSLS estimates presented in the Appendix (1.181 and 1.733), which are used to determine the lower and upper ranges of revenue gains resulting from digitization.

issued to recognize the right of all citizens to engage with the public administration through electronic devices and to govern the use of business emails, domain names, and websites. However, Haiti is lacking a national digitalization policy and progress in implementing the existing digital strategy, set to expire this year, has been limited, partly because of the absence of a national entity to steer its execution. Key legislation has yet to be passed to strengthen the digital sector's legal and institutional framework. These include texts relating to the right to digital information, cybercrime and other cyber-risks, and the protection of personal data—as well as creation of an institution responsible for ensuring the privacy of personal data.

11. Additional cross-cutting measures are needed to strengthen the underlying infrastructure and human capital in Haiti in order to ensure effective public administration digitalization. Access to internet and a reliable electricity network accessible to most of the population is a prerequisite for the operation of, and access to, digital public administration tools and services. The latest available data indicate that less than half the Haitian population has access to electricity and only 39 percent have access to internet. Increased investment to extend electricity access should therefore remain a priority to ensure user access to public digital services. Additional investment will also be needed to develop public administrations' data storage and management capacities. Enhancing the technical skills of public sector personnel in charge of designing, operating, and maintaining the public administrations' digital tools and services is also necessary to ensure improved service quality. Also important are awareness-raising campaigns and training programs—including at level the education system— to enable users of public services to take better advantage of the new digital tools available to them.

12. Accelerating the upgrade of the current digital infrastructure of tax and customs administrations is essential to reap the potential revenue dividends of digitalization. Priority measures include:

- The introduction of an electronic payment system, including mobile payments, enabling taxpayers (individuals and companies) to discharge their tax obligations remotely.
- Digitalization of declaration and payment procedures at DGI's Large Taxpayers Department and Medium Taxpayers Department.
- Integral automation of customs procedures to improve efficiency and reduce vulnerability to corruption and reinforcement of AGD information system (ASYCUDA), plus modules dedicated to tax and customs duties' incentives and exemptions, automatized risks analysis and customs' litigation.
- The creation of customs' value databases at the AGD for imported goods--to avoid arbitrary assessment, comply with the Kyoto revised convention on transactional value, improve the transparency authenticity and accuracy of importers' and exporters' customs filings.
- Computerization and connection to ASYCUDA of all customs posts.

- Complete interfacing between DGI and AGD information systems to facilitate information sharing, enhance the protection of the tax base, and optimize domestic revenue collection.

- Interconnecting DGI and AGD information systems with the *Trésor Public* information system to secure and improve the traceability of tax collection and accounting in the TSA.

Box 1. Benefit of GovTech: Review of the Literature

- The benefits of digitalizing the public sector, mainly in terms of improvement in efficiency and governance of public administrations, are well documented in the literature. These benefits are also reflected in public finances, contributing to increase domestic revenue mobilization, improve the quality and efficiency of public spending, and strengthen governance and budget transparency. The automation of tax procedures through digitalization could help increase tax revenue collection through improved tax compliance and enforcement, as well as increased formalization of the economy (Amaglobeli et al, 2023; Bellon et al, 2022; Okunogbe and Santoro, 2022; Mascagni et al, 2021; Slemrod, 2019; Pomeranz, 2015; Yilmaz and Coolidge, 2013).

- On the public spending side, enhanced identification and authentication systems, such as biometric technology, as well as mobile phone-backed applications, could help improve the targeting of social programs beneficiaries, minimize both leakage and the cost of social services delivery, and reduce social inequalities (Aiken et al, 2023; Aker et al, Nose, 2023; 2016; Muralidharan, Niehaus, and Sukhtankar, 2016; Aker and Blumenstock, 2014).

- Enhancing public finances digitalization could also strengthen governance and budget transparency. It could foster greater transparency in public procurement procedures, curtail vulnerabilities to corruption (Ouedraogo and Sy, 2020) and reduce bias against small businesses (especially women-led SMEs) through electronic procurement platforms, thus generating positive effects on growth and reducing inequality (Pijoan-Mas et al., 2022). Digitalization could also elicit greater public awareness and closer citizen control of budget preparation and implementation, ensuring more inclusive budgeting process (Zouhar et al, 2021).

Annex V. Table 1. Haiti: Data Sources

Variable	Data Source
Bilateral exports	IMF: Direction of Trade Statistics
Bilateral imports	IMF: Direction of Trade Statistics
Common currency	CEPII: Gravity Dataset
Common official/primary language	CEPII: Gravity Dataset
Common religion	CEPII: Gravity Dataset
Contiguity	CEPII: Gravity Dataset
Control of corruption	WB: World Governance Indicators
Digital Adoption Index	WB: World Development Report 2016
E-Government Index	UN: E-Government Survey 2016
Exchange rate	WB: World Development Indicators
GDP	IMF: World Economic Outlook
GDP per capita	IMF: World Economic Outlook
Government effectiveness	Worldwide Governance Indicators, D. Kaufmann, and A. Kraay, 2023 Update
Government success in ICT promotion	WEF: The Global Information Technology Report 2016

Inflation rate	WB: World Development Indicators
Online Service Index	United Nations: E-Government Survey 2016
Origin is GATT/WTO member	CEPII: Gravity Dataset
Patents filed by residents	WB: World Development Indicators
Population-weighted distance	CEPII: Gravity Dataset
R&D expenditure (percent of GDP)	WB: World Development Indicators
Regional trade agreement	CEPII: Gravity Dataset
Rule of law	WB: World Development Indicators
Tariff rate (weighted mean)	WB: World Development Indicators
VAT rate	IMF: Tax Rate Database

Note: CEPII = Centre d'Etudes Prospectives et d'Informations Internationales; GATT/WTO = General Agreement in Tariffs and Trade/World Trade Organization; ICT = information and communication technology; R&D = research and development; VAT = value-added tax; WEF = World Economic Forum.

Annex V. Table 2. Haiti: Data Sources

Specification	(1)	(2)	(3)
Regressors/estimator	**OLS**	**TSLS-1**	**TSLS-2**
Im.Digitalization Index	-0.069*	1.181**	1.733*
	1.733*	(0.575)	(0.937)
Ex.Digitalization Index	0.066*	0.054	-0.982
	(0.038)	(0.701)	(0.927)
log Im.GDP	-0.370***	-0.831***	-0.861***
	(0.114)	(0.191)	(0.221)
log Ex.GDP	0.947***	1.475***	1.436***
	(0.107)	(0.194)	(0.225)
log Im.GDP per capita	0.334***	0.671***	0.643***
	(0.12)	(0.194)	(0.241)
log Ex.GDP per capita	-0.824***	-1.380***	-1.243***
	(0.111)	(0.203)	(0.25)
log Im.inflation rate	0.189*	-0.770**	-1.108**
	(0.112)	(0.313)	(0.56)
log Ex.inflation rate	-0.157	-0.104	0.502
	(0.098)	(0.343)	(0.525)
log Im.exchange rate	0.077**	0.184*	0.339*
	(0.035)	(0.094)	(0.177)
log Ex.exchange rate	-0.004	-0.052	-0.251
	(0.033)	(0.103)	(0.168)
Import VAT rate	0.005	0.003	0.004
	(0.004)	(0.007)	(0.009)
Export VAT rate	-0.011***	-0.001	-0.012
	(0.004)	(0.008)	(0.009)
Import tariff rate	-0.005**	0.003	0.005
	(0.002)	(0.004)	(0.006)
Export tariff rate	-0.011***	-0.013***	-0.010*
	(0.002)	(0.004)	(0.005)
Import corruption control	-0.063**	-0.103*	-0.141*
	(0.03)	(0.056)	(0.075)
Export corruption control	0.121***	0.155***	0.166**
	(0.029)	(0.059)	(0.071)
Im.Rule of Law	0.070*	0.162**	0.224**
	(0.036)	(0.077)	(0.114)
Ex.Rule of Law	-0.107***	-0.127	-0.249**
	(0.033)	(0.081)	(0.104)
Im.GATT/WTO Member	-0.158***	-0.419**	-0.548**
	(0.04)	(0.163)	(0.248)
Ex.GATT/WTO Member	-0.019	0.066	0.269
	(0.036)	(0.178)	(0.232)
Number of observations	36,626	13,318	10,944
R 2	0.013		
F-stat (first stage)		16.34	17.24

Source: IMF staff calculations.

Note: Robust standard errors in parentheses, *, **, *** denote statistical significance at the 10, 5, and 1 percent levels, respectively. Controls include country fixed effects, year fixed effects, and time trends (linear and quadratic) omitted for reasons of parsimony. "Im." refers to importer and "Ex." refers to exporter. TSLS-1 and TSLS-2 use as instrumental variables R&D in percent of GDP and the logarithm of patents over R&D intensity, respectively; GATT/WTO = General Agreement on Tariffs and Trade/World Trade Organization; OLS = ordinary least squares; R&D = research and development; TSLS = two-stage least squares; VAT = value-added tax.

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Annex VI A. Assessing the Fiscal Policy Stance

In this annex, staff assess the cyclicality of fiscal policy in Haiti. In the absence of implemented reforms, estimates for Haiti capture mainly the role of economic stabilizers rather than the multiplier effects of discretionary fiscal policy (i.e., fiscal reforms). We employ an event analysis and an econometric model to gauge the effectiveness of Haiti's automatic stabilizers. The results show that fiscal policy in Haiti is, at best, weakly counter-cyclical. The eventual adoption of the New Tax Code could strengthen the stabilizing role of direct taxes, just as reforming the retail price-setting mechanism of fuel products and strengthening the social safety net would ease rigidities on the expenditure side (Annex VI B).[1]

1. **In Haiti, the role of fiscal policy in supporting economic stabilization is increasingly important**. In recent years, the country has been hit by various shocks, mainly of a supply-side nature, including the 2010 earthquake, nationwide shutdowns caused by social unrest linked to economic policies or political events, the pandemic, and inflationary pressures associated with Russia's invasion of Ukraine. They have led to consecutive years of recession and historically high inflation. Against this backdrop, monetary policy should be geared primarily toward curbing inflation, while fiscal policy should take the lead in stabilizing economic fluctuations.

2. **From a normative perspective, fiscal policy should be countercyclical**. To support aggregate demand during a cyclical downturn, total government spending as a share of GDP should increase while the government revenue-to-GDP ratio should fall, resulting in a smaller primary balance as a share of GDP.[2] The opposite would occur during cyclical booms. Discretionary fiscal measures should ideally remain constant over the business cycle, without modifications to tax rates or government spending (Alesina, Tabelllini, Campante, 2008). If governments follow these rules, all else being equal, cyclical fluctuations should be positively correlated with changes in taxes and negatively correlated with changes in public spending—so called countercyclical fiscal policy.

3. **In practice, however, fiscal policy may not be countercyclical, reflecting ineffective automatic stabilizers, discretionary measures, and/or structural factors**.

- **Automatic stabilizers**, also known as the fiscal policy reaction function, represent built-in mechanisms in the tax-and-transfer system that mitigate business cycle fluctuations. Their main advantage is that they do not require legislative action and can thus deliver a timely counter-cyclical response. For example, during an economic downturn, automatic stabilizers reduce taxes—through lower tax liabilities that ease financial constraints on individuals and firms— and raise spending —as lower incomes often increase the share of people eligible for social protection programs, such as cash transfers or in-kind benefits. Effective automatic stabilizers must be precipitated by a shock that causes aggregate economic activity to fall or rise. But design failures can hinder this effect. Fiscal policy cannot *automatically* offset a shock if it fails to

[1] Prepared by Carolina Osorio-Buitron (RES).

[2] The primary balance is a better measure to gauge the cyclicality of the fiscal stance since countries may have little control over their debt-service obligations, notably developing economies,

affect aggregate demand without changing government spending. Effective automatic stabilizers operate when changes in disposable income are positively correlated with changes in private consumption. The latter depends on the changes in disposable income brought about by the system, as well as the distribution of disposable income. Poorer individuals have a higher propensity to consume, reflecting binding financial and constraints, so their behavior can lead to larger changes in aggregate demand (Auerbach 2000).

- **Discretionary policy**. These measures represent deliberate changes, which can either counteract or intensify the business cycle. On the revenue side, they entail such reforms as changes in the tax rate structure, for example, while on the expenditure side, they are associated with changes in the level of spending (relative to GDP) and its composition.

- **Structural factors**. The procyclicality of fiscal policy in developing economies could arise because of binding credit constraints (for example during recessions, when the government would like to borrow but it cannot, owing, for example, to lack of access to international financial markets). It could also be explained by a political agency problem, whereby fiscal procyclicality prevails in countries with widespread political corruption, where appropriation of rents is more pronounced in good times (Alesina and others, 2008).

4. In Haiti, the implementation of discretionary measures, on both the revenue and expenditure sides, have been constrained. The new tax code is expected to be introduced only late in 2025. On the expenditure side, reform constraints are associated with institutional and political economy considerations, as well as Haiti's structurally low tax rate. At 5 percent of GDP, Haiti's tax-to-GDP ratio is well below the level necessary to exercise state capacity —estimated at 12½ percent of GDP—which ensures the government resources to finance core activities as well as programs to sustain growth and development (Besley and Persson, 2014a and 2014b; and Gaspar and others 2016). With limited scope so far for discretionary measures, automatic stabilizers have been the main channel through which fiscal policy operates in Haiti. Their effectiveness is thus essential for smoothing out the effects of economic downturns and building buffers in good times.

5. In this context, we gauge the effectiveness of automatic stabilizers as robustly as possible. As in most developing countries, the analysis of fiscal policy and output fluctuations in Haiti must address conceptual and methodological challenges, as well as data limitations. Different approaches are proposed to deal with these shortcomings, each presenting advantages and disadvantages. While the results differ somewhat quantitatively, the qualitative results and policy implications are broadly consistent across methodologies. The main challenges behind each method are discussed below.

- **Two different approaches**. In developing economies, the substantial volatility of trend growth—as is arguably the case in Haiti—makes the cycle and the trend barely distinguishable (Aguiar and Gopinath 2007) and the identification of the appropriate fiscal policy response complex. Fiscal stimulus is warranted during cyclical downturns, but not if there is a cyclical expansion, including because of lower trend growth. This limitation is addressed in two ways. First, we examine the fiscal response at the onset of the pandemic across countries. This is useful because, despite measurement problems, it is undeniable that demand collapsed when the pandemic began, and fiscal stimulus was the only appropriate option. In the second exercise, we conduct econometric analyses using real GDP growth as a proxy for the cyclical position. This accurately captures downturns, as annualized negative growth rates arguably reflect an economic recession.

- **Data limitations**. Rigorous measurement and analysis of automatic stabilizers should ideally rely on granular data—for example, tax filing units and individuals eligible for social assistance. Another requirement is accurate information on discretionary fiscal policies introduced during the period of analysis, as well as an estimate of the effects those measures would have on aggregate demand, since these effects must be extracted from the automatic stabilizer estimation (see below).[3] In Haiti, data constraints are meaningful, undermining the power of statistical analyses. While monthly fiscal data are available, they are highly aggregated, and the GDP figures are only reported annually. We explore two econometric techniques to overcome these limitations. We estimate a cross-country panel model with annual data, using techniques that can both describe the average developing country experience (within-country analysis) and shed light on differences among developing countries, notably between fragile and non-fragile states. The second approach uses temporal disaggregation techniques to exploit the information contained in high-frequency indicators, such as inflation and the Haiti economic conjunctural activity index (ICAE), to construct a quarterly GDP series for Haiti. The latter yields enough observations to estimate a Haiti-specific model, with sufficient statistical power.

- **Endogeneity concerns**. Addressing endogeneity concerns, notably those associated with reverse causality that creates meaningful biases in estimation, is paramount.[4] Gauging the effectiveness of automatic stabilizers entails identifying how tax and spending-to-GDP ratios respond to cyclical changes, capturing the *policy reaction function*. But, as predicted by the standard new-Keynesian models, fiscal policy also affects income, notably with discretionary measures that influence economic agents' behavior—through fiscal multipliers. A common approach to addressing this endogeneity problem in a panel setting is a system-GMM estimator (e.g., Klemm 2015 and Dabla-Norris and others 2017), but such models are designed for micro-econometric panels (with a very large cross-section and short-time series dimension). For macro-econometric analysis (with large cross-section and time-series dimensions), the mean group estimator used in this analysis is more appropriate. In the case of Haiti-specific regressions, reverse causality is not worrisome since the country did not implement discretionary fiscal measures during the period of analysis (2008-22).

[3] See, Auerbach and others 2000, Alesina and others 2008, and Klemm 2015.

[4] Endogeneity can also arise because of measurement errors and omitted variables. The main risk of measurement error relates to the cyclical-position variable discussed earlier. The potential for omitted variables is particularly relevant in the panel estimation, in which latent factors capturing time-variant heterogeneity and cross-section dependence are often ignored in the literature. This is addressed by using a mean-group estimator with common-correlated effects discussed in the next section.

A. The Fiscal Response of low-Income Countries at The Onset of The Pandemic

6. Demand collapsed in the initial stages of the pandemic, warranting an expansionary fiscal policy reaction. Against this backdrop, examining the cross-country variation in the fiscal impulse during 2019-20 can shed some light on the effectiveness of automatic stabilizers in Haiti. The analysis focuses on countries at a similar stage of development as Haiti, differentiating between fragile and non-fragile states (Haiti is in the low-income and fragile state category).[5] The top-left chart shows, among the non-fragile states LICs, that primary deficits were larger where output declined the most. Meanwhile, for fragile states, the fiscal impulse seems completely uncorrelated with the degree of economic hardship.

7. Like other fragile states, Haiti's fiscal policy reaction at the onset of the pandemic was weakly countercyclical, given expenditure rigidities. The policy reaction can be approximated by normalizing changes in fiscal variables by the growth rate. The calculation for Haiti is then compared with the median and interquartile ranges of other fragile states as well as non-fragile countries (top-right and bottom charts in Figure 8).[6] The results indicate that the fiscal policy reaction during the pandemic was primarily countercyclical in lower-income non-fragile countries, with government revenues/spending to GDP ratios moving in the same/opposite direction as GDP, thus contributing to the positive correlation between the primary balance and GDP growth. In contrast, the experience in fragile states is mixed. In Haiti and most fragile states the fiscal policy reaction was weakly countercyclical, reflecting a small decline in tax-to-GDP ratios and stable government-to-GDP ratios. The latter could reflect financial constraints often faced by poor and fragile states during recessions.

8. The size of automatic stabilizers may be overstated in these calculations as they also capture the multiplier effect of discretionary fiscal stimulus deployed by most countries.[7] In Haiti—unlike most countries—the government did not introduce extraordinary tax relief. Although the Haitian authorities intended to boost social programs and expand health care and security spending (including through transfers to individuals and business), they did not manage to cover anticipated COVID-related needs.[8]

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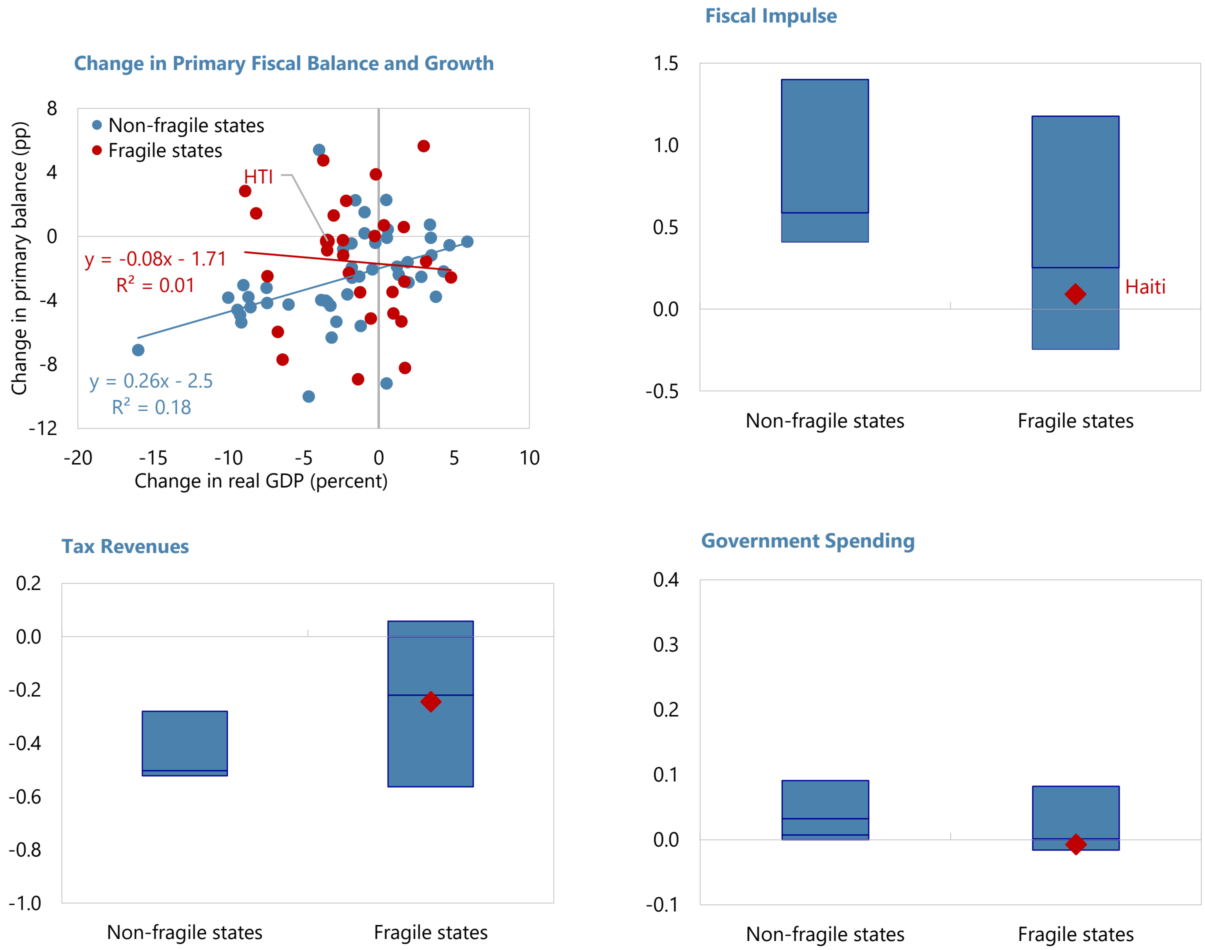
[5] This analysis focuses on the countries listed as low-income and lower-middle income in the Appendix.
[6] Countries that experienced growth in 2020 are excluded from the median and interquartile range calculation, as those could be economies experiencing a positive terms-of trade shock not controlled for, or strong trend growth pre-pandemic, in which a measure of the cyclical position based on filtering techniques could me more appropriate.

[7] IMF (2021) gives a comprehensive dataset of discretionary fiscal policies during the pandemic: https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19.
[8] See https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#H

Annex VI A. Figure 1: Change in Fiscal Positions at the Onset of the Pandemic in Low-Income Countries: Event Analysis

(Percentage point difference in fiscal variable per 1 percent decline in real GDP, unless otherwise specified)



Sources: World Economic Outlook, and IMF staff calculations.
Note: Fiscal impulse refers to the year difference in the primary balance to GDP ratio over in the 2019-20 period. The box plots depict the interquartile range and the line inside it corresponds to the median. The red diamond represents Haiti. The sample covers low-income countries only (fragile and non-fragile).

B. Econometric Analysis

9. The econometric model uses a standard specification. The econometric model relies on the approach commonly used in the literature, estimating a version of the equation below for both the cross-country panel and Haiti-specific exercises. *F* is a fiscal variable— primary balance, tax revenues aggregated or disaggregated by type of tax, and government spending, aggregated or disaggregated between consumption and gross fixed capital formation. *X* is a vector of controls, which includes inflation. Real GDP growth is denoted by $\dot{y}$, so the parameter of interest is β. Countercyclical fiscal policy would be characterized by $\beta>0$, in the case of primary balance and tax-to-GDP ratios, and $\beta<0$ for spending.

$$\Delta\left(\frac{F}{Y}\right)_{it} = \boldsymbol{\alpha} + \beta\dot{y}_{it} + \delta\left(\frac{F}{Y}\right)_{it-1} + \boldsymbol{\gamma}X_{it} + \epsilon_{it} \qquad (1)$$

10. The panel framework explores potential cross-country heterogeneity in the relation between output growth and fiscal policy. The analysis of macroeconomic panel data tends to rely on models developed for microeconomic exercises, where the assumption of parameter homogeneity across units of observation—such as individuals or firms—is reasonable and average (within) estimates have a straightforward interpretation.[9] In a macroeconomic setup, however, it may be important to relax the homogenous parameter assumption, since different structural forces across countries could shape the (short-term) relationship among macroeconomic variables, including those of economic growth and fiscal policy. Hence, the proposed framework uses panel time-series methods that allow coefficients to differ across countries, while exploiting information from the large dimension of the data (large number of countries and long-time series). Specifically, the common-correlated effects mean group (CCEMG) model proposed by Pesaran (2006) is estimated. The latter implies modifying equation (1) as follows:

$$\Delta\left(\frac{F}{Y}\right)_{it} = \beta_i\dot{y}_{it} + \boldsymbol{\rho_i Z_{it}} + \epsilon_{it}, \qquad (2)$$

where $Z_{it} = \{X_{it}, (F/Y)_{i,t-1}\}$ and

$\epsilon_{it} = \alpha_{1i} + \theta_{1i}F_t + \varepsilon_{it}$

$\dot{y}_{it} = \alpha_{2i} + \theta_{2i}F_t + \delta_{2i}g_t + \mu_{it}^2$

$Z_{it} = \boldsymbol{\alpha_{3i}} + \boldsymbol{\theta}_{3i}F_t + \delta_{3i}g_t + \mu_{it}^3$

11. All variables are defined as in equation (1). Note that the model allows for country-specific slope coefficients on ($\dot{y}_{it}, Z_{it}$), which are the observable variables. The error term in equation (2) as well as all regressors, are assumed to be a function of group fixed effects ($\boldsymbol{\alpha_i}$), which capture time-invariant heterogeneity across groups, as well as an unobserved common factor F_t with heterogeneous factor loadings ($\boldsymbol{\theta_i}$), capturing time-variant heterogeneity (local spillover effects) and cross-section dependence (global shocks).[10] Meanwhile, g_t is added to ensure stationarity, since some regressors could display nonlinear trends. β_i is not identified with unobserved F_t , which also needs to be estimated.[11] The CCEMG estimator solves this problem by augmenting the model with the cross-section averages of the dependent and independent variables $\{\Delta\overline{(F/Y)}_{i}, \bar{y}_{it}, \bar{Z}_{i,t},\}$ in the country-level regressions, which can account for the unobserved common factors.[12] The mean

[9] Namely, the dynamic panel-data (GMM) estimators developed by Arellano and Bond (1991) and Blundell and Bond (1998).

[10] See Chudik, Pesaran, and Tosetti 2011; Pesaran and Tosetti 2011.

[11] See Coakley, Fuertes, and Smith (2006) and Eberhardt and Teal (2011).

[12] See Eberhardt, Helmers, and Strauss for a discussion. These cross-country averages effectively incorporate the approach commonly used in the literature to addresses endogeneity, which is to instrument the cyclical position with the export-weighted growth rate of trading partners and the US real interest rate.

group estimator corresponds to the average of the parameters estimated across countries $(\bar{\beta})$.[13] The results are reported in Figures 2-4, where the dark blue markers represent the mean group estimates for the full sample of developing economies and the sub-sample of low-income and fragile states.

12. To the extent that the estimated quarterly GDP series is accurate, the Haiti-specific model provides a good approximation of the country's fiscal reaction function. Fitting a model for Haiti cannot be done with the available data, as GDP and fiscal figures not subject to methodological changes are only available since 2008. GDP is published only at an annual frequency, rendering the number of observations too small (15) to conduct analysis with sufficient statistical power. This may explain why the standard errors for Haiti from the CCEMG model tend to have such large standard errors. A quarterly GDP series is constructed with the temporal disaggregation technique developed by Chowlin, using quarterly inflation rates and the ICAE as predictors. At a quarterly frequency, the number of observations is appropriate to estimate equation (1) for Haiti.[14] In this set-up, it is important to account for serial autocorrelation, which is why we use the Prais-Winsten and Cochrane-Orcutt GLS approach, which considers the possibility of serial autocorrelation in the residuals. (In Figures 2-4, the results from this model are represented by the red markers.)

13. The econometric analysis confirms the findings of the event analysis, suggesting that Haiti's fiscal policy is, at best, weakly counter-cyclical. Figure 2 reports the results for the primary balance. The fiscal stance in Haiti does not exhibit a clear countercyclical response, unlike the average emerging market and developing economy (EMDE) and fragile and low-income country (for which a 1 percent increase in real GDP is associated with an increase in the primary-balance-to-GDP ratio of about 0.15 percentage points).

14. Revenues contribute to a countercyclical pattern in fiscal policy. Figures 3 shows the results for total revenues, as well as the two broadest tax categories. Estimates for Haiti are in line with those of the average EMDE and fragile and low-income country, albeit more uncertain. Taxes on income and profits capture PIT and CIT revenues, while consumption taxes include revenue from the general sales tax and excises. Consumption taxes contribute to the countercyclical response of the overall tax system, whereas income taxes appear a-cyclical.[15]. The a-cyclicality of direct taxes in EMDE countries may reflect their narrow tax bases, which may, in turn, result from political agency issues as corrupt and inefficient governments tend to rely excessively on distortionary tax incentives. In Haiti, once the new tax code is implemented, the automatic-stabilizing role of direct taxes could

[13] The coefficients on the common factors (the cross-sectional averages) are not interpretable in a meaningful way, but they are introduced to address the bias that would emerge if unobservable common factors are not taken into account. In applications focused on estimating cross-country production functions, the unobservable factor has been argued to represent total factor productivity (Eberhardt and Teal 2011). The common factors may be associated with political economy variables, including the quality of fiscal institutions but substantiating this claim requires further research.

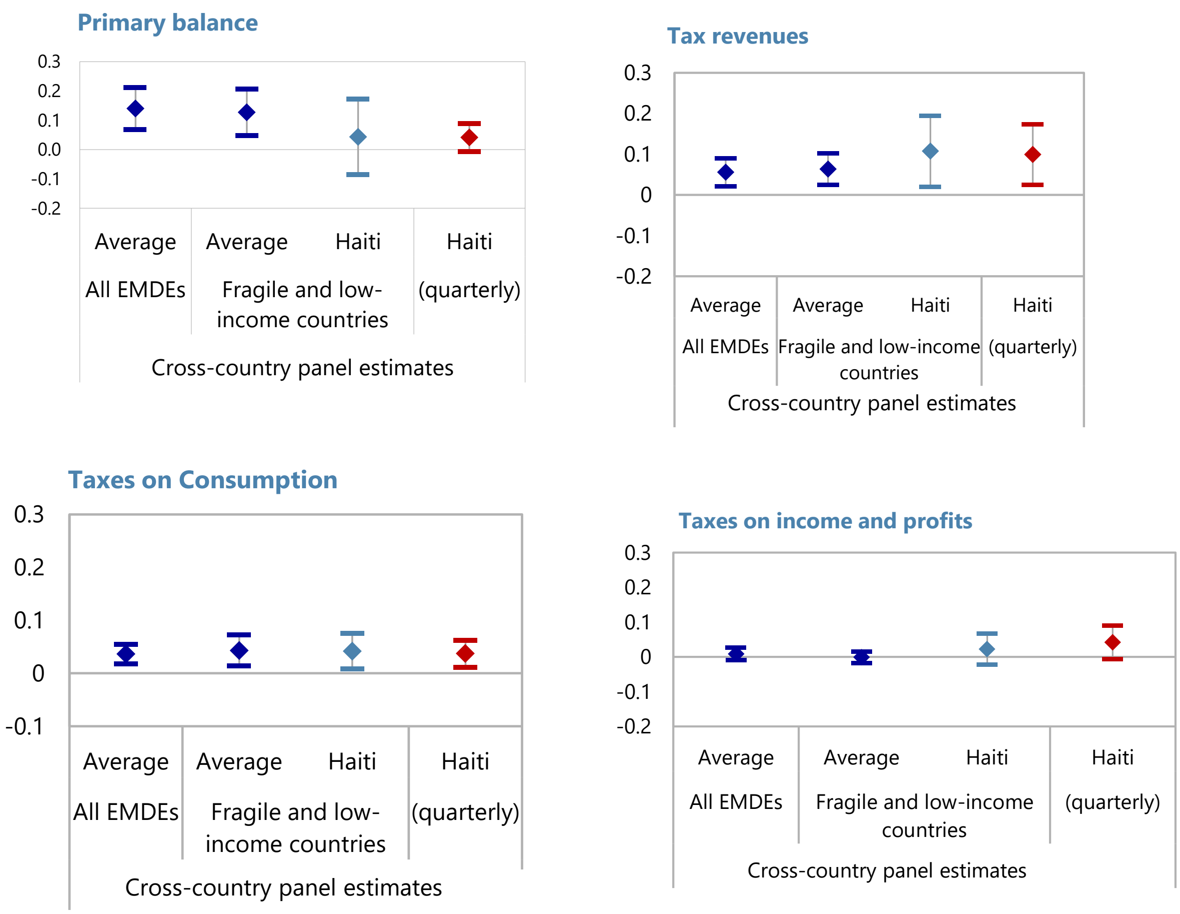
[14] The ICAE indicator and the fiscal quarterly figures are seasonally adjusted using the Census X-13 algorithm.

[15] This contrasts with the findings for advanced economies, where the direct taxes represent 60 percent of the stabilizing effect in the overall tax-and-transfer system (OECD 2020).

be strengthened, since the reform precludes the extension or granting of new tax agreements, while preserving the current tax rate structure.

Annex VI A. Figure 2: Primary Fiscal Balance and Tax Revenue

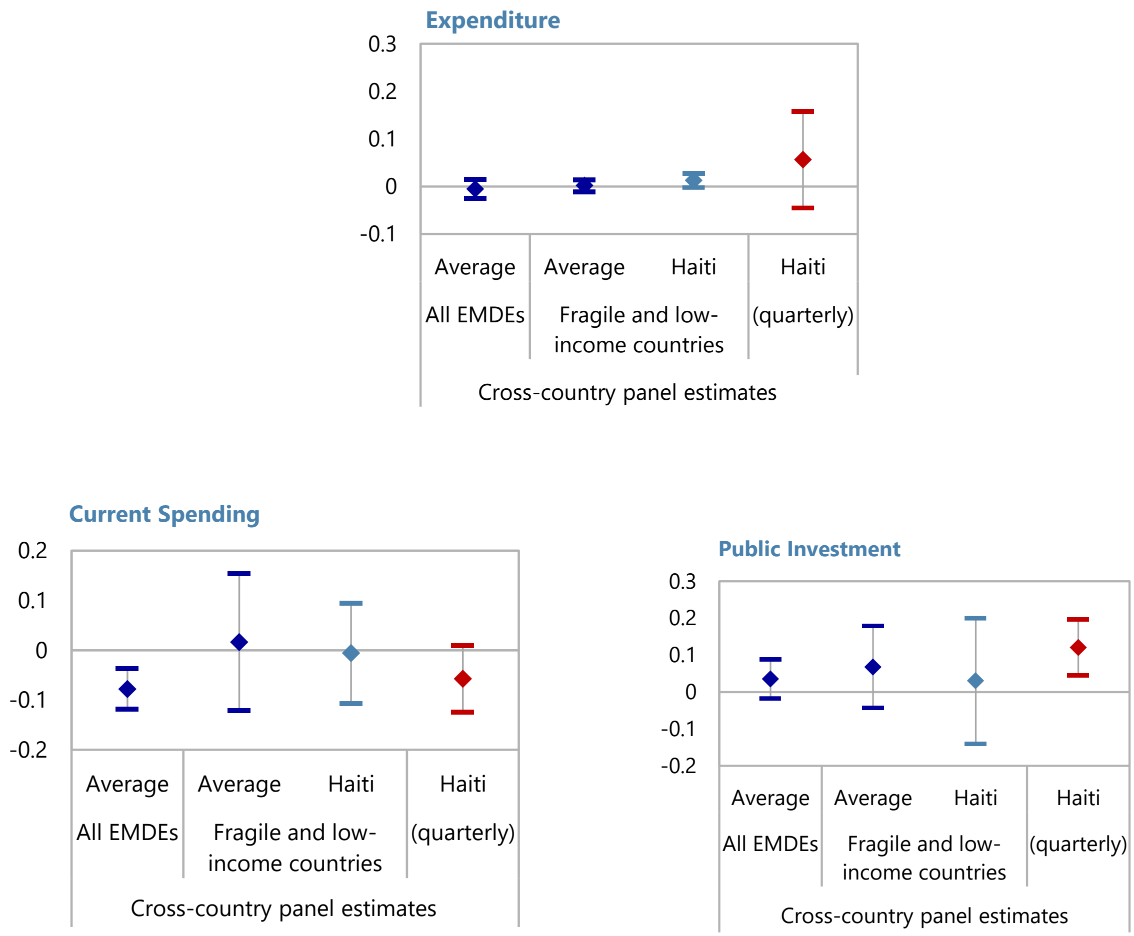
(Percentage points change associated with a 1 percent increase in real GDP)



Source and note: IMF Staff estimates. The dark blue markers correspond to the average cross-country analysis for the average EMDEs and the average low-income and fragile state country. The Haiti-specific estimate from the cross-country model is in light blue. The dark red marker is the estimate of the Haiti specific model estimated with quarterly data. The vertical lines with line markers denote the confidence interval given by +/- 2 standard errors.

Annex VI A. Figure 3: Expenditures

(Percentage point change associated with a 1 percent increase in real GDP)



Note: The dark blue markers correspond to the average cross-country analysis for the average EMDEs and the average low-income and fragile state country. The Haiti-specific estimate from the cross-country model is in light blue. The dark red marker is the estimate of the Haiti specific model estimated with quarterly data. The vertical lines with line markers denote the confidence interval given by +/- 2 standard errors.

15. All estimates suggest that government spending is acyclical. In the average EMDE, current spending is negatively associated with output growth—contributing to a countercyclical fiscal policy—whereas public investment is acyclical, which could help support long-term growth. The results for the average fragile state, including Haiti, indicate that current and productive spending are acyclical for them too. The large standard errors of the mean group estimates among fragile states reflect wide cross-country heterogeneity, while for the Haiti annual model estimate, the wide errors are likely associated with the small sample size. The results from the quarterly model, however, confirm that hypothesis of acyclical current spending—which captures public wages and fuel subsidies—cannot be rejected at a high confidence level. Meanwhile investment spending—domestically financed public spending on capital goods, other goods, and services— reacts positively to economic growth, contributing to a pro-cyclical policy stance. These results imply that, during an economic downturn, the government prioritizes current spending (such as public wages and transfers to the fuel sector) compounding rather than mitigating the fluctuations of aggregate demand.

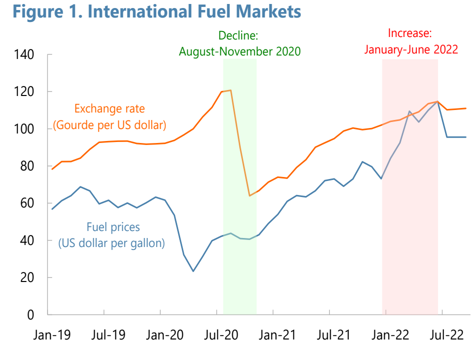
C. Conclusion and Policy Recommendations

16. The empirical analysis suggests that Haiti has wider scope to enhance the stabilizing role of fiscal policy, making fiscal policy more countercyclical. On the revenue side, the eventual adoption of the New Tax Code could strengthen the stabilizing role of direct taxes, broaden the tax base, and address potential political agency problems in providing discretionary tax incentives. On the expenditure side, a recalibration of the expenditure mix can enhance the effectiveness of automatic stabilizers by eliminating inefficient rigidities. Reforming the fuel subsidy regime (by implementing the amendment to the 95 Law) to allow retail fuel prices to (at least partly) adjust to international market conditions would reduce budgetary pressures, freeing resources for the social safety net. The government should work toward expanding programs that target vulnerable individuals (before, during and after the fuel subsidy reform), as their higher propensity to consume would help smooth out fluctuations in aggregate demand more efficiently. Social assistance programs targeting lower-income households, such as the cash transfers program (PSARA), can enhance the effectiveness of automatic stabilizers if designed to support the poor and unemployed.

Annex VI B. Strengthening the Fiscal Framework by Revising the Fuel Subsidy Regime

This analysis quantifies the benefits of implementing a fuel subsidy regime that passes on (at least partly) to consumers changes in international fuel prices. The analysis uses simulations based on recent episodes of steep increase in international markets in 2020 and 2022 that affected the domestic price of gasoline. The simulation analysis shows what the price at the pump, as well as the net-revenue impact, would have been if the authorities had allowed retail prices to fluctuate with global prices, up to +/- 5 percent a month.[1]

Figure 1. International Fuel Markets



Sources: WEO for fuel prices, Central Bank of Haiti, and IMF staff calculations.

1. **The Haiti context**. Under the current fuel subsidy regime, fuel companies import and sell fuel at a fixed price denominated in gourdes. Apart from margins and transaction costs, the differential between prices in international markets and the price at the pump works as follows: when global oil prices rise (decline), the government reimburses (is paid by) oil companies in the form of positive (negative) subsidies the difference between domestic and international prices. If global oil prices rise substantially and/or the exchange rate depreciates sharply (as in August 2022), the government's payments to oil companies rise substantially and the government may even risk the accumulation of arrears, which in turn may lead the oil-importing companies to threaten to stop exporting fuel to Haiti. Fuel shortages increase activity in the black market, where prices are highly distorted. When the international oil price rose to the point of straining public finances, the government in the past was forced to make ad-hoc and large adjustments to the price at the pump as subsidies become unsustainable. Rents in favor of the illegal economy also emerge when the domestic price is substantially below international prices, with gangs buying gas at the subsidized domestic price and reselling it at a much higher price in the black market. Over the last few years, two episodes reveal a stark variation in the response of fuel prices. Owing to a sharp appreciation of the gourde, the price of gasoline fell sharply from August to November of 2020. Conversely, in response to rising global fuel prices and a weakening of the gourde, fuel prices increased markedly in the first half of 2022.

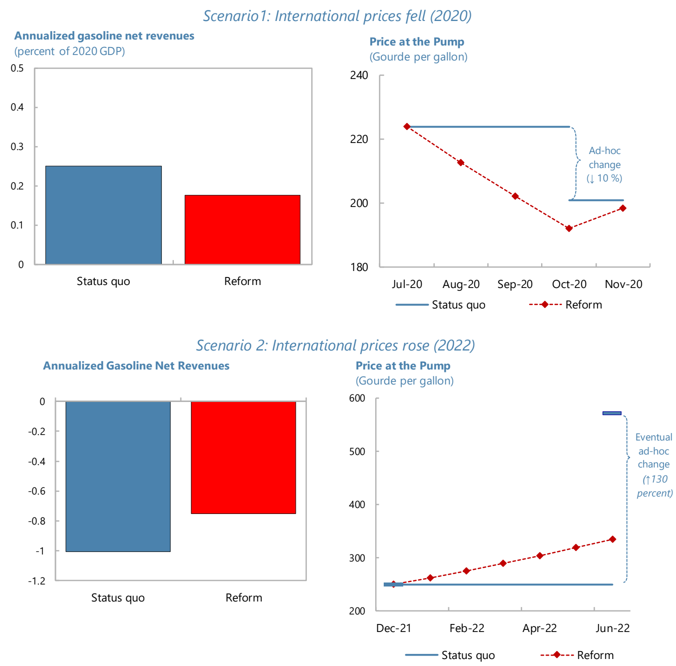
2. **Staff has provided substantial capacity assistance on this topic**. Advice has included: 1) specifying the parameters of the pricing formula (short term); 2) deciding the frequency of price adjustment, the smoothing mechanism, and the phasing-in strategy (short term); 3) putting in place the required institutional arrangements to support implementation (i.e., defining institutional responsibilities for setting prices); In the short term, the regulator could be responsible for managing the price adjustment mechanism, while the independence of fuel price regulation should be strengthened afterward; and 4) carrying out a detailed market study on fuel product cost and

[1] Prepared by Carolina Osorio-Buitron (RES).

margins and reference prices to revise the pricing formula in a way that promotes efficient operations (medium term).

3. **Quantitative Analysis**. The regime recommended by FAD reduces the volatility of both retail prices and fiscal net revenues (Figure 2). A reform to the retail price-setting mechanism (denoted by "with reform" in red) would deliver important benefits over the current regime (denoted by "status quo" in blue). Specifically:

Figure 2. Actual and Counterfactual Outcomes when International Prices Fluctuate Sharply



Source: IMF staff estimates and calculation.

- ***Scenario 1***: When international market conditions lowered gasoline prices in 2020, the proposed fuel price regime would have reduced annualized net revenues from 0.25 to 0.18 percent of GDP (top-left Figure 2). Meanwhile retail prices at the pump would have adjusted downward gradually, at a pace of 5 percent a month. Economic agents would have been able to anticipate this downward adjustment in a rules-based system, rather than face a discretionary adjustment of 10 percent (top-right chart).

- ***Scenario 2***: When international market conditions boosted gasoline prices, the proposed fuel price regime would have reduced net gas payouts by 25 percent, a decline in annualized energy subsidies to 0.75 percent of GDP relative to 1 percent of GDP under the status quo (bottom-left chart). In this case, the proposed mechanism would have implied a gradual 5 percent increase of retail gasoline prices each month. This would have been preferable to the 130 percent increase the authorities announced in September 2022 (bottom-right chart).

4. **The proposed retail price-setting mechanism for fuel products promotes stability, which can greatly enhance macroeconomic conditions**. The analysis shows that introducing a regime that allows changes in international markets to be partly passed on to consumers would reduce the volatility of fuel net revenues and retail prices. Moreover, since the proposed pricing mechanism caps monthly price changes, economic agents will not be subject to discretionary adjustment shocks—which have increased economic and social instability. To minimize the risks of social unrest, especially for vulnerable groups, this reform should be communicated to the public in a timely and clear manner, and it should be preceded and accompanied by the steady strengthening of the social safety net.

Annex VII. Options to Further Strengthen Monetary and Exchange Rate Policy

Haiti has greatly strengthened its monetary policy framework over the last year, although the IT attack on June 2023 has taken a toll on the production of monetary data. The BRH should continue to lower inflation, increase private-sector credit, and deepen financial markets. For this, a recommended monetary strategy should combine several components: continuing keeping the monetary financing of the non-financial public sector deficit to zero; conducting short-term liquidity operations at a fixed rate with full allotment to manage excess liquidity; raising the policy rate; reducing reserve requirement ratios; and adopting an FX market intervention rule with pre-defined targets [1]

A. Introduction

1. **Since 2022, Haiti has initiated key reforms under the Staff-Monitored Programs (SMP) to strengthen its monetary policy framework and reduce fiscal dominance**. The Bank of the Republic of Haiti (BRH) had adopted a ceiling on credit to the non-financial public sector (NFPS) as the main anchor to limit monetary financing of the fiscal deficit to less than 1½ in FY2022-23 and to bring it to zero from FY2023-24 onward. The BRH has also committed to conducting short-term liquidity operations at a fixed rate with full allotments (including at seven days) to manage excess liquidity in the banking system and strengthen policy transmission. And the BRH has committed to limiting interventions in the FX market to smooth excessive volatility of the exchange rate and to reviewing the framework for FX interventions.

2. **Monetary policy effectiveness has further improved during the last year**. The BRH had already reduced the monetary financing to the NFPS below 0.9 percent of GDP in FY2022-23 from 3 percent in FY2021-22. The BRH has also managed an orderly exchange rate adjustment since the sharp appreciation in the gourde/dollar rate in the second half of 2020. It has intervened only to calm pressures in the FX market in the presence of a large demand for (or supply of) foreign currencies for current account transactions while using prudential measures, including reserve requirements, to limit banks' vulnerability to FX liquidity risk. These results are even more meaningful given the temporary setback in some operations (e.g., timely data compilation and dissemination) due to the cyberattack of June 2023.

3. **The reforms in the pipeline should continue as part of a comprehensive and well-designed strategy**. Specifically, the monetary authorities should be fully aware of : (i) the optimal level of the central bank credit to the NFPS (i.e., a level that is non-inflationary and does not raise long-term inflation while maximizing the welfare of households); and (ii) the speed of convergence to that non-inflationary level of central bank credit to the government (i.e., the optimal level of monetary financing to provide to the NFPS each period). Adopting a ceiling on monetary financing of the deficit at zero as the main anchor of monetary policy raises a few additional considerations about central bank instruments. Specifically, the BRH should be well aware of the implications for

[1] Prepared by Jean Frederic Noah Ndela (WHD).

the short-term rate ("policy rate"), for which the transmission channel is weak, and for reserve requirement ratios, which are currently set at a high level. Finally, the BRH should consider the implications for exchange rate policy, including with regard to interventions in the foreign exchange market.

4. **This analysis aims to enhance understanding of monetary policy in Haiti by providing insights into the speed of adjusting monetary financing of the fiscal deficit, the effects on the interest rate, and key considerations for exchange rate policy**. We build a dynamic general equilibrium model adapted to Haiti's specific circumstances (and applicable to similar fragile and conflict affected states). The model allows us to quantify the optimal level of central bank credit to the government and the speed of convergence to that level and capture all key dimensions cited above regarding the adjustments of short-term interest rate (policy rate) and reserve requirement ratios. An extension of the model to include exogenous shocks, particularly on money growth and productivity, also provides forward guidance on the exchange rate response to shocks, including how foreign exchange (FX) interventions can help reduce exchange rate volatility. The model extension also recognizes the importance of an FX market intervention rule with pre-defined targets to enhance the transparency of interventions and encourage banks to manage their liquidity in a more forward-looking way.

B. Key Features of Haiti's Monetary Framework

5. **Until 2022-23, monetary policy was conducted in the context of fiscal dominance.** BRH's net credit to the government was equivalent to 10.4 percent of GDP in FY2022, then reduced to 8.5 percent in FY2023. As the government's gross financing needs declined amid domestic and external financing constraints and high inflation, monetary financing of the deficit fell drastically to 0.9 percent of GDP in FY2023, from 3 percent in FY2021. A "*Pacte*" between the BRH and the Ministry of Finance helps to convert central bank advances, currently unremunerated, into securities at low interest rates and long maturities at the end of each fiscal year. Annual inflation has been trending upward since FY2017, reaching 44.1 percent in FY2023, but it has eased substantially in recent months—to 22.1 percent in December 2023. The inflationary impact of monetary financing of the deficit is magnified by the relatively high level of dollarization, at about 69.4 percent of total deposits in FY2023. The ratio of foreign-currency credit to total private-sector credit is also high (52.4 percent in FY2023). With the exchange rate pass-through to CPI estimated at about 0.30, inflation reflects, with a lag, the large swings in the exchange rate.

6. **The main operating objective of the BRH is to keep price stability, reduce to zero the monetary financing of the deficit, and manage liquidity in the banking system**. Under the 2022 SMP, the BRH has agreed to: (i) a ceiling on credit to government to serve as the main anchor to limiting monetary financing of the fiscal deficit in a context of greater exchange rate flexibility, and (ii) conducting short-term liquidity operations at a fixed rate with full allotment (including at seven days) to manage excess liquidity in the banking system and strengthen policy transmission. Current monetary policy operations are not geared through open market operations (designed to influence an overnight interest rate on the trading of funds between eligible commercial banks) to achieve an appropriate supply of bank reserves relative to the demand. At 11.5 percent, the BRH has not

adjusted short-term interest rates since August 2022 and the transmission to lending rates—the main pricing benchmark of the banking system—is weak in view of the shallow government bond market. One commercial bank is the main buyer of BRH's bills, which are in weak demand. An interbank money market is thin, with participation limited to a few depository institutions. The formal "interbank rates" exceed the interest rate on BRH bills. These short-term interbank rates are one of the channels through which BRH monetary policy decisions are transmitted to the economy, but this interest rate channel is also weak since real interest rates are negative.

7. The BRH has made extensively use of reserve-requirement ratios to manage liquidity. The BRH imposes reserve requirements on depository institutions, which are satisfied by holding reserves at the central bank. These reserve requirements apply to transferable deposits in gourdes, transferable deposits in US dollars, savings accounts in gourdes, and savings accounts in US dollars. In September 1996, the ratios were 0.265, 0.125, 0.165, and 0.16, respectively, in response to the upturn in inflation. They have been adjusted frequently—the last time in August 2022 to 0.45, 0.53, 0.34, and 0.4, respectively. Despite high reserve-requirement ratios, depository institutions, including relatively large banks, hold increasing levels of balances in excess of requirements as a precautionary source of liquidity to meet contingencies. This is partly because these depository institutions do not have access to immediately available funds through a deeper interbank market. As a result, structural excess reserves prevail in the banking system. The BRH does not provide its counterparties with standing facilities, neither for providing nor for draining reserves, which could have set a corridor for the interest rate fluctuations. Reserve requirements, particularly on FX deposits, are an important component of the BRH monetary framework as they constitute a key source of its gross foreign reserves.

C. Monetary Financing, Short-term Rate, and Reserve Requirement Ratios

8. A dynamic general equilibrium model has been tailored to match Haiti's circumstances. The model is built to analyze the financing of the fiscal deficit by the central bank in a context of fiscal dominance. Fiscal dominance is experienced by many fragile and conflict-affected states that face limited financing options domestically and externally owing to underdeveloped financial markets and lack of access to international financial markets. The framework follows the money in the utility approach (Sidrauski 1967) by integrating money into the neoclassical growth model attributable to Ramsey (1928), Cass (1965), and Koopmans (1965). The framework uses that model to quantify the optimal level of central bank credit to the government and the speed of convergence to that level, thus, the appropriate level of monetary financing of the fiscal deficit and the implications for short-term interest rate and reserve-requirement ratios.[2] A sensitivity analysis that reflects key frictions of Haiti's fragility—such as an oligopolistic production sector and gang activities that raise marginal costs and premiums above the earnings of production factors relative to their marginal productivity—allows the model to further capture the fragility of Haiti's economy, especially its market structures.

[2] Forthcoming Working Paper: "The Optimal Level of Monetary Financing of the Fiscal Deficit, A Model Approach for Haiti."

9. The model allows a quantification of the optimal level of monetary financing of the fiscal deficit and simulation of a broad range of scenarios. The model implies that, in the vicinity of the balanced growth path, net credit to the NFPS per unit of effective labor, denoted as $m(t)$, can converge toward a non-inflationary optimal level m^* at a speed proportional to its distance from m^*. That is, defining $m(0)$ the initial value, $m(0) - m^*$ the distance to m^* at the initial period (t_0), the path of $m(t) - m^*$ is therefore given by $m(t) - m^* \approx e^{-\lambda t}(m(0) - m^*)$, where the growth rate of $m(t) - m^*$ is constant and equals $-\lambda$. This growth rate ($-\lambda$) corresponds to the speed of convergence toward the non-inflationary optimal level m^* and depends on key structural parameters of the economy—specifically, the interest elasticity of money demand, the discount factor, the coefficient of relative risk aversion that determines household willingness to shift consumption between periods, the marginal productivity of capital, the depreciation rate of capital, long-term growth, and population growth. We apply these parameters to Haiti's economy to see how net credit to the NFPS is likely to approach a balanced growth path. The results show that the growth rate ($-\lambda$) could be about 16.7 percent, which corresponds to monetary financing of about zero percent of GDP for an initial value of net credit to the government of 10.4 percent of GDP.

10. The above simulations help inform the design of a recommended monetary strategy. First, they could benefit Haiti by allowing for: i) a ceiling on credit to government as the main anchor to limit monetary financing of the deficit along with greater exchange rate flexibility, and ii) short-term liquidity operations to manage excess liquidity in the banking system. Second, the monetary policy strategy could be comprehensive and combine additional short-term interest rates and reserve-requirement ratios: (i) keeping the monetary financing of the fiscal deficit to zero puts upward pressure on the short-term interest rate, requiring some adjustments; (ii) higher interest rates could reduce the negative real interest rate, and if combined with short-term liquidity operations to manage excess liquidity in the banking system, would help drain excess liquidity from the banking system. This, in turn, would create scope for reducing reserve-requirements ratios, while strengthening the interest-rate channel and the transmission of monetary policy. Finally, liquidity operations can take the form of reverse operations, swaps, outright purchases, or sales of fixed-term deposits, executed through tenders. But the possibility of using bilateral procedures, collateral, and reverse transactions should not be excluded.

D. Exchange Rate Policy

11. The model used above has been expanded to a dynamic stochastic general equilibrium (DSGE) model to capture the salient features of business cycles in Haiti.[3] First, the extension of the model to a stochastic version permits closer study of business cycles after the model calibration and estimation. The calibration of the model provides structural parameters consistent with the economy's long-run movements. While the estimation of the DSGE model—using Haiti quarterly data on ICAE, inflation, short-term interest rates, exchange rates, and central bank credit to NFPS—infers structural parameters that characterize Haiti's economy along its long-run and short-run behaviors and properties, which permits a computation of a speed of convergence of monetary financing of the fiscal deficit consistent with the behavior of Haiti's economy. Second, the DSGE

[3] Forthcoming Working Paper: "Assessing the Business Cycle in Haiti, A DSGE Approach."

model incorporates a few shocks—especially money growth and productivity shocks—that are relevant for Haiti. The simulations of this DSGE model provide useful insights into Haitian business cycles and the responses of the economy to various exogenous shocks. This impulse response analysis also sheds light on the dynamic properties of macroeconomic variables of interest (e.g., the exchange rate) and allows us to formulate some useful policy recommendations.

12. An unanticipated money growth shock would have only a minor impact on the exchange rate (Figure 1). It would increase the money supply, given that the interest elasticity of money demand puts downward pressure on short-term interest rates and boosts inflation in the near term. An unexpected money growth shock could generate an increase of 0.001 percent in long-run inflation and a decrease of 0.005 percent in short-term interest rate. The impact on output is mixed. The exchange rate appears unaffected. This suggests forward guidance for exchange rate policy—specifically, that the BRH might adopt a "benign neglect" approach vis-à-vis the impact of money growth shocks on the exchange rate as it leads to non-inflationary monetary financing of the fiscal deficit.

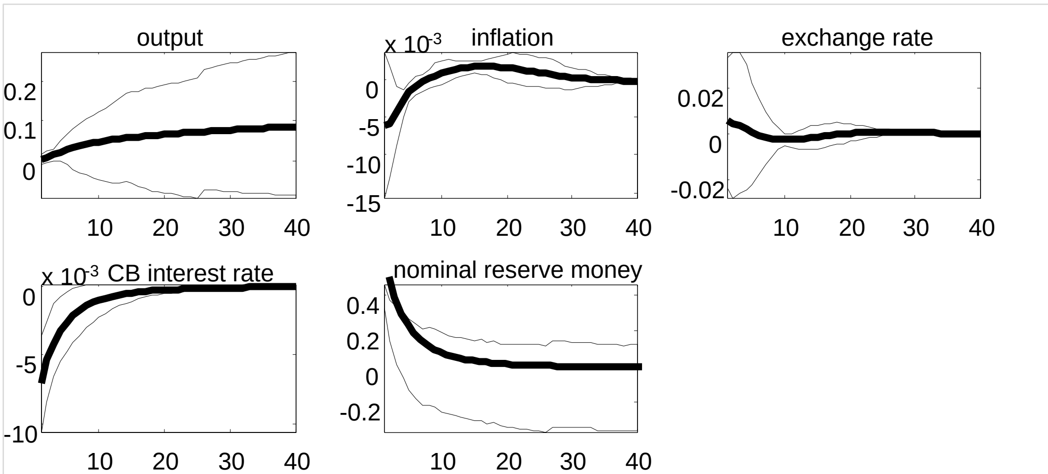
13. A productivity shock would boost domestic output, which raises inflation in the short term and forces the exchange rate to overshoot its equilibrium level in the short term (Figure 2). A productivity shock in a fragile and conflict-affected state may result from several unanticipated developments, including improved labor productivity through knowledge and new technologies and improvements in other determinants of total factor productivity (e.g., business climate, institutions, and the security situation). A positive shock to productivity (1 standard deviation) would raise output by more than 0.5 percent.[4] However, inflation would increase by 0.04 percent following a productivity shock, then decline to near zero in the medium term. This response of inflation depends on which types of goods (tradable versus non-tradable) are affected by the increased labor productivity. As tradable goods are most likely to be exported, this puts pressure on inflation. Figure 2 also shows the exchange rate's transition under a productivity shock: in the short run, the exchange rate overshoots by about 0.3 percent, then adjusts gradually toward equilibrium. The exchange rate response to money growth and productivity shocks, essentially an asymmetric response, offers additional forward guidance on exchange rate policy.

14. The BRH policy to limit interventions in the FX market to smoothing excessive exchange rate volatility is appropriate. Sharp appreciations/depreciations in the gourde/dollar rate can result from an exogenous shock, including a productivity shock. In this regard, the BRH should adjust the exchange rate in an orderly way and intervene to calm market pressures when the demand/supply of foreign currencies is large, thereby allowing the exchange rate to serve primarily as a shock absorber when necessary. Such FX interventions would also help narrow the parallel market premium.

[4] The estimate of the standard deviation of productivity shock has proven to be high with Haiti data, reflecting all constraints that hamper economic activity, including violence and gang activities.

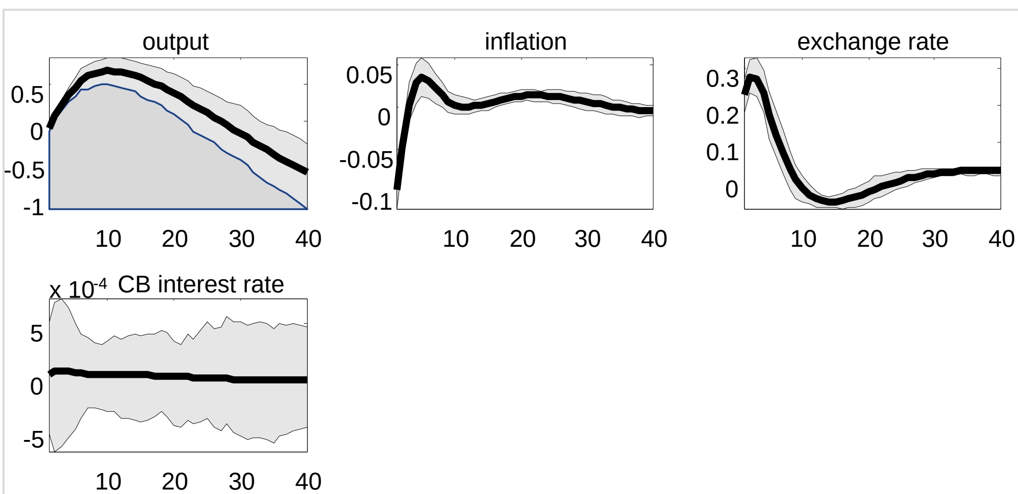
Annex VII. Figure 1: Transition Path and Responses to a Money Growth Rate Shock

(In percent)



Annex VII. Figure 2: Transition Path and Responses to Productivity Shock

(In percent)



E. Financial Sector Reforms

15. Haiti would benefit from reforms that strengthen the functioning of the FX market. Under the 2022 SMP, the authorities have adopted a floor on net international reserves (NIR) and committed to establishing an FX market intervention rule. A rule that follows the above forward guidance, with pre-defined targets, could enhance the transparency of the BRH's FX interventions and encourage banks to manage their liquidity in a more forward-looking way. The BRH could put in place, in consultation with IMF experts, an FX intervention rule based on an appropriate mechanism for FX interventions, such as well-designed weekly FX auctions in lieu of the foreign exchange allocation system. The BRH can also review limits on banks' net open FX positions to render the FX market deeper. Limits on the net open FX positions can encourage greater participation in FX markets, as banks will have to take active measures to avoid unbalanced positions.

16. The authorities are working to deepen the financial markets. The BRH has initiated reforms to deepen the government securities market; develop the inter-bank money market with new facilities, including overnight lending facilities, open market operations, repos, and reverse repos; and enhance domestic saving instruments. Deepening the securities market will provide an alternative source of funding to the treasury and a more effective conduit for monetary policy. While new money-market standing facilities could help the BRH manage liquidity, the design and use of these instruments (such as collateral policies and liquidity forecasts) would benefit from in-depth discussions with Fund TA experts to ensure that they do not undermine the incentives for banks to manage their risks; expose the central bank balance sheet to credit, market and liquidity risks; or create impediments to the functioning of the money market.

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Annex VIII. Assessing Macro-financial Linkages Using a Balance Sheet Approach

This annex provides the key stylized facts of Haiti's financial and monetary sectors. It highlights the main vulnerabilities arising from macro-financial linkages using a balance sheet analysis, including the heightened exposure of commercial banks to non-financial corporations (NFCs) and the government and NFCs' reliance on external funding. It shows that the financial sector has been facing headwinds after years of multiple recessions.[1]

A. Stylized Facts

1. **Haiti's financial system is small, with assets (excluding the central bank) equivalent to less than 20 percent of GDP** (Table 1). Over the past decade, the Haitian financial sector has been playing an increasingly important role in the country's economy, although from a low base, and has grown by 3 percent of GDP since 2019. In spite of this progress, Haiti ranks low on the Fund's Financial Development Index (¶39 of the Staff report).

2. **Credit provision in the financial system is dominated by commercial banks, with microfinance institutions playing a small but nontrivial role**. Close to 90 percent of the country's loan volume is provided by commercial banks, with the remainder provided by microfinance institutions. The latter play a relevant role in credit provision to small firms and rural customers, however, whereas banks focus on larger clients. Haiti has a sizable informal financial sector, comprising informal savings groups and rotating savings and credit associations. The insurance system is underdeveloped.

Table 1. Haiti: Size and Structure of the Financial System, June 2024

Sector	Total assets in millions of gourdes	In percent of financial system assets	In percent of GDP 2/
Central bank (BRH)	758,863	52.2	19.0
Other Depository Corporations	675,371	46.4	16.9
Commercial banks	645,471	44.3	16.2
Private banks	520,126	35.7	13.0
State-owned banks	125,345	8.6	3.1
Savings and credit cooperatives 1/	29,900	2.1	0.7
Other financial corporations	20,903	1.4	0.5
Total financial system	1,455,136	100	36.4
Memorandum item:			
Total financial system excluding central bank	696,273	48	17.4

1/ Data as of March 2024.
2/ GDP data for 2024 are Fund staff estimates.
Sources: BRH and Fund staff estimates.

3. **The banking sector is highly concentrated, with the three largest banks (out of a total of eight).** These three banks hold more than 80 percent of commercial bank assets (Table 2), 75 percent of banking system loans and 82 percent of banking system deposits. Despite dominating the financial system, banks play a limited role in financial inclusion as their lending tends to be concentrated on specific large clients —the result of vulnerabilities in the legal and regulatory framework, a weak collateral system, and difficulties in obtaining titles to property. These

[1] Prepared by Justin Matz (former STA), Arsène Kaho (WHD) and Gonzalo Huertas (WHD).

weaknesses also reflect the structure of the economy, characterized by a few large, well-known firms and a multitude of smaller, informal firms. Savings and credit cooperatives and microfinance institutions serve mainly rural customers.

4. While the banking system is well capitalized and liquid, there is some heterogeneity amongst individual institutions (Tables 2 and 3). All banks but one meet the minimum regulatory capital adequacy ratio of 12 percent. One of the public banks, the smallest bank by asset size, has negative equity. The bulk of bank assets are placed with the central bank, which has high reserve requirements (51 percent for foreign-currency deposits and 40 percent for gourde deposits). Banks place excess liquidity at the central bank because of the country's security situation and the lack of bankable projects with preferred clients.

Table 2. Haiti: Capital Adequacy and Liquidity Ratios, June 2024

(In percent)

	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8
Capital to assets	7.9	5.9	6.3	14.0	7.4	8.7	10.7	-6.6
Regulatory capital to risk-weighted assets 1/	24.0	17.2	25.3	25.5	17.1	13.0	145.7	-24.0
Liquid assets to total assets	56.0	47.3	64.6	60.1	47.3	18.1	93.8	64.0
Liquid assets to deposits	66.0	56.5	83.7	77.6	56.5	26.9	123.9	76.0
Memorandum:								
Total assets (billions of gourdes)	237.6	166.3	119.8	52.0	47.5	11.7	5.0	5.5
Bank's share of banking system assets (percent)	36.8	25.8	18.6	8.1	7.4	1.8	0.8	0.9
Bank's share of banking system loans (percent)	34.7	25.4	15.4	9.9	10.3	4.1	0.0	0.2
Bank's share of banking system deposits (percent)	38.2	26.4	17.5	7.1	7.6	1.5	0.7	0.9

1/ Data for Bank 8 as of September 2023.
Sources: Reserve Bank of Haiti and Fund staff estimates.

Table 3. Haiti: Asset Quality and Profitability Ratios, June 2024

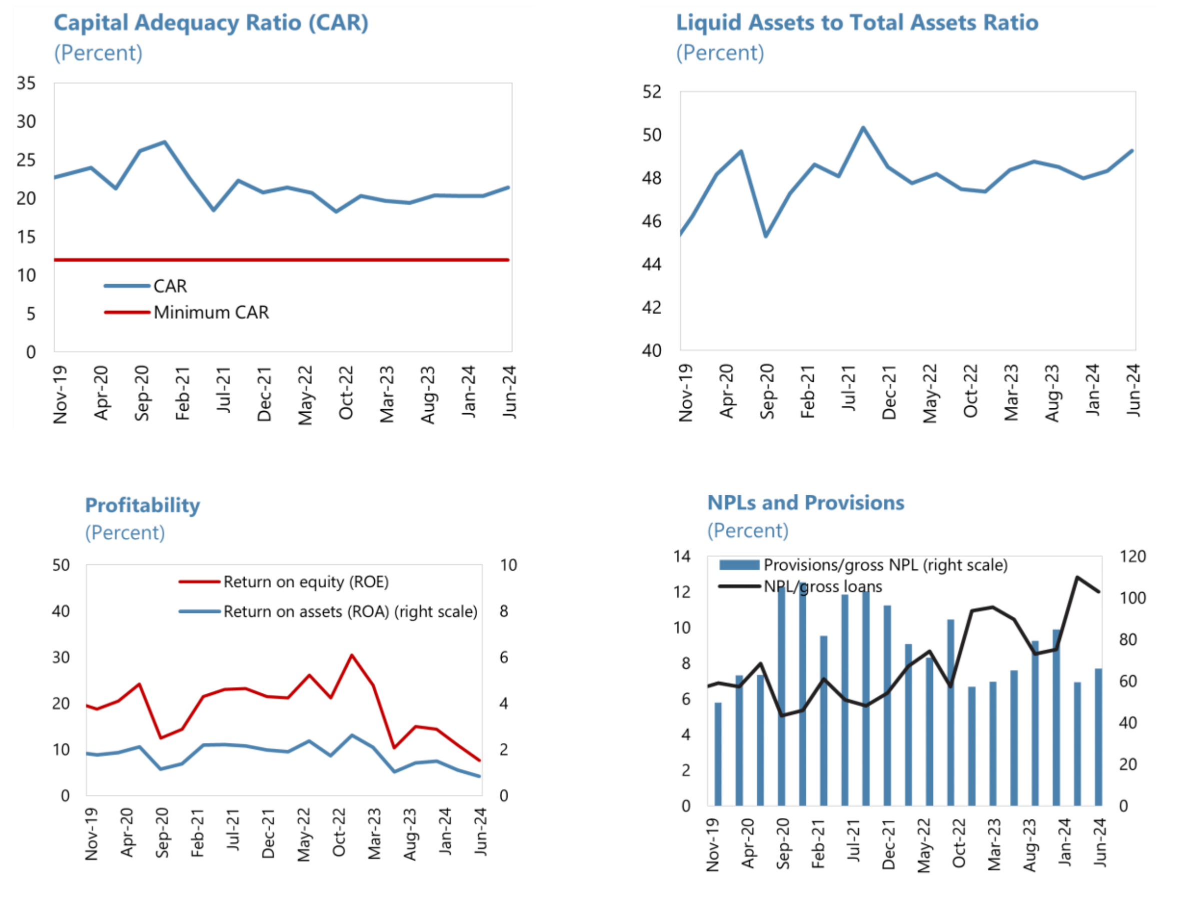
(In percent)

	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8
NPLs to total gross loans	1.1	13.5	41.6	3.4	2.9	11.3	not applicable	92.1
Provisions for doubtful loans to gross NPLs	218.0	62.0	43.0	102.6	93.7	46.0	not applicable	91.8
NPLs net of provisions to capital	-2.7	15.6	43.3	-0.2	0.7	29.6	not applicable	not applicable
Return on assets	1.4	0.3	1.3	1.4	-0.2	0.7	1.7	-2.8
Return on equity	16.0	4.4	12.9	13.0	-3.2	7.1	18.8	-26.7

Source: BRH web site.

5. While banks are still profitable, six years of recession and the security situation have begun to take a toll (Figure 1 and Table 3). Profits are falling and levels of non-performing loans (NPLs) are rising, despite a repayment moratorium, recently extended through September 2024. Banks were well provisioned but have been drawing down on those provisions as the level of NPLs has risen to 12 percent.[2]

Figure 1: Haiti: Financial Soundness Indicators



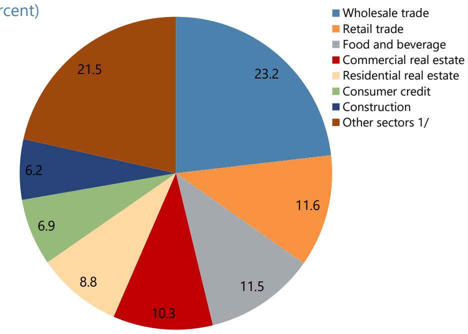
Sources: Reserve Bank of Haiti and IMF staff calculations.

Note: NPLs= Non-performing loans.

[2] Haiti's bank law offers the regulator (in the case of Haiti the BRH) a few tools to address banks with negative equity and in poor financial condition: 1) *put the bank on notice*: as part of its supervisory powers, the BRH should notify (send a letter to) immediately the bank's board of directors and management of the bank's poor financial situation and its failure to comply with capital regulation; and urge the board and management to take necessary measures to correct the situation without further delay; 2) *direct injunction to the bank to implement a restructuring plan*: the BRH will send a recommendation to the bank to take appropriate and specifics measures to restore its financial soundness, improve its business model, and ensure the suitability of its activities and development goals. The bank should comply to this injunction within a month and take all recommended adjustments; 3) *special supervision regime*: the BRH can put the bank under a *special supervision regime* with a tighter and stringent supervision; 4) *conservatorshi*p: the BRH will place the bank under a provisional management/administration and appoint a provisional manager/administrators to run the bank for a period of six months. This might be accompanied with "*direct intervention"* from the BRH (bailout) if the bank can no longer meet its fiduciary obligations, default on its payments, or has been in a non-compliance with the injunctions of the *restructuring plan* during the *special supervision regime*; and 5) *receivership*: the regulator (BRH) will take over the bank and trigger a forced liquidation of the bank. The process could include a court involvement, eventually lawsuits.

6. Bank lending is concentrated in specific sectors (Figure 2). The main sectors receiving credit are involved in wholesale, retail trade, the food and beverage industry, commercial and residential mortgages, consumption, and construction. The number of borrowers at commercial banks fell from over 140,000 in September 2017 to 63,596 in March 2024 following six years of economic contraction.

Figure 2: Haiti: Bank Lending by Sectors
(Percent)



Sources: Reserve Bank of Haiti and Fund staff estimates.
1/ Other sectors cover 20 items whose share is below 3 percent.

7. The concentration of Haiti's financial system assets and credit in a few large banks can lead to reduced competition, higher banking service costs, risk concentration, and inefficiency in the market. The concentrated banking sector could hinder competition for credit in the formal sector, by rationing new credit to outsiders and new market entrants and constrain the informal sector's access to financial services. The concentration of bank credit to their known and preferred customers can lead to large NPLs due to high degrees of interconnectedness. The significant market power of the large banks can lead to higher fees, larger net interest margins, and reduced innovation in financial products and services. If these banks come under stress, this can pose a systemic risk to the entire financial system. Addressing these vulnerabilities requires a combination of regulatory reforms, policies to promote competition and new entrants, and measures to promote diversity and inclusiveness in the financial sector.

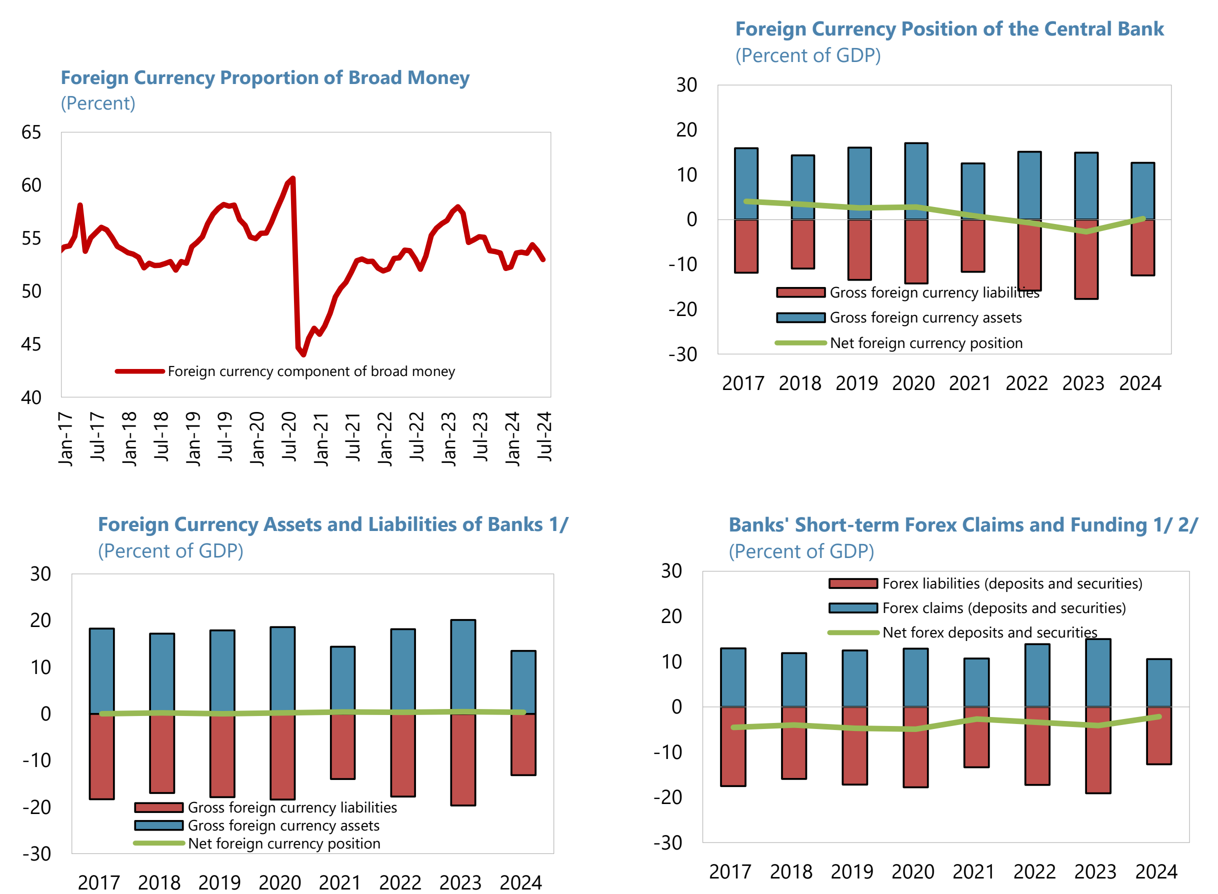
8. The credit-to-GDP ratio has been declining steadily since the start of the security crisis and is now well below potential. As citizens leave Haiti and businesses close because of the security crisis, banks have fewer well-known customers and fewer credit opportunities. Due to the overall deterioration in security and declining economic activity, banks have greatly reduced lending to the private sector, by almost 21 percent year-on-year by the March 2024. A credit gap analysis reveals a gap for June 2024 of 22 percent—implying that private-sector borrowing is well below potential. With few credit opportunities and high reserve requirements, the loan/deposit ratio is under 30 percent. Total deposits account for the bulk of bank funding, amounting to around 80 percent of total assets.

9. Overall deposit dollarization as a percent of total broad money remains elevated, at about 55 percent for the past year which poses challenges to the conduct of monetary policy (Figure 3, first panel). Deposit dollarization dropped in September 2020 when the local currency appreciated against the US dollar, it but has returned to historical levels as the gourde then depreciated again.

10. The central bank net foreign exchange position has been deteriorating since 2016 and has become negative since end-2020 (Figure 3, second panel). This means that the *Banque de la République d'Haïti* (BRH) does not have enough foreign exchange assets to pay off its foreign exchange denominated liabilities. This is uncommon in emerging markets or developing countries and underscores Haiti's fragility.

11. In contrast, commercial bank balance sheets are well hedged overall with foreign assets matching liabilities (Figure 3, third panel). Banks have low net open positions in foreign exchange to capital, which is one percent. Three banks regularly have ratios higher than the regulatory limit, but these ratios rarely exceed 3 percent. A mismatch persists in the short term (Figure 3, fourth panel) with short-term foreign currency liabilities exceeding short-term foreign currency denominated assets.

Figure 3. Currency Substitution in the Monetary Sector



Sources: Reserve Bank of Haiti and IMF staff calculations.

1/ "Banks" refers to Other Depository Corporations (ODCs). ODCs consist of financial corporations (other than the central bank) that are mainly engaged in financial intermediation and issue liabilities included in the definition of broad money. This includes commercial banks and money market funds as well as merchant banks, savings banks, building societies, and credit unions. 2/ Short-term assets and liabilities of banks are defined as deposits and debt securities. Actual maturity details are unknown and there are potentially longer-term positions included here while short-term positions in other financial instruments (i.e. loans) are excluded).

B. Macro-Financial Linkages

12. Looking at macro-financial linkages in Haiti using the Balance Sheet Analysis (BSA) provides an overview of the gross and net balance sheet positions of each sector of the economy against other resident and non-resident sectors. It thus allows the assessment of exposures and vulnerabilities in individual sectors, as well as cross-sectoral linkages. The BSA (Table 4 and Table 5) includes seven sectors: (i) government; (ii) central bank; (iii) other depository corporations (ODCs, i.e., commercial banks); (iv) other financial corporations (OFCs); (v) nonfinancial corporations (NFCs); (vi) households; and (vii) external.

Table 4. Balance Sheet Approach Matrix, 2020
(Percent of GDP)

	Government		Central Bank		Other Depository Corporations		Other Financial Corporations		Nonfinancial Corporations		Households		External		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Government			Source: CB		Source: ODCs		Source: OFCs		(GFS/MFS estimation)		(GFS/MFS estimation)		Source: IIP			
Total			12	4	3	1	...	...	...	...	...	...	10	-	24	5
In domestic currency			12	3	2	1	...	...	...	...	...	...	-	-	13	4
In foreign currency			-	1	1	0	...	...	-	-	-	-	10	-	11	1
Central Bank	Source: CB				Source: CB		Source: CB		Source: CB		Source: CB		Source: CB			
Total	4	12			12	2	1	0	0	0	6	-	5	14	28	27
In domestic currency	3	12			5	2	1	0	0	0	6	0	0	-	15	14
In foreign currency	1	-			6	0	0	-	-	-	-	0	5	14	13	14
Oth. Dep. Corporations	Source: ODCs		Source: CB		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs		Source: ODCs			
Total	1	3	2	12	0	1	0	2	5	6	19	2	1	3	28	28
In domestic currency	1	2	2	5	0	1	0	1	2	3	9	2	0	0	14	14
In foreign currency	0	1	0	6	0	0	0	1	3	3	10	0	0	3	14	15
Oth. Fin Corporations	Source: OFCs		Source: CB		Source: ODCs		Source: OFCs		Source: OFCs		Source: OFCs		Source: OFCs			
Total	...	...	0	1	2	0	...	...	...	...	...	...	...	...	2	1
In domestic currency	...	...	0	1	1	0	...	...	...	...	...	...	...	...	1	1
In foreign currency	...	...	-	0	1	0	...	...	...	...	...	...	...	...	1	0
Nonfinancial Corporation	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs				(No sectoral data)		Source: IIP			
Total	...	...	0	0	6	5	...	...					10	1	16	6
In domestic currency	...	...	0	0	3	2	...	...					-	-	3	2
In foreign currency	-	-	-	-	3	3	...	...					10	1	13	4
Households	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)				Source: IIP			
Total	...	...	0	6	2	19	...	...					...	...	2	25
In domestic currency	...	...	0	6	2	9	...	...					...	...	2	15
In foreign currency	-	-	0	-	0	10	...	...					...	...	0	10
External	Source: IIP		Source: CB		Source: ODCs		Source: OFCs		Source: IIP		Source: IIP					
Total	-	10	14	5	3	1	...	...	1	10	...	...			18	25
In domestic currency	-	-	-	0	0	0	...	...	-	-	...	...			0	0
In foreign currency	-	10	14	5	3	0	...	...	1	10	...	...			18	25
Total	5	24	27	28	28	29	1	2	6	16	25	2	25	18	CHECK	CHECK
In domestic currency	4	13	14	15	13	15	1	1	2	3	15	2	0	0	47	47
In foreign currency	1	11	14	13	15	14	0	1	4	13	10	0	25	18	65	65

Sources: Reserve Bank of Haiti, Haiti Statistical Institute, and IMF staff calculations.

13. The BSA matrix results suggest several areas of vulnerability for Haiti. The banking sector is mostly exposed to NFCs and thus vulnerable to a direct shock to NFC balance sheets (e.g., high nonperforming loans, many of which are under a repayment moratorium), although this exposure decreased slightly from 2020 to 2022. Bank funding comes mainly from household deposits, which are generated from remittances. This makes them sensitive to remittance levels, as households may need to draw down their deposit balances in periods with lower remittances from abroad. It also provides banks with a significant amount of foreign exchange, half of which they must keep with the central bank as required reserves. The current crisis has tended to ensure that remittance levels remain high as overseas Haitians provide support to their families. Commercial banks' direct exposure to government picked up between 2020 and 2022, albeit remaining moderate. NFCs rely largely on external financing, which exposes them to the risk of currency mismatches. External funding of NFCs takes the form almost entirely of foreign direct investment, which limits the risk to a sudden withdrawal of funding from external creditors. Without many bankable opportunities and with high reserve requirements, commercial banks are exposed to the BRH. The BRH in turn has a relatively high exposure to the government, which grew considerably during the crisis from 2020 to 2022.

Table 5. Balance Sheet Approach Matrix, 2023

(Percent of GDP)

	Government		Central Bank		Other Depository Corporations		Other Financial Corporations		Nonfinancial Corporations		Households		External		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Government			**Source: CB**		**Source: ODCs**		**Source: OFCs**		(GFS/MFS estimation)		(GFS/MFS estimation)		**Source: IIP**			
Total			11	4	3	1	...	...	...	...	...	...	12	-	25	4
In domestic currency			11	3	1	0	...	...	...	...	...	...	-	-	12	3
In foreign currency			-	1	1	0	...	...	-	-	-	-	12	-	13	1
Central Bank	**Source: CB**				**Source: CB**		**Source: CB**		**Source: CB**		**Source: CB**		**Source: CB**			
Total	4	11			11	1	0	0	0	0	4	-	5	12	25	24
In domestic currency	3	11			5	1	0	0	0	0	4	0	0	-	12	12
In foreign currency	1	-			6	0	0	-	-	-	-	(0)	5	12	13	12
Oth. Dep. Corporations	**Source: ODCs**		**Source: CB**		**Source: ODCs**		**Source: ODCs**		**Source: ODCs**		**Source: ODCs**		**Source: ODCs**			
Total	1	3	1	11	(2)	1	0	1	4	4	15	1	0	3	19	22
In domestic currency	0	1	1	5	(1)	0	0	1	1	2	6	1	0	0	7	9
In foreign currency	0	1	0	6	(1)	0	0	1	2	2	9	0	0	3	11	13
Oth. Fin Corporations	**Source: OFCs**		**Source: CB**		**Source: ODCs**		**Source: OFCs**		**Source: OFCs**		**Source: OFCs**		**Source: OFCs**			
Total	...	...	0	0	1	0	...	...	...	...	...	...	...	...	1	1
In domestic currency	...	...	0	0	1	0	...	...	...	...	...	...	...	...	1	0
In foreign currency	...	...	-	0	1	0	...	...	...	...	...	...	...	...	1	0
Nonfinancial Corporation	(GFS/MFS estimation)		**Source: CB**		**Source: ODCs**		**Source: OFCs**				(No sectoral data)		**Source: IIP**			
Total	...	...	0	0	4	4	...	...					10	1	13	5
In domestic currency	...	...	0	0	2	1	...	...					-	-	2	2
In foreign currency	-	-	-	-	2	2	...	...					10	1	12	3
Households	(GFS/MFS estimation)		**Source: CB**		**Source: ODCs**		**Source: OFCs**		(No sectoral data)				**Source: IIP**			
Total	...	...	0	4	1	15	...	...					...	...	1	19
In domestic currency	...	...	0	4	1	6	...	...					...	...	1	10
In foreign currency	-	-	(0)	-	0	9	...	...					...	...	0	9
External	**Source: IIP**		**Source: CB**		**Source: ODCs**		**Source: OFCs**		**Source: IIP**		**Source: IIP**					
Total	-	12	12	5	3	0	...	...	1	10	...	...			16	27
In domestic currency	-	-	-	0	0	0	...	...	-	-	...	...			0	0
In foreign currency	-	12	12	5	3	0	...	...	1	10	...	...			16	27
Total	4	25	24	25	20	21	1	1	5	13	19	1	27	16	CHECK	CHECK
In domestic currency	3	12	12	12	8	9	0	1	2	2	10	1	0	0	33	35
In foreign currency	1	13	12	13	13	12	0	1	3	12	9	0	27	16	62	63

Sources: Reserve Bank of Haiti, Haiti Statistical Institute, and IMF staff calculations.

14. Network maps provide a graphical presentation of the BSA matrix. They can be used to visualize the evolution of financial exposures among sectors over time. (Figures 3 and 4 show gross cross-sectoral exposures along different dimensions in 2020 and 2023.) The thickness of the arrow indicates the magnitude of gross exposure, while the color of the nodes distinguishes net creditors (green) from net debtors (red). The maps for Haiti indicate that:

- Like other countries in the Caribbean, the Haitian financial sector has built up a large exposure to the government over the years. Haiti's transmission channel is unique, due to the role of its central bank. Other countries have been working to develop capital markets, providing banks with financial instruments in which to invest and earn interest. In Haiti's case, banks are channeling savings from households to the government indirectly, via the central bank (as banks park their reserves at the central bank).

- The central bank is a net debtor. Emerging market central banks often maintain high levels of international reserves (claims on rest of the world), but in Haiti's case, this is offset by foreign exchange liabilities to banks. The central bank primarily mobilizes funding by issuing currency and holding bankers' deposits, primarily in FX. It has used these funds to invest overseas (international reserves) and to lend to the government. The debtor position of the central bank reflects vulnerabilities due to the low level of equity.

- Banks source their funds from the private sector, but do not really provide much credit back in the form of loans or investments in private sector debt. Rather, they deposit these savings at the central bank.

- The lack of domestic credit from banks forces nonfinancial corporates to rely on foreign direct investment from offshore.

Figure 3. Balance Sheet Matrix in Network Map Form, 2020

In percent of GDP

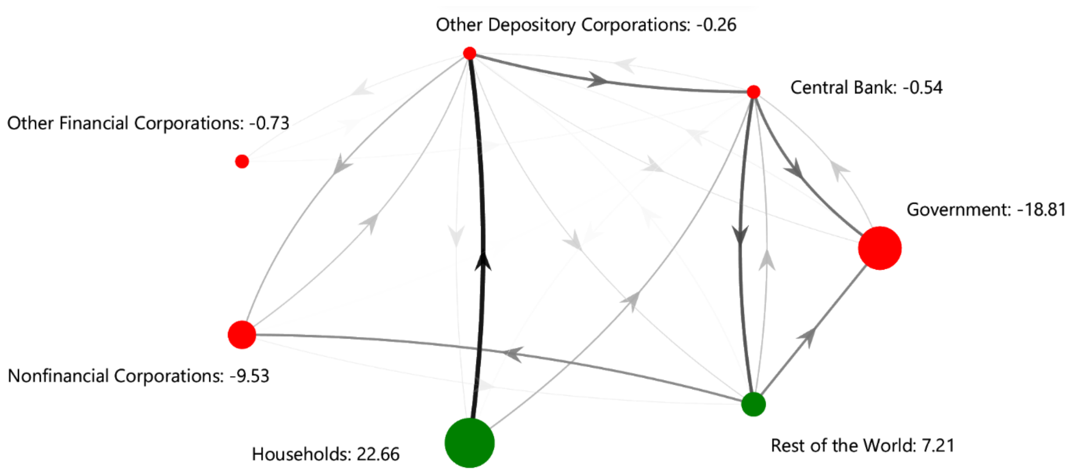
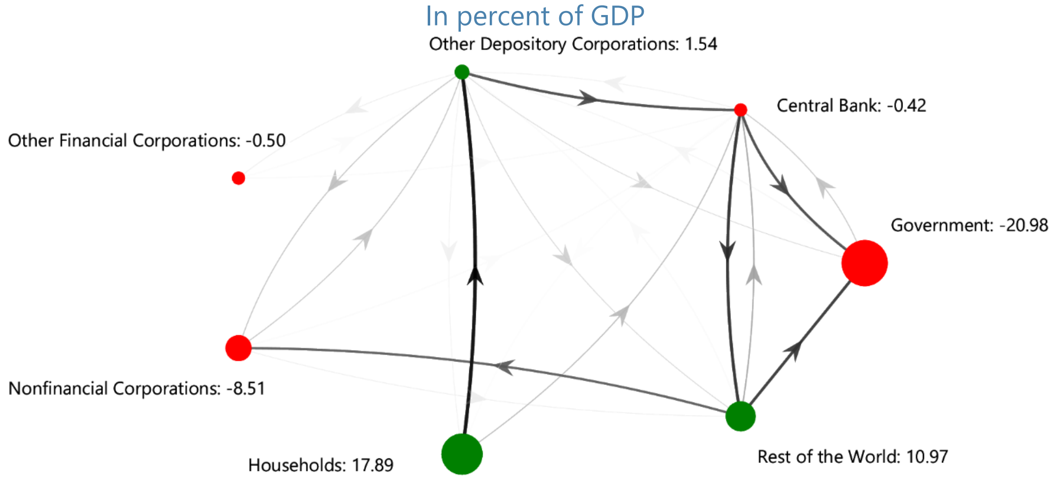


Figure 4. Balance Sheet Matrix in Network Map Form, 2023

In percent of GDP



Sources: Reserve Bank of Haiti, Haiti Statistical Institute, and IMF staff calculations and IMF staff calculations.

Annex IX. Data Issues

Table 1. Haiti: Data Adequacy Assessment for Surveillance

1. Data Adequacy Assessment Rating 1/

C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	B	C	C	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	C	B	A		
Granularity 3/	C		B	C	C		
			C		B		
Consistency			B	D		C	
Frequency and Timeliness	C	A	B	C	C		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Monetary and external sector statistics are provided to the Fund with long delays since the IT attack in June 2023, reducing their usefulness for surveillance; however, the timeliness of the data submission has improved recently. Data quality issues are revealed through frequent revisions to key macroeconomic aggregates, like money, credit aggregates, and international reserves. Surveillance could be more effective with expanded public sector debt coverage, including contingent liabilities of general government and SOE debt. Unexplained large personal transfers, incomplete information on investment income, and stock-flow inconsistencies limit timely analysis of the external sector. The Haitian Institute of Statistics and Information (IHSI) compiles and publishes current price and constant price (2012/2013 base year) annual estimates of Gross Domestic Product by production activities (GDP-P). The 2012/2013 base year, however, is outdated and may not adequately reflect the current structure of the economy and/or the impact of several shocks since 2019 on the level of GDP.

Changes since the last Article IV consultation. GDP data from the demand side was compiled. Timeliness in the reporting of monetary, national accounts and real sector data as well as government finance statistics has considerably improved since 2019 until the IT cyber-attack incident at the central bank in June 2024. As a result, earlier improvements in timeliness of monetary and reserve data statistics were not consistently maintained. Since mid 2024 strong progress has been made to revert to previous achievements. Publication of central government finance data has greatly improved since 2019 Article IV.

Corrective actions and capacity development priorities. 1) There is significant scope to improve the source data and compilation methodology and rebase the GDP estimates to a more recent base year. In due course, the forthcoming quarterly GDP calculations should also be aligned with the updated base year; 2) Address misclassification issues in tax revenue data included in the Central Government Operations Table (TOFE); 3) Expand coverage of public sector debt to include extrabudgetary units, state-owned enterprises, and government guarantees; 4) Ensure the timely implementation of the plan to enhance the quality of external sector statistics, including international reserves, supported by technical assistance (TA). Compilation of Reserve Data Template on International Reserves and Foreign Currency Liquidity is in progress, supported by TA; 5) Implement the eGDDS framework to improve transparency.

Use of data and/or estimates different from official statistics in the Article IV consultation. The team is using official data, unless clearly specified in selected charts.

Other data gaps. Financial sector and digitalization data, including by gender could be more timely: e.g., financial access survey (FAS) data last observation is 2020.

2. Haiti: Data Standards Initiatives

Haiti participates in the Enhanced General Data Dissemination System (e-GDDS) by only posting metadata (not data) since December 2009. Haiti has yet to disseminate data recommended under the e-GDDS on a National Summary Data Page, and it does not use an SDMX technology.

Table 2. Table of Common Indicators Required for Surveillance
As of October, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Haiti	Expected Timeliness[6,7]	Haiti
Exchange Rates	10/7/2024	10/8/2024	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Aug-24	Oct-24	M	M	M	...	1M	...
Reserve/Base Money	Aug-24	Oct-24	M	M	M	M	2M	15D
Broad Money	Jul-24	Sep-24	M	M	M	M	1Q	22D
Central Bank Balance Sheet	Aug-24	Oct-24	M	M	M	M	2M	15D
Consolidated Balance Sheet of the Banking System	Jul-24	Sep-24	M	M	M	M	1Q	22D
Interest Rates[2]	Sep-24	Sep-24	D	D	M	...	...	...
Consumer Price Index	Aug-24	Sep-24	M	M	M	M	2M	21D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Aug-24	Sep-24	M	M	A	M	3Q	5D
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Aug-24	Sep-24	M	M	Q	M	1Q	10D
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-22	Aug-23	M	M	Q	...	2Q	...
External Current Account Balance	Jun-24	Sep-24	Q	Q	Q	Q	1Q	45D
Exports and Imports of Goods and Services	Jun-24	Jul-24	M	M	M	A	12W	...
GDP/GNP	Sep-23	Dec-23	A	A	Q	A	1Q	6M
Gross External Debt	Jul-24	Sep-24	M	M	Q	M	2Q	6D
International Investment Position	Sep-23	Sep-24	A	A	A	A	3Q	6M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.
[7] Recommended frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected.

Annex X. External Sector Assessment[1]

***Overall Assessment**. The external position of Haiti in FY2023 was weaker than the level implied by fundamentals and desirable policies. Preliminary information on FY2024 points to a continued real appreciation of the gourde, amid strong real-side restraints on economic activity.*

***Potential Policy Responses**. Continued reforms and addressing Haiti's security situation and business climate remain critical to address vulnerabilities and strengthen Haiti's external position. The BRH should maintain its policy of limiting interventions in the FX market to smoothing excessive volatility, increase transparency in FX interventions, and advance on the formalization of the exchange market.*

Foreign Assets and Liabilities: Position and Trajectory

Background. At the end of FY 2023, Haiti's net international investment position (NIIP) was negative at US$1½ billion, or 7.7 percent of GDP. Gross assets represented 18.6 percent of GDP and are composed mostly of gross international reserves (12.1 percent of GDP) and other investment assets from the banking sector (4.9 percent of GDP). Gross liabilities represented 26.3 percent of GDP, stemming mostly from direct investment (10½ percent of GDP) and public debt (12 percent of GDP, the majority of which owed to Venezuela).

Despite the sizable current account deficit in FY 2023 (3½ percent of GDP) and limited financing, the net IIP improved by 0.6 percentage point compared to FY 2022, in view of high errors and omissions in the balance of payments (3.4 percent of GDP).

Over a longer horizon, following a sharp deterioration in early 2010s, the net IIP has been relatively stable since FY 2016, hovering between minus 5½ and minus 8½ percent of GDP. Between FY 2016-23, the current account deficits (on average around 1½ percent of GDP) have been absorbed by capital transfers (around ½ percent of GDP), errors and omissions (around 0.7 percent of GDP), and the denominator effect from an average nominal growth of 3½ percent per year in the GDP in U.S. dollar terms.

Assessment. In the near-term, IIP performance is satisfactory, given the fraught security and institutional situation. The debt forgiveness from Venezuela is expected to have improved the IIP substantially in FY2024, possibly bringing it close to zero. However, if elevated current account deficits persist, they would eventually pose a risk to the IIP in the medium term.

2023 (% GDP)	NIIP: -7.7	Gross assets: 18.6	Debt assets: 6.5	Gross liabilities: 26.3	Debt liabilities: 14.2

Current Account

Background. Haiti's current account deteriorated from a deficit of 2.3 percent of GDP in FY 2022 (about US$450 million) to 3½ percent of GDP in FY 2023 (about US$700 million). The overall picture is still of a net trade deficit in goods and services (about 21½ percent of GDP) partially offset by net current transfers (about 18 percent of GDP). The main development in FY 2023 was a collapse in exports of goods from US$1.28 billion to US$0.96 billion, bringing the goods exports/GDP ratio to 4.9 percent, the lowest ratio since FY 2010. Imports of goods remained constant in nominal terms (about US$ 4.7 billion), standing at around 24 percent of GDP, with a composition shift of around 2 percent of GDP from manufactured products and fuel toward food products.

[1] Prepared by Henrique Chociay (SPR).

Preliminary data for FY2024 points to a contraction in exports of around 20 percent, and in imports of around 10 percent, as economic activity withdrew in the face of worsening security. Given sustained support from remittances (about 10 percent increase), the current account balance is expected to improve to a deficit of around ½ percent of GDP.

The security situation remains the main obstacle to economic activity and international trade. Other structural impediments include poor port and road infrastructure; limited availability of credit, electricity, and water; and Haiti's inadequate legal and regulatory environment. Haiti's structural challenges are compounded by the concentration of its export base both in product lines and destinations (apparels account for more than three-quarters of goods exports, about 70 percent of which go to the United States); by its dependence on imports of essential products and remittances; and by its proneness to natural disasters.

Assessment. The EBA-lite (External Balance Assessment) current account (CA) model indicates that Haiti's FY 2023 balance is weaker than its medium-term fundamentals and desirable policies would suggest. The CA model identifies a gap of minus 2.9 percent of GDP between the cyclically adjusted current account deficit of 4.0 percent of GDP and a model-based current account deficit norm of -1.1 percent of GDP. Data limitations in FY 2023 cast significant uncertainty around this assessment, as errors and omissions (3.4 percent of GDP) were of similar magnitude to the current account balance.

Haiti's policies were relatively supportive of the current account in FY 2023. If policy gaps had been comparable to the rest of the world, the current account deficit could have been 6.3 percent of GDP wider. Fiscal consolidation is still warranted to support current account balance, but the focus should be on increasing productivity, diversifying exports, and lowering private precautionary saving through policies that support greater inclusion (e.g., higher spending on social assistance, education, and health, as well as measures to increase financial access). Exporters' medium-term competitiveness would also be helped by strengthening the business climate and moving toward a more market-determined exchange rate.

Haiti: EBA-lite Model Results, 2023

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-3.5**	
Cyclical contributions (from model) (-)	0.5	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**-4.0**	
CA Norm (from model) 2/	**-1.1**	
CA Gap	**-2.9**	**-3.5**
o/w Relative policy gap	6.3	
Elasticity	-0.1	
REER Gap (in percent)	**25.1**	**30.3**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

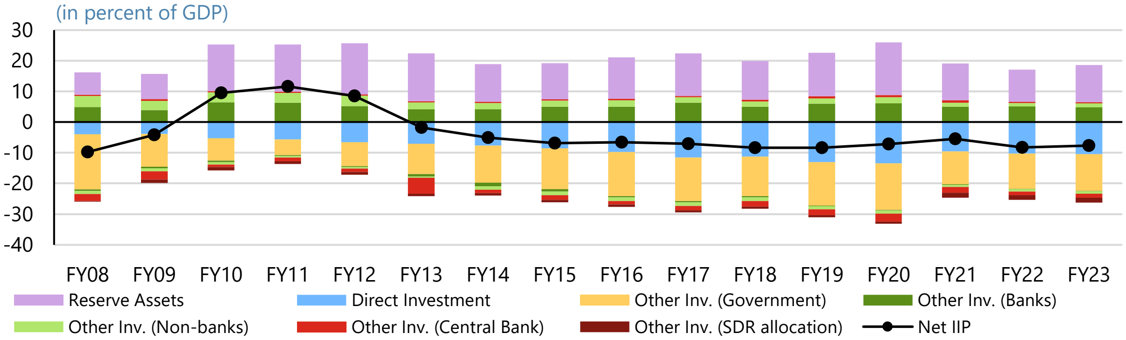
Real Exchange Rate

Background. Between FY 2022 and FY 2023, Haiti's year-average real effective exchange rate (REER) appreciated 7 percent, the year-average nominal effective exchange rate (NEER) depreciated by 22 percent and the year-average nominal exchange rate against the U.S. dollar depreciated by 24 percent. In FY 2024, the REER appreciated further, by more than 30 percent (year-average, based on August 2024 data).

The end-of-period nominal exchange rate against the U.S. dollar depreciated by 12 percent in FY 2023, as the result of a 24 percent depreciation between end-September 2022 and mid-April 2023, followed by a

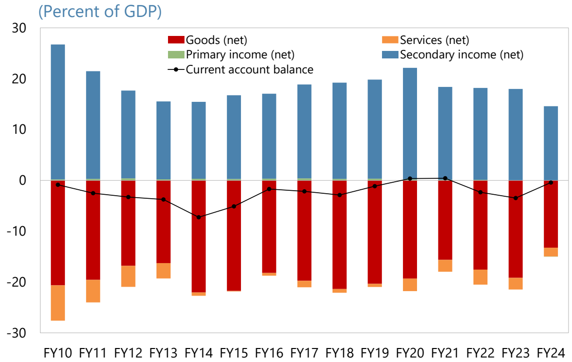
recovery of 15 percent through end-September 2023. In FY 2024, the nominal exchange rate against the U.S. dollar appreciated 2 percent through end-September 2024. Domestic inflation above the nominal depreciation has been the main driver for REER appreciation. Over a five-year horizon (FY2019-2023), the year-average REER appreciated by 30 percent and the September 2023 REER was 46 percent above the FY2018 average. For its turn, the year average NEER depreciated 49 percent in five years. **Assessment**. The EBA-lite CA and REER models suggest an overvaluation of the gourde of 25-30 percent, a figure in line with the real appreciation over the past 5 years. While the direction of the model-based assessment seems correct, the magnitude of overvaluation is difficult to ascertain given inconsistencies in the BOP data and the security and structural factor affecting Haiti's international trade. The further real appreciation in FY2024 compounds the overvaluation found in FY 2023 and could lead to pressures on the exchange rate once security improves and economic activity resumes.
Capital and Financial Accounts: Flows and Policy Measures
Background. Capital transfers have provided a small and declining contribution to finance the current account deficit, from 1 percent of GDP in FY 2018 to 0.3 percent of GDP in FY 2023. On the financial account, foreign direct investment has been subdued, dropping from 0.6 percent of GDP in FY 2018 to 0.1 percent of GDP in FY 2023. The only other financing source is other investment, notably 0.5 percent of GDP to non-banks in FY 2023. The government didn't draw any loans in FY 2023 beyond the IMF RCF Food Shock Window (0.5 percent of GDP in exceptional financing), in line with SMP commitments. **Assessment**. Haiti's ongoing security volatility greatly impairs its investment climate. Improving the country's security situation while sustaining reforms would be the most effective way to attract FDI.
FX Intervention and Reserves Level
Background. Haiti's gross international reserves (GIR) increased from US$2.1 billion at end-September 2022 to US$2.35 billion (about 5-6 months of imports or 12 percent of GDP) at end-September 2023. Key deductions from gross to net reserves at end-FY 2023 included central bank FX-reserve-related liabilities to the banking sector (about US$1.3 billion) and a FX liability to the MEF on the Venezuela transitory account (US$515 million). Haiti's de jure exchange rate regime is floating, but since January 2024 its de facto regime is a "stabilized" arrangement. The central bank tracks the developments in the exchange rate market given its high pass-through to domestic prices, implications for liquidity in the banking system, and impact on growth. Together with regulations that channeled more dollars to the formal FX market, a parallel-official exchange rate gap exists. The gap peaked at about 25 percent in March 2021 but has since narrowed. At end-September 2024, the gap between the official rate and the midpoint of the parallel market buying and selling rates was 1.6 percent (BRH data) or 3 percent (according to staff survey). **Assessment**. Gross international reserves coverage is above the three-month import coverage rule-of-thumb and the reserve adequacy metric for credit-constrained economies (2.6 months of imports, based on data through FY2023). However, potential FX drains are high, posing external sustainability risks. Defending the nominal value of the gourde, including through the accumulation of reserve-related liabilities, should continue to be limited.

Haiti: International Investment Position
(in percent of GDP)



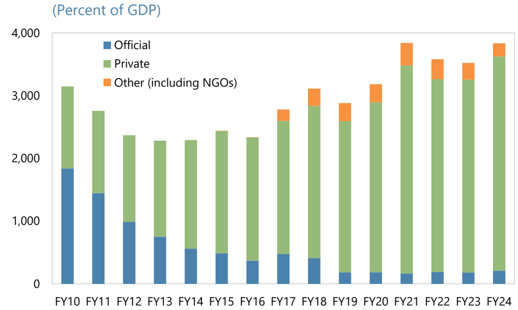
Sources: BRH and IMF staff calculations.

Haiti: Current Account
(Percent of GDP)



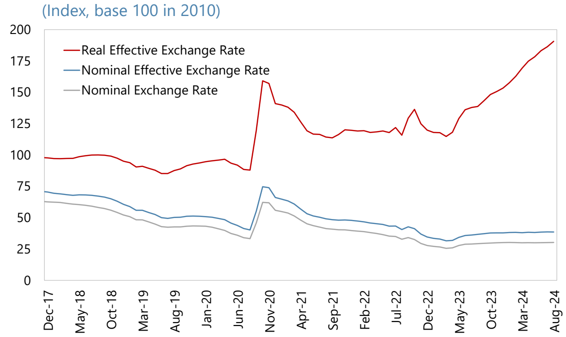
Sources: Bank of the Republic of Haiti and IMF staff calculations.

Haiti: Secondary Income/Current Transfers (net)
(Percent of GDP)



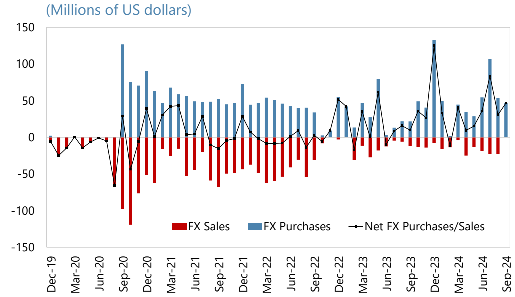
Sources: Bank of the Republic of Haiti and IMF staff calculations.

Haiti: Exchange Rates
(Index, base 100 in 2010)



Source: IMF INS database

Haiti: BRH Foreign Exchange Interventions
(Millions of US dollars)



Sources: Bank of the Republic of Haiti and IMF staff calculations.

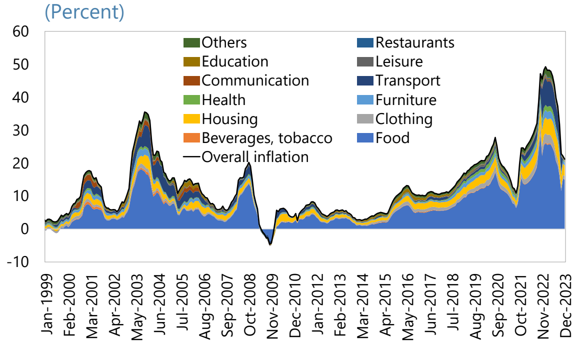
Annex XI. Inflation Dynamics in Haiti

Inflation has been historically higher than in comparable countries. Although inflation is mainly driven by food and energy inflation, other factors such as monetary financing, exchange rate depreciation and natural disasters also play a major role. We study inflation using two approaches: 1) we estimate a hybrid form of the Phillips curve that shows that the depreciation of the gourde against the US dollar and US inflation, as well as monetary financing, have been major drivers of inflation dynamics over a long-time horizon; 2) an event analysis covering the period since the last Article IV consultation. The latter reveals that inflation is highly correlated with supply-side shocks such as crime and social unrest.[1]

A. Inflation Dynamics in Haiti

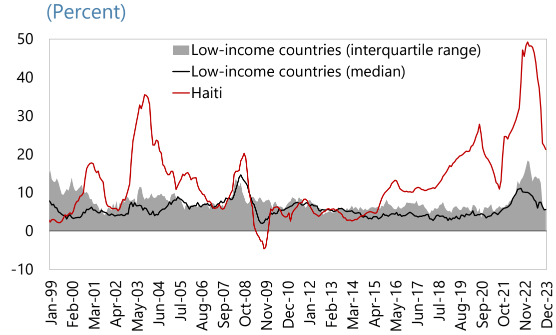
1. Inflation has been regularly subject to high inflationary pressure cycles (Figure 1). Since 1998, year-on-year inflation has been above 5 percent for almost 80 percent of months, and above or equal to 10 percent for more than half of them. The longest period of low inflation lasted six years, between April 2009 and June 2015, with an average inflation rate of 4.1 percent. Since then, year-on-year inflation has reached successive peaks in May 2016, August 2020, and January 2023, at 13.2, 27.8 and 49.3 percent, respectively.

Annex XI. Figure 1: Contribution to Headline Inflation
(Percent)



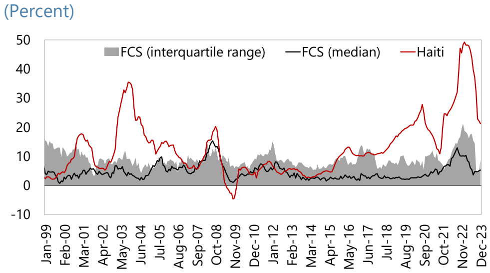
Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

Annex XI. Figure 2A: Haiti and Low-Income Countries
(Percent)



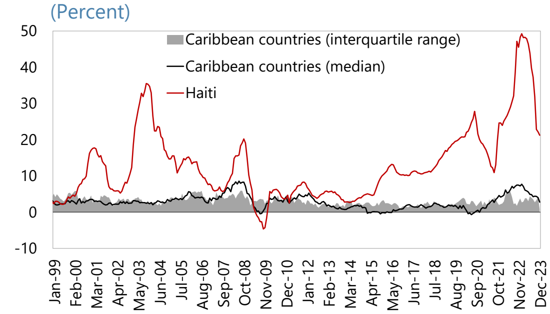
Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

Annex XI. Figure 2B: Haiti and Fragile and Conflict-Affected States
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

Annex XI. Figure 2C: Haiti and Other Caribbean Countries
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

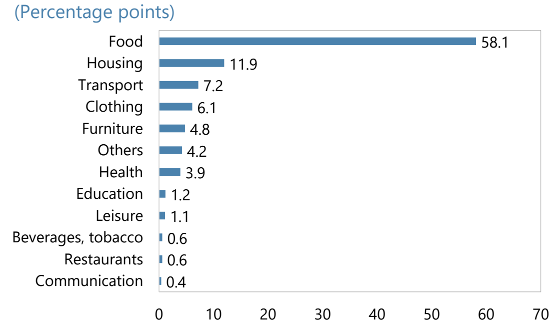
[1] Prepared by Arsène Kaho (WHD). The event analysis was prepared by Juan Passadore (WHD).

Inflation in Haiti also remains higher than in peer low-income, fragile and conflict-affected countries, as well as in the Caribbean (Figures 2)—with a widening divergence since 2015.

2. **Food inflation has been the main driver of inflation over the past two decades**. Its contribution to headline inflation has been increasing since 2015, culminating at 58.1 percent on average between 2020 and 2023[2] (Figure 3). The main drivers of food inflation are cereals, dry peas, and edible oil. Besides food, the other items that contribute most to inflation, but to a lesser extent, are housing, water, gas, electricity, and other fuels, as well as transport. However, the contribution of these items has been trendily declining for more than a decade, although they have displayed a less homogeneous trend since the Covid-19 crisis.

Annex XI. Figure 3A: Average Contribution to Inflation, 2020-23

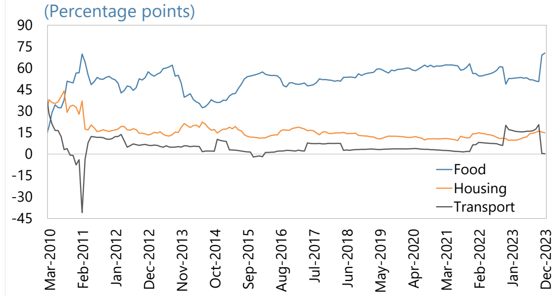
(Percentage points)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

Annex XI. Figure 3B: Average Contribution to Inflation: Food, Housing, and Transport Contribution

(Percentage points)

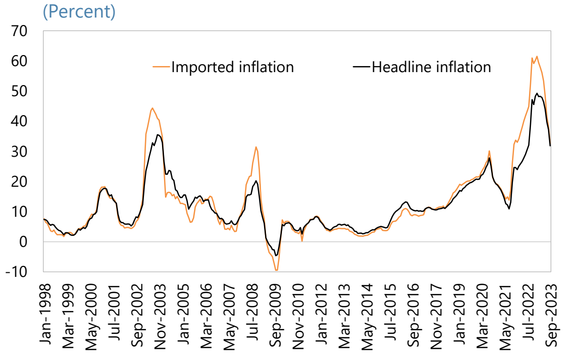


Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

3. **Pressure from imported goods inflation is also a major driver of headline inflation (Figure 4)**. Overall inflation trend is closely correlated to that of imported inflation. The contribution of imported goods to headline inflation have been trendily increasing since early 2014, culminating at 51.9 percent in June 2022 at the end of the Covid-19 pandemic—due to the combine effects of rising international oil and food prices—before receding afterwards.

Annex XI. Figure 4A: Headline and Imported Inflation

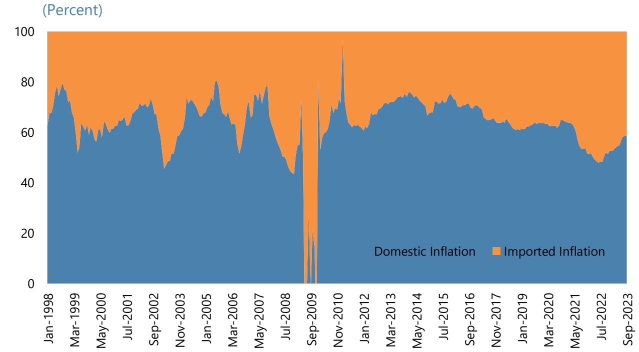
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

Annex XI. Figure 4B: Contribution of Domestic and Imported Inflation

(Percent)

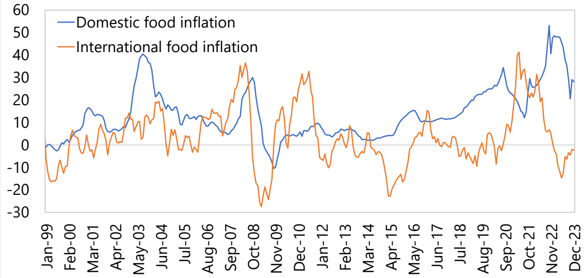


Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

[2] The weight of food items in the rebased 2017-2018 consumer price index basket is 48.5 percent.

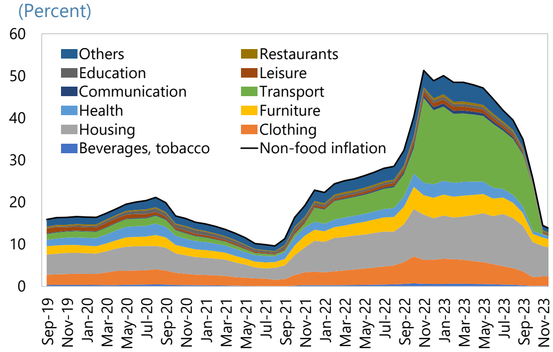
4. Underlying and often overlapping factors related to the country's exposure to natural disasters and external shocks, as well as public policies, have also driven inflation dynamics in Haiti. The natural disasters that affected the country have often been the cause of inflationary surges, including the series of hurricanes between August and September 2008 which contributed to the peak in inflation observed in October 2008. The 2010 earthquake was also followed by an acceleration in inflation, albeit at a slower pace—most likely due to the prompt and massive international aid the country had received. External shocks associated with rising international food prices, in 2008, 2011 and 2021-22 (Figure 5) and oil prices, in 2003 and more recently in 2021-22 (Figure 6), as well as the Covid-19 pandemic and the subsequent disruption of international supply chains, had also major

Annex XI. Figure 5: Domestic and International Food Prices Inflation
(Percent)



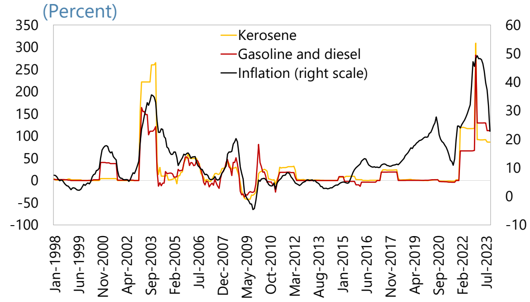
Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti and IMF staff calculations.

Annex XI. Figure 6A: Contribution to Headline Inflation
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

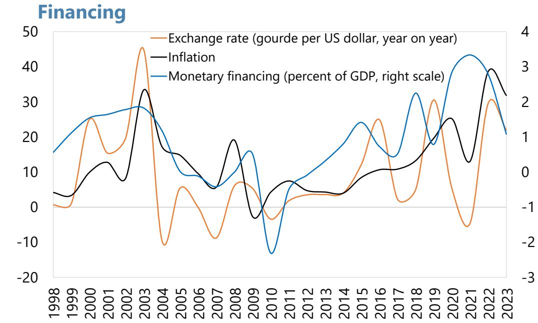
Annex XI. Figure 6B: Domestic Petroleum Products and Inflation
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI) and IMF staff calculations.

spillover effects on inflation in Haiti. The deteriorating security situation and increased gang activity, which are hampering domestic supply chains, are also currently fueling inflation. Policy measures such as the liberalization of petroleum product prices in 2001 and the removal of subsidies on these products in 2003 were responsible for the spikes in inflation during these respective years. More recently, the buildup in monetary financing of the fiscal deficit and ensuing depreciation of the local currency have contributed significantly to the country's strongest inflationary surge in 20 years (Figure 7).

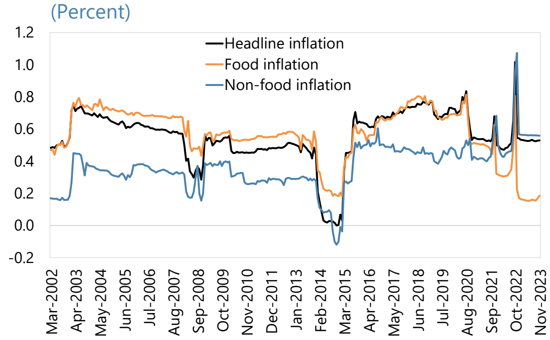
Annex XI. Figure 7: Exchange Rate and Monetary Financing



Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti and IMF staff calculations.

5. Despite a decline in the recent period, inflation persistence remains high and could pose an additional challenge to the effectiveness of monetary policy. Inflation persistence is estimated using the following simple AR(1) model of month-to-month inflation (π), which also includes as an explanatory variable the lagged percentage change of the Haitian gourde exchange rate against the US dollar (e): $\pi_t = \rho\pi_{t-1} + \alpha e_{t-1} + \epsilon_t$. The estimated coefficient of lagged inflation is 0.6, indicating that inflation shocks dissipate gradually with a half-life of about 2 months. The above AR (1) model is also estimated with a 60-month rolling window to capture the evolution of persistence over time. This estimation is carried out for food and non-food inflation as well. Overall, the results of the estimates (Figure 8) show that, after declining slightly for a decade, inflation persistence increased considerably along with the strong inflationary surge that began in 2015, driven mainly by food prices. However, inflation persistence has declined again since the start of the Covid-19 crisis but remains higher than the average for the pre-2015 period. Over the recent period, while the persistence of food inflation has receded, dragging down headline inflation persistence, in contrast, the persistence of non-food inflation has increased.

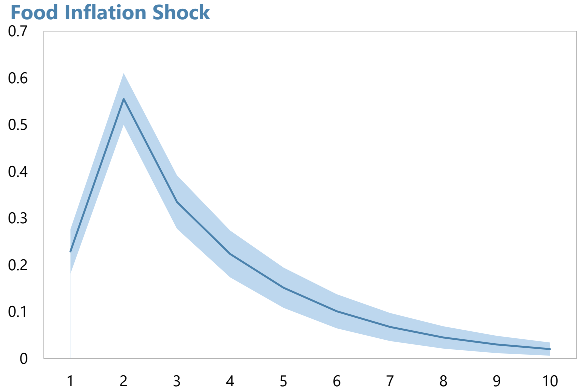
Annex XI. Figure 8: Inflation Persistence
(Percent)



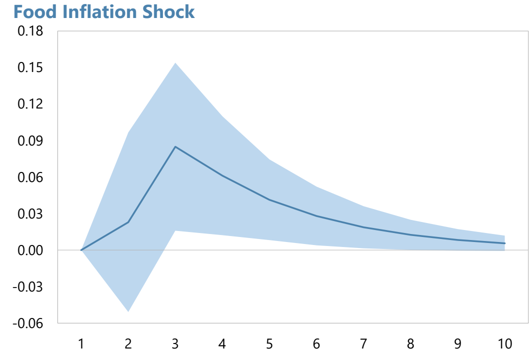
Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti, and IMF staff calculations.

6. Despite this recent trend, overall, shocks to food inflation tend to spread to non-food inflation. This is evidence by the results of an estimation of a two-equation vector autoregression (VAR) for food and non-food inflation, including as an exogenous variable the lagged percentage change in the exchange rate of the gourde against the US dollar. The estimation results show a positive and significant impact of lagged food inflation on non-food inflation. Shocks to non-food inflation also affect food inflation, but to a lesser extent (figure 9).

Annex XI. Figure 9A: Response of Non-Food Inflation to Food Inflation Shock

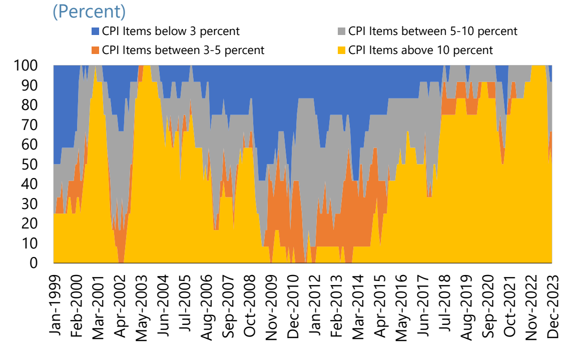


Annex XI. Figure 9B: Response of Food Inflation to Non-Food Inflation Shock



7. The contagion effect of inflation across different sectors is assessed using a simple diffusion index—in the absence of data on wages and due to the high share of the informal sector in Haiti. These limitations prevent an in-depth analysis of potential second-round effects, including an analysis of the pass-through of inflation on wage and price setting mechanisms, and the wage-price spiral process. However, the diffusion index helps capture the proportion of sectors whose inflation is above a certain threshold. Several thresholds are considered and illustrated in Figure 10. It shows that inflation tends to be particularly broad-based in periods of high inflation. During the peak inflation periods of February 2001, October 2003 and January 2023, the inflation rate for almost all sectors exceeded 10 percent. The periods where a larger share of items in the CPI basket (between 40 and 50 percent) have an inflation rate equal or below 3 percent are very limited and short.

Annex XI. Figure 10: Inflation Diffusion Index
(Percent)



Sources: Haitian Institute of Statistics and Informatics (IHSI), Bank of the Republic of Haiti, and IMF staff calculations.

B. Empirical Estimates

8. We use the following hybrid form of the Phillips curve to estimate to estimate the dynamics of inflation in Haiti:

$$\pi_t = \rho\pi_{t-1} + \alpha x_{t-1} + \beta Z_t + \gamma dummy1 + \delta dummy2 + \varepsilon_1 \qquad (1)$$

Where π_t represents a quarterly measure of year-on-year inflation derived from the consumer price index (CPI). αx_{t-1} is a measure of GDP gap with one lag. It is calculated as the percent deviation of real GDP from its trend derived from the Hodrick-Prescott filter. As Haiti real GDP data is only available on annual basis, we interpolate the series using the quadratic match method. Z_t captures external and domestic structural factors impacting domestic inflation. They include United States and Dominican Republic inflation and exchange rate—as these countries are the main trading partners of Haiti—, domestic kerosene, gasoline and diesel inflation, and net claims of the Central Bank on the central government as a percent of GDP. All variables are used on a quarterly basis. Equation (1) also includes two dummy variables to capture the effects of the 2010 (dummy1) and 2018 (dummy2) earthquakes on inflation. It is estimated over the period 1998Q1-2023Q4 based on Haiti fiscal year ending in September. As the time series of available variables that could have served as proxies to illustrate the supply shock caused by insecurity on inflation (such as the number of cargo or tanker arrivals at the port of Port-au-Prince, or the number of fatalities) are very short, they could not be included in the regressions.

9. The results of the econometric estimates with alternative specifications are shown in Table 1. Overall, the estimates indicate that US inflation, the exchange rate between the gourde and the US dollar, monetary financing, and kerosene inflation are significant determinants of inflation dynamics, in addition to one-period lagged inflation. In contrast, the Dominican Republic inflation and the exchange rate between the gourde and the Dominican peso are not significant determinants of inflation in Haiti, nor are the earthquakes of 2010 and 2018 and gasoline and diesel inflation, although the coefficients of all these variables display the expected positive sign. The coefficient of the output gap is not significant either and does not have the expected positive sign.

Table 1. Haiti: Inflation Estimation Results

Regressors	(1) Inflation	(2) Inflation	(3) Inflation	(4) Inflation	(5) Inflation
Lag CPI inflation	0.7029***	0.7039***	0.7099***	0.6992***	0.6666***
	(0.0329)	(0.0296)	(0.0334)	(0.0327)	(0.0355)
Lag output gap		-0.2268		-0.2237	-0.1189
		(0.1696)		(0.1714)	(0.1653)
US inflation	0.6715***	0.6668***	0.6440***	0.6648***	0.5161***
	(0.1483)	(0.1322)	(0.1485)	(0.1488)	(0.1488)
DR inflation	0.0035		0.0025	0.0059	0.0597*
	(0.0319)		(0.0318)	(0.0316)	(0.0339)
Percentage change gourde/US$	0.0737***	0.0830***	0.0712***	0.0743***	0.0959***
	(0.0252)	(0.0179)	(0.0252)	(0.0253)	(0.0231)
Percentage change gourde/DOP	0.0100		0.0127	0.0096	0.0088
	(0.0213)		(0.0213)	(0.0214)	(0.0204)
Kerosene inflation	0.0260**	0.0257**	0.0288**	0.0259**	0.0213*
	(0.0120)	(0.0100)	(0.0121)	(0.0120)	(0.0118)
Gasoline and diesel inflation	0.0070	0.0065	0.0032	0.0076	0.0102
	(0.0156)	(0.0139)	(0.0159)	(0.0156)	(0.0155)
Monetary financing	0.2035***	0.1999***	0.1971***	0.2105***	0.1183***
	(0.0617)	(0.0610)	(0.0616)	(0.0622)	(0.0278)
Dummy1		3.5680	3.5447		3.7791
		(2.4088)	(2.4872)		(2.3679)
Dummy2		2.3411	2.1772		2.4073
		(2.3764)	(2.3926)		(2.3199)
Output gap	-0.2262		-0.1940		
	(0.1694)		(0.1721)		
Number of observations	103	103	103	103	103
R-squared	0.9506	0.9521	0.9521	0.9505	0.9554

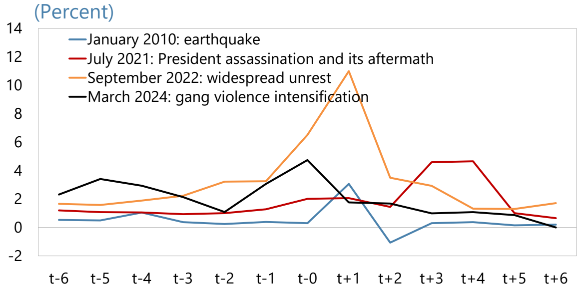
Source: IMF staff calculations.

Note: Robust standard errors in parentheses, *, **, *** denote statistical significance at the 10, 5, and 1 percent levels, respectively.

Event Study Analysis: Impact of Supply-Side Factors on Inflation Dynamics

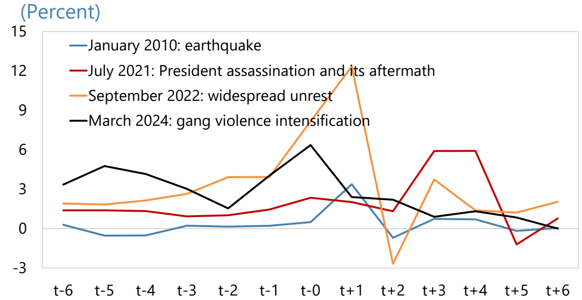
10. In addition to demand factors on inflation, supply-side factors have an important effect on inflation dynamics in Haiti. To study their effect, we perform an event study analysis, focusing on the impact of natural disasters and crime on overall inflation and food inflation. We study four events: the January 2010 earthquake, the assassination of President Moïse and the associated increase in violence, the nationwide unrest following the increase in fuel prices in August 2022, and the increase in gang violence in March 2024. In Figures 11 and 12, we observe monthly inflation rates six months before and six months after the shock and note that all of the events implied a marked increase in overall and food inflation levels. For example, the 2010 earthquake implied an increase in the monthly inflation rate from ½ percent before the shock to 3 percent on the month of the shock. The liberalization of fuel prices and the following social unrest implied an increase in overall inflation and food inflation of 11 and 13 percent, respectively.

Annex XI. Figure 11: Event Analysis: Inflation Impulse Response
(Percent)



Sources: Haitian Institute of Statististics and Informatics (IHSI), Bank of the Republic of Haiti and IMF staff calculations.
Note: Monthly inflation rate.

Annex XI. Figure 12: Event Analysis: Food Inflation Impulse Response
(Percent)

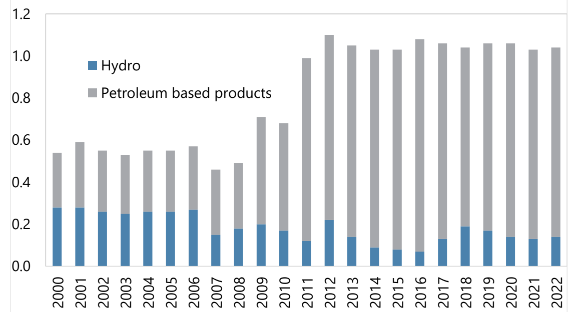


Sources: Haitian Institute of Statististics and Informatics (IHSI), Bank of the Republic of Haiti and IMF staff calculations.
Note: Monthly inflation rate.

Annex XII. Greening Haiti—Climate Policy and Structural Reforms

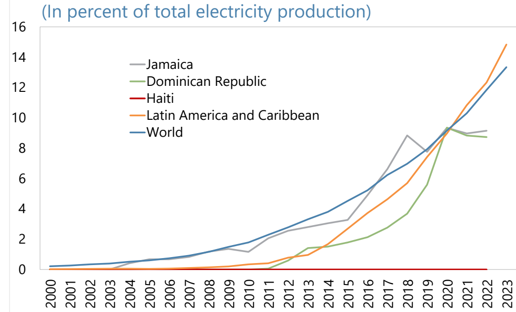
1. Haiti's per capita greenhouse gas emissions are low and renewable energy provides Haiti with the opportunity to reduce its dependence from petroleum imports. In 2022, 86.5 percent of electricity was generated using imported petroleum products (with the rest coming from hydropower), exposing the country to volatile international energy prices. In a recent report, the World Bank emphasizes that for most Island Developing States solar energy is the least costly option for electricity generation (ESMAP 2024). The share of solar and wind energy in total electricity generation in Jamaica has reached 9.2 percent in 2022, with Jamaica being one of the leaders in the use of solar and wind energy in the Caribbean.[1]

Haiti: Electricity Generation by Source
(Terawatt hours)



Source: Ember Electricity Data Explorer.

Electricity Generation: Wind and Solar
(In percent of total electricity production)



Source: Ember database.

2. Haiti has already started to reduce subsidies on petroleum-based products. In FY2022 (ending in September 2022), the transfers and subsidies related to fossil fuels amounted to 2.1 percent of GDP, while the following year they fell to ½ percent of GDP.

3. Ensuring access to clean cooking fuel would help reduce deforestation in Haiti and diminish the risks of natural disasters. Forest cover in Haiti has contracted steadily in recent years and amounted to just 12.5 percent of land area in 2021, which is unusually low for Caribbean islands. A key driver of deforestation is the use of trees for producing cooking charcoal (François and others 2022). Providing access to modern cooking fuel and clean cookstoves, powered by cleaner electricity, would mitigate deforestation and help reduce the risk of flooding and landslides in Cap-Haïtien (Jean Louis and others 2024).

4. Enhancing resilience to natural disasters and climate change entails a government-led multi-pillar strategy, involving also the private sector, development partners, including IFIs which the government is developing. It also requires enhancing Haiti's risk management capacity. The key pillars of disaster risk management include:

- *undertaking a risk assessment*; at the national level, building ex-ante resilience entails identifying risks and explicitly integrating them into the fiscal frameworks and budget planning. This should be achieved by incorporating the projected fiscal costs of climate change and natural disasters into annual budgets within a medium-term framework.

[1] Prepared by Gregor Schwerhoff (RES) and Gonzalo Huertas (WHD).

- *providing self-insurance* by building policy and financial buffers to enhance resilience to shocks. Although the current level of macroeconomic buffers is adequate, some allocation can be put aside in future budgets for natural disasters purposes only.

- *reducing risks* by enhancing preparedness, including by investing in "smart" infrastructure that can better cope with climate change and natural hazards and by enhancing debt-management capacity. And

- *transferring risk,* either through catastrophic sovereign insurance or other subregional schemes (parametric insurance).

5. **Ex-post disaster risk management includes strategies to manage the impact of a disaster** and facilitate a rapid recovery. At the national level, the main actions include emergency response and reconstruction efforts. A sound reconstruction program should consist of measures to reduce such risks through climate resilience infrastructure investment. Reconstruction can serve to accelerate broader growth-enhancing structural reforms. Donor financing will remain important in enhancing the ability to cope as costs may be too high to be fully internalized by building buffers.

References

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François, Mathurin, Ronald Petit-Homme, Eduardo Mariano-Neto, Marc Arthur Petit-Homme, and Terencio Rebello de Aguiar Junior, 2022, "Causes for Reforestation Failure in Haiti and Residents' Willingness to Pay for Cleaner Cookstoves." *AQUA - Water Infrastructure, Ecosystems and Society* 71 (9): 1028–38. https://doi.org/10.2166/aqua.2022.058.

Jean Louis, Madoche, Alessandra Crosato, Erik Mosselman, and Shreedhar Maskey. 2024, "Effects of Urbanization and Deforestation on Flooding: Case Study of Cap-Haïtien City, Haiti," *Journal of Flood Risk Management* n/a (n/a): e13020. https://doi.org/10.1111/jfr3.13020.

Annex XIII. Past IMF Recommendations and Implementation Status

Past IMF Recommendations	*Implementation Status*
Fiscal Policy	
Increasing domestic revenue collection, strengthening the capacity of tax administration offices and modernizing tax and customs operations.	Domestic revenue is still low at 5 percent of GDP. Tax revenue performance had improved in FY2023, before collapsing due to an escalation of violence which disrupted economic activity. The government has passed important reforms aimed at raising domestic revenue over the medium term: a new tax code in December 2022 (pending implementation), the publication of customs tariffs, and a new customs code adopted in March 2023.
Establishing a deficit target for the NFPS of 2.0 percent over the medium term.	The deficit of the NFPS has been maintained well below 2 percent of GDP since FY2022. The authorities have passed the FY2025 budget with an overall balance of the NFPS at around 0 percent of GDP.
Reallocating current expenditures towards capital and social spending.	Budget allocations for social spending have been established and were monitored as part of recent SMPs.
Monetary and Exchange Rate Policies	
Establishing a quantitative monetary target to limit the scale of fiscal dominance.	Monetary financing of the deficit has been brought down to 1 percent of GDP in 2023 and zero in 2024 from 3 percent in 2020.
Limiting foreign exchange interventions to instances of disorderly market conditions.	The BRH has gradually taken steps to enhance the flexibility of the exchange rate, including by discontinuing discretionary sales of reserves to importers.
Transitioning to International Financial Reporting Standards (IFRS).	Progress has been made with support of staff technical assistance.
Financial Sector Policy	
Fostering financial inclusion by investing in infrastructure connectivity and supporting fintech and mobile banking.	1) The BRH has launched in June 2020 a national plan in late on financial literacy; 2) in February 2022, the BRH has launched a fund dedicated to support women entrepreneurs. BRH data for 2022-23 suggests that only 36 percent of bank credit is accessed by women (and 64 percent by men) indicating still a strong disparity; 3) a draft law to protect consumers subject to fraud and abuse by the financial sectors is under consideration; and 4) in December 2021, the Circular 121 established the

	regulation of Fintech activities. The World Bank is actively supporting the country in developing the digital ecosystem.
Governance and Transparency	
Enhancing anti-corruption measures, including anti-money laundering initiatives.	The authorities have revised the AML/CFT framework with the support of capacity development. The Council of Ministers has adopted a new Decree *Reorganizing the Unité Centrale de Renseignement Financier (UCREF)* to replace the Financial Intelligence Unit (FIU) organic law
Structural and Climate Policies	
Enhancing management and oversight of the national power utility (EDH).	In 2020, EDH started replacing traditional post-paid meters with prepaid meters to reduce electricity theft and address the accumulation of unpaid bills, which has long affected EDH's financial health. The goal was to install 70,000 prepaid meters, improving billing accuracy and enhancing financial accountability. Haiti energy regulator (the National Energy Sector Regulatory Authority or ANARSE) led efforts to involve the private sector in managing regional electricity grids in order to attract investment and improve the efficiency of electricity generation and distribution. Under this initiative, private companies would handle operations, while EDH retained oversight. In 2023 EDH implemented a tariff increase aimed at improving financial sustainability and reducing dependency on government subsidies.
Initiating gradual energy subsidy reform.	A large price adjustment for fuel subsidies was implemented in August 2022 and a smaller adjustment in July 2023.

Appendix I. Joint Governance Matrix on Recent, Ongoing, and Forthcoming Capacity Development by the IMF and Development Partners

(It includes customs, revenue administration, public financial management, risk supervision, and data), as of October 2024

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
CARTAC - Customs Administration - FY19	**IMF**	Ministry of Finance	Fiscal	Revenue Administration	Strengthened revenue administration management and governance arrangements	Active	Aug - 2020	Aug-2024
Building a Risk Based Banking Supervision Framework	**IMF**	Central Bank	Financial	Financial Supervision and Regulation	To implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Active	Aug - 2020	Oct - 2024
Support consultations on the Tax Code and Tax Procedure Code	**IMF**	Ministry of Finance	Fiscal	Tax Policy	Improved tax and non-tax revenue policy (SDG 17.1)	Active	Jan - 2021	Aug-2024
Public Financial Management (Budget Preparation) FY25	**IMF**	Ministry of Finance	Fiscal	Public Financial Management	Comprehensive, credible, and policy-based budget preparation	Active	Jan - 2021	Jan - 2025
Macroeconomic Frameworks TA—Ministry of Finance	**IMF**	Ministry of Finance	Macro-economics	General Macroeconomic Analysis	Strengthen macroeconomic forecasting and policy analysis at the Ministry/central bank / or other governmental agency(ies) feeds into the economic policymaking process	Active	Feb - 2021	Dec-2026
PFM Management (Asset and Liability Management)	**IMF**	Ministry of Finance	Fiscal	Public Financial Management	Improved asset and liability management	Active	May - 2021	Mar-2025
Public Financial Management (Budget Execution)	**IMF**	Ministry of Finance	Fiscal	Public Financial Management	Improved coverage and quality of fiscal reporting	Active	May - 2021	Nov-2026
Public Investment Management and Climate Change	**IMF**	Ministry of Finance	Fiscal	Public Financial Management	Improved public investment management	Active	Sep - 2021	May-2025

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
AML/CFT	**IMF**	Ministry of Finance	Governance	AML/CFT	Strengthen the legal and institutional framework for AML/CFT	Complete	Feb - 2022	Nov-2023
Revenue Administration	**IMF**	Ministry of Finance	Fiscal	Revenue Administration	Strengthened core tax administration functions (SDG 17.1)	Active	May - 2022	Jul-2024
Governance Diagnostic	**IMF**	Ministry of Finance	Governance	Governance and Anti-Corruption	Strengthen the legal and institutional frameworks to combat corruption	Active	Jan - 2023	Dec-2024
Financial Supervision and Regulation	**IMF**	Central Bank	Financial	Financial Supervision and Regulation	Develop/strengthen banks' regulation and supervision frameworks - BRS	Active	Feb - 2023	Feb - 2026
Government Finance	**IMF**	Ministry of Finance	Statistics	Government Finance	Strengthen compilation and dissemination of Government Finance Statistics (GFS)	Active	May - 2023	Apr - 2026
External Sector-BOP	**IMF**	Central Bank	Statistics	External Sector	Strengthen compilation and dissemination of BOP/IIP	Active	May - 2023	Apr - 2026
Real Sector - National Accounts	**IMF**	Ministry of Planning	Statistics	Real Sector - National Accounts	Strengthen compilation and dissemination of National Production, Income and Expenditure Accounts	Active	May - 2023	Apr - 2026
External Sector	**IMF**	Central Bank	Statistics	External Sector	Strengthen compilation and dissemination of reserve template	Active	Jan - 2024	Apr–2027
Revenue Administration	**IMF**	Ministry of Finance	Fiscal	Revenue Administration	Strengthen revenue administration management and governance arrangements (SDG 17.1)	Active	Feb - 2024	Apr - 2027
Expenditure Policy	**IMF**	Ministry of Finance	Fiscal	Expenditure Policy	Desk support to Haiti in the area of social spending	Active	July - 2024	Aug-2024
Public Financial Management	**IMF**	Ministry of Finance	Fiscal	Public Financial Management	Improved coverage and quality of fiscal reporting - FRP	Pipeline	Jul - 2024	

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
Strengthening Disaster Risk Management and Climate Resilience Project (P165870)	**WBG**	Ministry of Domestic Affairs and Local Authorities	Governance	Emergency Prevention and Response	1) Enhance the prevention and response capacity of the 140 Communal Committees of the Civil Protection (CCPC) 2) Enhance the shelter management capacity in at least 20 shelter management committees of the General Directorate of the Civil Protection (DGPC) in 5 departments 3) Strengthen coordination, preparedness and response capacity of the DGPC from the national to the departmental level Support the development of the National Multi-Hazard Early Warning System National Multi-Hazard Early Warning System	Active	June 2019	Activity 1 and 3 end in April 2025. Activity 2 ends April 2026 – estimated
Improving Haiti's Public Financial Management and Statistical Information Project	**WBG**	Ministry of Finance, National Institute of statistics (IHSI), Oversight institutions (CSCCA, CNMP, ULCC, CSO, COCIP), IGF)	Governance	Statistical Capacity Building and Public Financial Management	(a) Assist in the preparation for the Fifth Population and Housing Census and (b) Improve budget management and oversight through timely and more comprehensive reporting which include the deployment and operationalization of an IFMIS for effective and transparent budget management, and strengthening of oversight institutions in fulfilling their mandate to ensure greater accountability in the use of public resources	Active	March 2017	Dec – 2024
	WBG	BRH	Governance	AML-CFT	Support for preparation of National Risk Assessment (NRA) for money laundering and terrorist financing	Active	April 2024	Dec 2025

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
WBG - Adaptive Social Protection for Increased Resilience Project	**WBG/IADB/ USAID/WFP**	Ministry of Social Affairs and Labor	Fiscal	Social Safety Net	1) Register and/or update more than 200,000 new households in the national registry SIMAST country-wide; 2) Support the MAST in paying monthly cash transfers to more than 22,000 vulnerable households in the Grande Anse Department; 3) Enhance the current digital payment system to facilitate money transfers (Management Information System to support operations and delivery process) 4) Adopt and implement a Social Protection Policy action plan (as a set of social protection mechanisms in the period 2023-25); 5) Establish the design, parameters and potential financing sources for social protection in emergencies (shock-response); 6) Support the review of MAST organic law.	Active	Feb 2021	June 2027
	IADB	Ministry of Finance	Fiscal	Public Financial Management	Strengthening Public Management to Improve Service Delivery			Dec-2027
	IADB	Ministry of Finance	Fiscal	Fiscal Management of SOEs	1) Support the Ministry of Economy and Finance (MEF) of the Republic of Haiti in strengthening their capabilities and knowledge for the fiscal management of State-Owned Enterprises (SOEs); and 2) improve the overall diagnostics of SOEs' governance, their investment frameworks, and the fiscal management of their productive activities.			Oct-2024

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
Program to Strengthen Safety Nets for Vulnerable Populations	**IADB**	FAES	Social	Social Safety Net	**Objective:** Contribute to reducing food insecurity and increasing the medium- and long-term resilience of vulnerable populations in Haiti **Main expected results:** 1) 200 000 people receiving unconditional cash transfers for improved food security. 2) 60 000 people receiving conditional cash transfers for their participation in cash-for-work projects. 3) 170 small community projects will be implemented under the "Cash for Work" framework. 4) 110 000 people receiving cash transfers and a package of complementary social services. 5) Protocol and operational guide for the management of repatriated persons drafted and adapted. 6) 92 000 new households registered in SIMAST registry.	Ongoing	November 2022	November 2025
Tackling Food Insecurity and Fostering Resilience through Safety Net for Vulnerable Populations	**IADB**	FAES	Social	Social Safety Net	**Objective**: to address food insecurity among vulnerable populations in Haiti by improving access to food and increasing the use of preventive and essential health services. **Main expected results:** 1) 16 000 beneficiaries will receive cash transfers for their participation in cash-for-work projects. 2) 18 000 beneficiary patients will receive transfers conditional to the compliance with preventive and treatment healthcare services. And 3) 70 000 new households will be registered in SIMAST registry.	Ongoing	November 2023	November 2027

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
Community-based program to foster human security in Haiti	**IADB**	FAES	Social	Social Safety Net and Health	**Objective:** to foster human security in Haiti by addressing the needs related to food security, health, and children and youth inclusion of vulnerable population. **Main expected results:** 1) 165 000 people will receive unconditional cash transfers for improved food security. 2) 7 400 beneficiaries will receive cash transfers for their participation in cash-for-work projects. 3) 370 770 people will receive at least one service of the Essential Care Package through their community-based network. 4) 2 000 children 6 to 36 months will be enrolled in the Reach Up and Learn program. 5) 20 000 youths will be enrolled into the safe spaces for youth activities. 6) 12 Health Districts (UAS) will conclude strengthening plan with PAHO support. 7) 56 000 new households will be registered in SIMAST registry.	Ongoing	June 2024	June 2028
SBC-II	**EU**	Ministry of Planning and External Cooperation (MPEC)	Fiscal	Planning, programming, and budgeting	Elaboration of the MPEC Matrix of Priority and Strategic Actions for 2023-2025 - Support for the evaluation of the PSDH - Support for strengthening public policy monitoring framework (PME - PSDH-PDEF-PNPPS) - Support for the development of Ministry sector plans in the context of the implementation of Program Budgets - Support for the	Active	Feb – 2018	April–2027

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
					development of the sectoral plans of the Ministries as part of the implementation of Program Budgets.			
SBC II	**EU**	Office of Management and Human Resource (OMRH)	Governance	State modernization plan	Evaluation of the State Modernization Plan (2018-23) and formulation of a concept note for the elaboration of the new plan	Active	Feb – 2018	April–2027
SBC-II	**EU**	Ministry of Finance	Fiscal	Public Finance Management/ External Control	Support for the revision and harmonization of the Organic Laws of the ULCC, CNMP and CSCCA - Monitoring of the regular publication of Public Contracts in accordance with legal and regulatory provisions	Active	Feb – 2018	April–2027
SBC-II	**EU**	Ministry of Finance	Fiscal	Public Finance Management	Support for capacity building of the Public Finance Reform Commission - Support for the preparation of the TAP 2020-22 and 2024-26 (currently being finalized) - Support for the preparation of monitoring reports on the implementation of public finance reforms.	Active	Feb – 2018	April–2027
SBC-II	**EU**	Ministry of Finance	Fiscal	State Treasury management	Diagnostic study of the DGTCP's capacity to monitor revenues and manage the State treasury and public debt - Feasibility study for strengthening the DGTCP's IT capacity - Support for the Treasury Committee	Active	Feb – 2018	April–2027
SBC-II	**EU**	Ministry of Finance	Macro-economy	Macroeconomic management	Strengthening DEE/MEF's analytical capacities: support for the revision of the macroeconomic forecasting model - support for management capacity building – support for	Active	Feb – 2018	April–2027

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
					strengthening analytical notes - support for the development of the Economic, Financial and Social Database.			
SBC II	**EU**	Ministry of Finance	Fiscal	Revenue Mobilization	Strengthen revenue administration and improved governance of Tax Administration, Customs Administration, local municipalities, and Education Ministry (financial management)	Active	Jul – 2018	April–2027
SBC-II	**EU**	AML/CFT Coordination Committee (MEF-MJS-BRH-UCREF)	Governance	AML/CFT	Technical assistance on anti-money laundering for the implementation of regulations in line with international standards and presentation of the case of Mauritius to help remove Haiti from the FATF grey list.		Feb – 2018	April–2027
Support For Trade, Revenues, Equipment Acquisition, and Modernization of the General Customs Administration (STREAM)	**Expertise France/AFD/ USAID/EU**	General Customs Administration (AGD)/ Ministry of Economy and Finance (MEF)	Governance	Governance and Anti-Corruption and Revenue Administration/Revenue Mobilization	The overall objective of the activity is to strengthen the General Customs Administration of Haiti (Administration Générale des Douanes d'Haiti or "AGD") to increase the mobilization of domestic resources and to secure and facilitate international trade in Haiti. A core component of the STREAM program is the automation and digital transformation of customs operations (SYDONIA). This includes digitizing customs declarations, payments, and clearance processes to expedite imports and simplify transactions for private businesses. Additionally, the program aims to improve	Active	Sep - 2024	Sept-2028

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
					customs governance by strengthening anti-corruption measures, enhancing human resources management, and promoting gender equality within the AGD, with a target of 35 percent female representation by 2028.			
Support and strengthening institutions	**USAID, UNDP, and Canada**	Government of Haiti	Governance		The main objectives for the project include: 1) strengthen transparency and accountability, 2) promote gender equality and inclusive governance.	Active	Sept 2024	
National ID Card Program	**USAID and OAS**	Office of National Identification (ONI)	Governance		This three-year activity focuses on ensuring that all Haitians have the basic right to identity and the possibility to exercise their right to vote while strengthening the technical capacities of the Haitian National Identification Office (ONI). Through this program, USAID will register and distribute over 2 million ID cards. Technical assistance will support the ONI in the registration, issuing and distribution of its new biometric national identification cards prior to the next election(s) and educating the population about civil identity and the registration process. The activity will strengthen ONI's technical capacity and help the institution prepare a strategic plan that will guide its operations through 2028. The objectives of the activity include the following: 1) recruitment, training, and capacity building of ONI staff; 2) creation of a nationwide ID card distribution system; 3) development and	Active	June 2023	June-2026

Project	Delivering Institution	Beneficiary Institution	Sector	Workstream	Objective	Status	Start Date	End Date
					execution of a nationwide public information campaign about the new national ID cards, including registration and collection instructions.			

INTERNATIONAL MONETARY FUND

HAITI

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 5, 2024

Prepared By

Western Hemisphere Department
(in consultation with other departments)

CONTENTS

FUND RELATIONS

(As of September 30, 2024)

Membership Status: Joined September 08, 1953; Article VIII

General Resources Account:

	SDR Million	% Quota
Quota	163.80	100.00
IMF's Holdings of Currency (Holdings Rate)	143.26	87.46
Reserve Tranche Position	20.54	12.54

SDR Department:

	SDR Million	% Allocation
Net cumulative allocation	235.50	100.00
Holdings	69.42	29.48

Outstanding Purchases and Loans:

	SDR Million	% Quota
RCF Loans	179.16	109.38
ECF Arrangements	1.57	0.96

Latest Financial Commitments:

Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR million)
ECF	May 18, 2015	Nov 17, 2016	49.14	7.02
ECF	Jul 21, 2010	Dec 24, 2014	40.95	40.95
ECF 1/	Nov 20, 2006	Jan 29, 2010	180.18	180.18

1/ Formerly PRGF.

Outright Loans

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR million)
RCF	Jan 23, 2023	Jan 25, 2023	81.90	81.90
RCF	Apr 17, 2020	Apr 21, 2020	81.90	81.90
RCF	Nov 18, 2016	Nov 23, 2016	30.71	30.71

Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs)

	2024	2025	2026	2027	2028
Principal	3.94	15.03	22.52	16.38	24.57
Charges/Interest	1.54	5.86	5.87	5.87	5.87
Total	**5.48**	**20.9**	**28.39**	**22.25**	**30.44**

Exchange Rate Arrangement and Exchange Restrictions:

Haiti's currency is the gourde. The de jure exchange rate regime is floating. The de facto exchange rate arrangement is stabilized.

Haiti has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Safeguards Assessment:

The last safeguards assessment of the BRH was completed in August 2019 in connection with the request for an RCF arrangement in early-2019. The assessment concluded that safeguards risks at the BRH remained high and made the recommendations to: complete amendments to the BRH Law to strengthen the central bank's autonomy, enhance its accountability, transparency and decision making structure, and establish independent oversight by the Board; reinforce membership and operational modalities of the Audit Committee; strengthen financial reporting practices by implementing IFRS with IMF TA support; complete the modernization of the internal audit function; strengthen governance and accountability arrangements in reserve management, including regarding the Investment Committee composition and strict segregation of operational responsibilities; and prepare a medium-term plan for updating the BRH investment policy and transitioning to strategic asset allocation and portfolios that are consistent with the principles of safety and liquidity incumbent upon a central bank.

A targeted safeguards monitoring mission was conducted in March 2024, triggered by concerns over the impact of a June 2023 impact on the Central Bank of Haiti's (BRH)'s operations. The mission's scope included cybersecurity, foreign reserves management, program monetary data, banking operations, external audit, and financial reporting. The mission concluded that progress on implementation of the 2019 safeguards recommendations had been slow and most of the recommendations remained outstanding.

Article IV Consultations:

The last Article IV consultation was concluded on January 24, 2020 (IMF Country Report No. 20/121, available at: https://www.imf.org/en/Publications/CR/Issues/2020/04/20/Haiti-2019-Article-IV-Consultation-Staff-Report-and-Statement-by-the-Executive-Director-for-49351).

Technical Assistance (since last Article IV consultation):

Department	Date	Purpose
STA	02 Sep 2024 - 13 Sep 2024	TA - HFE - Mission 3.2
MCM	26 Aug 2024 - 31 Oct 2024 (Virtual)	CARTAC FY25 August to Oct- Banking Supervision Regulatory Framework and RBS
FAD	29 Jul 2024 - 09 Aug 2024	C/STX/FCS/Enforcement - Strengthening Valuation risks-based Controls - Input 3.
FAD	14 Jul 2024 - 20 Jul 2024	T/ Off site Mission - Tax code New
LEG	01 Jul 2024 - 30 Sep 2024	Haiti GDA - Political Analysis - Desk Work FY25
FAD	10 Jun 2024 - 21 Jun 2024	FAD STX HYBRID MISSION Cash management - Fiscal reporting FY25
MCM	03 Jun 2024 - 31 Jul 2024	Banking Supervision Regulatory Framework and RBS
FAD	24 Apr 2024 - 30 Apr 2024 (Virtual)	Support to the drafting of the application laws of the new tax code
FAD	13 Mar 2024 - 16 Mar 2024	FAD STX Follow-Up TSA FY24
STA	04 Mar 2024 - 15 Mar 2024	TA - (Reserve Assets) Template
MCM	20 Feb 2024 - 30 Apr 2024 (Virtual)	FY24 Feb-Apr Banking Supervision Regulatory Framework and RBS - virtual
STA	22 Jan 2024 - 02 Feb 2024	TA - NAC - Improving GDP FY24 Mission 2
MCM	11 Dec 2023 - 15 Dec 2023	Haiti GDA - Main Mission Field
MCM	04 Dec 2023 - 15 Dec 2023	STX Mission - Developing Robust Valuation Systems
MCM	04 Dec 2023 - 15 Dec 2023 (Virtual)	STX Mission - Developing Robust Valuation Systems - Additional Resources
LEG	27 Nov 2023 - 19 Dec 2023 (Virtual)	GDA - Main Mission FY24
FAD	27 Nov 2023 - 01 Dec 2023 (Virtual)	FAD Virtual Mission
MCM	06 Nov 2023 - 26 Jan 2024	FY24 Oct 2023 Banking Supervision Regulatory Framework and RBS
LEG	31 Oct 2023 - 01 Mar 2024	GDA - Political Analysis II
LEG	31 Oct 2023 - 01 Mar 2024	GDA - Political Analysis I
STA	30 Oct 2023 - 10 Nov 2023	TA - BOP/IIP - Address data gaps
LEG	26 Oct 2023 - 30 Apr 2024	GDA - Political Analysis
FAD	15 Oct 2023 - 21 Oct 2023	HQ Diagnostic Off site Mission
MCM	10 Oct 2023 - 12 Oct 2023 (Virtual)	Oct FY24 Follow-up: Finalization of Charter of Accounts for Banks
LEG	11 Sep 2023 - 18 Sep 2023 (Virtual)	GDA - Scoping Mission
LEG	11 Sep 2023 - 18 Sep 2023 (Virtual)	GDA - Scoping Mission - FID participation
MCM	24 Jul 2023 - 29 Sep 2023	Jul FY24 Basel II-III Implementation - Regulatory Framework and RBS
FAD	20 Jun 2023 - 22 Jun 2023 (Virtual)	HQ Remote Mission
FAD	01 May 2023 - 28 Jul 2023 (Virtual)	STX Activity - Follow-up Tax Code and Fuel Subsidy reform
MCM	18 Apr 2023 - 21 Apr 2023 (Virtual)	Apr FY23 Follow-up mission on the chart of accounts

MCM	01 Mar 2023 - 28 Apr 2023	Mission LTX/STX Improvements in Cash Management (Training)
LEG	11 Jan 2023 - 13 Jan 2023	Mission on First Draft
MCM	01 Jan 2023 - 30 Apr 2023 (Virtual)	Jan FY23 Building RBS Framework Peripatetic Advisor Work
FAD	06 Dec 2022 - 13 Dec 2022	STX Activity - Follow-up on the Tax Code Revisions
STA	26 Oct 2022 - 04 Nov 2022 (Virtual)	TA-BOP/IIP-Address Data Gaps
STA	06 Sep 2022 - 19 Sep 2022 (Virtual)	TA - GDP - FY23 - Developing QGDP (DS)
FAD	05 Aug 2022 - 27 Jan 2023 (Virtual)	Pre-scoping work
FAD	01 Aug 2022 - 30 Sep 2022 (Virtual)	STX Activity - Additional support towards completion in September 2022 (Extra)
FAD	19 Jul 2022 - 22 Jul 2022 (Virtual)	Scoping Mission
FAD	20 Jun 2022 - 08 Jul 2022	FAD STX Follow-Up TSA FY23_ESP
FAD	15 Jun 2022 - 01 Jul 2022	HQ Follow Up MTBF
FAD	15 Jun 2022 - 04 Jul 2022 (Virtual)	HQ Follow Up MTBF
FAD	13 Jun 2022 - 30 Sep 2022 (Virtual)	STX Activity - Additional support towards completion in September 2022
MCM	08 Jun 2022 - 08 Jun 2022	FY22 Carryover Charge
MCM	06 Jun 2022 - 08 Nov 2022 (Virtual)	May FY23 Central Bank Digital Currency (Virtual)
STA	17 May 2022 - 30 May 2022 (Virtual)	WHD - TA - GFS - D4D
LEG	12 May 2022 - 27 May 2022	May FY23 Translation
MCM	01 May 2022 - 31 Dec 2022 (Virtual)	May FY23 Building RBS Framework Peripatetic Advisor Work
MCM	01 Feb 2022 - 30 Apr 2022	Feb FY22 Building RBS Framework Peripatetic Advisor Work
FAD	11 Jan 2022 - 31 Jan 2022	PIMA and C-PIMA Mission
LEG	01 Dec 2021 - 31 Jan 2022	Peripatetic Advisor Work II
LEG	08 Jun 2021 - 29 Apr 2022	Desk-Based Review FY21
LEG	01 May 2021 - 31 Oct 2021	Peripatetic Advisor Work I
LEG	01 May 2021 - 30 Apr 2022	LTX Desk Work
STA	15 Mar 2021 - 24 Mar 2021 (Virtual)	(Remote TA) CARTAC: BPM6 Implementation and Develop QEDS
FAD	25 Jan 2021 - 07 Feb 2021 (Virtual)	Tax and customs administration
FAD	20 Jan 2021 - 29 Apr 2022 (Virtual)	STX
STA	23 Nov 2020 - 02 Dec 2020 (Virtual)	(Remote TA) Government Finance Statistics (D4D)
FAD	21 Oct 2020 - 09 Nov 2020 (Virtual)	MTBF [Remote]
FAD	21 Oct 2020 – 04 Nov 2020 (Virtual)	Budget classifications under COVID-19 [Remote]
FAD	25 July 2020 – 15 Oct 2020 (Virtual)	Follow up and finalization of the Tax Procedure Code [remote]
FAD	20 Jul 2020 - 30 Nov 2020 (Virtual)	Fuel Pricing Mechanism [remote]
FAD	15 Jul 2020 - 31 Jul 2020 (Virtual)	Cash Management and Expenditure Plans [Remote]
FAD	11 Jun 2020 - 12 Aug 2020 (Virtual)	Reforming Fuel Price Subsidies [remote]
LEG	06 May 2020 - 15 May 2020 (Virtual)	TA - Amendment of the Central Bank Law
STA	29 Apr 2020 - 12 May 2020 (Virtual)	Monetary and Financial Statistics (FSSF) (Remote TA)
FAD	19 Feb 2020 – 13 March 2020	Tax Procedure Code
STA	03 Feb 2020 - 14 Feb 2020	CARTAC: BOP/IIP - Implement BPM6 (Offsite to Haiti)

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS AND KEY BILATERAL PARTNERS

World Bank: http://www.worldbank.org/en/country/haiti

Inter-American Development Bank: https://www.iadb.org/en/who-we-are/country-offices/haiti

World Food Program: Haiti | World Food Programme

EU Delegation of the European Union to Haiti | EEAS

USAID: Haiti | U.S. Agency for International Development

Caribbean Development Bank: https://www.caribank.org/countries-and-members/borrowing-members/haiti

INTERNATIONAL MONETARY FUND

HAITI

November 6, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by staff of the International Monetary Fund and the World Bank.

Haiti: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High[1]
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 over a 20-year horizon from FY2037 and important risks and vulnerabilities to debt outlook.

This DSA updates the analysis conducted at the time of the Request for a Disbursement under the Food Shock Window of the Rapid Credit Facility (RCF) approved in January 2023, with the overall assessment largely unchanged. Haiti's risk of debt distress is assessed as "high" and overall public debt remains sustainable despite the debt relief received from Venezuela which has improved key debt indicators significantly. The high risk of external debt distress rating arises from the fact that both exports-related external debt indicators breach their respective indicative threshold under the baseline scenario. Although the breaches occur beyond the 10-year projection period, judgement is applied and the risk of debt distress is deemed high due to the continued narrowing of Haiti's production and export base, accelerated by the ongoing security crisis. The high risk of overall debt distress rating arises from the fact steady-upward trend of public debt service-to-revenue ratio. Nevertheless, the now low level of public debt and the

[1] The current Composite Index (CI) is estimated at 2.642 and is based on the World Bank's 2023 CPIA and the October 2023 WEO. Haiti's debt-carrying capacity remains "medium" as in the previous DSA.

implementation of some structural reforms to boost growth under the SMP baseline scenario, point to a sustainable public debt. The outlook remains however subject to major downside risks, including a potential downgrade in Haiti debt carrying capacity due to deteriorating fundamentals, and as Haiti continues to face serious economic, policy, and institutional fragilities—including governance vulnerabilities, brain drain and, specifically with regard to debt management, persisting debt data limitations—as well as heightened exposure to natural hazards and climate change. The sustainability of overall debt hinges on the ability of the authorities to secure donor financing in the short to medium term.

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 advances by the central bank—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	
4	o/w: Social security fund	
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	

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The general government		
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 (GoH) has successfully implemented several performance and policy actions (PPAs) over the past three fiscal years. In order to strengthen debt sustainability, new external public or publicly guaranteed (PPG) non-concessional debt was limited to zero in FY2022, FY2023, and FY2024. Debt transparency was enhanced by the Ministry of Economy and Finance (MEF) publication of quarterly Debt Portfolio Review starting in FY2022, following technical assistance and training. Fiscal sustainability was improved by a tax expenditure rationalization plan in FY2023. A follow-on fiscal PPA in FY2024 targeted enforcement of an

automated vehicle management module for customs, to level the playing field for importers and strengthen domestic resource mobilization. However, implementation remains incomplete, as civil disturbances resulted in damage to several customs offices. In the context of deepening institutional fragilities and insecurity, the World Bank SDFP Committee waived the implementation of the customs PPA for FY2024 and exempted Haiti from preparing PPAs for FY2025.

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 sector's 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 Spécial de Gratuité de l'Education* (PROSGATE), 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 Treasury 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.[2] This happened mostly in recent years with payments due to oil distribution companies which had been cleared, though, some delayed payments in salary and diplomatic representations were observed in FY2022 following the deterioration of the security in September 2022.

B. Background on Debt

4. Public debt increased in the years following the debt relief from the 2010 earthquake. Haiti received debt relief of about US$1.0 billion from international creditors after the 2010 earthquake, including US$268 million from the Fund under the Post-Catastrophe Debt Relief Trust Fund (CCRT) and US$36 million from the World Bank.[3] 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). Afterwards, debt rose steadily until FY2020, mostly driven by disbursements related to the *PetroCaribe* agreement with Venezuela on the external side, and by unremunerated advances from the BRH on the domestic side. The government obtained some financing from domestic non-financial companies (US$123 million) in FY2018 and signed a loan with Taiwan Province of China (for US$150 million) in January 2019, although the latter was disbursed in tranches.[4] In April 2020, the IMF Board approved a disbursement of US$111.6 million (SDR 81.9 million) under the RCF to help cover

[2] 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.

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

[4] 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, US$82.5 million has been disbursed so far, plus US$30 million in FY2022, with the remaining US$37.5 million to be disbursed later.

needs related to the COVID-19 pandemic. Haiti was also granted debt relief worth US$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.[5] Haiti also benefited from an SDR allocation of US$224 million (SDR 157 million) in August 2021, half of which was on-lent by the central bank to the government for emergency spending, including recovery spending from the 2021 earthquake.[6] The IMF provided a disbursement (about US$110 million) under the Food Shock Window (FSW) of the Rapid Credit Facility (RCF) through in January 2023 to address urgent balance of payments needs related to acute food insecurity and higher import food price.

5. Central bank financing to the treasury does not trigger an "in debt distress" rating for Haiti. Government debt to BRH, at 12.3 percent of GDP in FY2023, 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; resulting 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). Adoption of IFRS will enable BRH to improve transparency and communication of financial information, to be in line with international best accounting practices, and to better understand 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.

6. 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.[7] These revisions lowered debt ratios substantially. Public debt fell to 22.7 percent of GDP in FY2020 from 51.9 percent as previously projected in the 2020 DSA under the RCF—and to 28.9 percent in FY2021. At the same time, domestic revenue ratios dropped sharply as a result of the rebasing but also because of a real decline in revenue collection, which the authorities are now addressing by implementing a structural reform agenda supported by the Staff-Monitored Program (SMP). As a percent of GDP, domestic revenue fell to 5.9 percent in FY2021 from 6.4 percent in FY2019—compared with 10.7 percent under the old GDP series. While still low, domestic revenue collection improved in FY2023 to 6.4 percent of GDP (from 5.3 percent of GDP in FY2022), thanks to tighter control at customs and increased oil tax revenue. Foreign exchange receipts from exports of goods and services also fell to an estimated 5.6 percent of GDP in FY2023 from 11.7 percent in FY2019—or

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

[6] 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.

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

from 18.2 percent under the old series. As a result of these unfavorable domestic revenue trends and ratios, Haiti's debt service capacity has not improved (Table 5).

7. At the end of FY2023, Haiti's stock of public sector debt totaled US$5.9 billion (28.5 percent of GDP).[8] External public debt accounted for 45.5 percent of total public debt (12.9 percent of GDP), 81.1 percent of which was generated 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. After a debt reconciliation between Haitian and Venezuelan authorities, Haiti's outstanding debt to Venezuela was assessed at US$2.2 billion (against US$1.85 billion in the previous DSA), of which US$242.45 million accounted for unpaid interest. Total external "technical arrears" due to Venezuela were estimated at US$642.1 million, about 3.2 percent of GDP (September 30, 2023). Public information on private external debt is unavailable. Domestic public debt picked up slightly in FY2023 to US$3.2 billion from US$3.05 billion in FY2022.[9] This increase in domestic debt in US dollars has been partially attenuated by a valuation effect due to a 12 percent depreciation of the gourde against the dollar in FY2023. Nearly 80 percent of domestic debt was in the form of central bank advances to the government. Government debt to BRH slightly increased to 12.3 percent of GDP in FY2023, from 12.2 percent of GDP in FY2021, thanks to lower monetary financing of the fiscal deficit (2.8 percent of GDP in FY2021, 1.9 percent of GDP in FY2022, and 1.0 percent of GDP in FY2023).

Text Table 2. Haiti: Structure of Public Debt at end-2023
(Fiscal-year basis)

	US$ millions	in percent of total debt	in percent of GDP
Total External Debt	**2699.0**	**45.5**	**12.9**
Multilateral creditors	**321.0**	**5.4**	**1.5**
o/w IMF	248.4	4.2	1.2
o/w OPEC	35.4	0.6	0.2
o/w IFAD	37.2	0.6	0.2
o/w IDA	0.0	0.0	0.0
Bilateral creditors	**2377.8**	**40.1**	**11.4**
Venezuela 1/	2216.1	37.4	10.6
o/w PetroCaribe	2189.3	36.9	10.5
o/w BANDES	26.8	0.5	0.1
Taiwan, Province of China	161.7	2.7	0.8
Other borrowing	**0.0**	**0.0**	**0.0**
Total Domestic Debt	**3233.7**	**54.5**	**15.5**
BRH	**2564.5**	**43.2**	12.3
Other creditors	**669.2**	**11.3**	3.2
Total Debt	**5932.7**	**100.0**	**28.5**

Sources: Haitian authorities, and Fund staff estimates.

1/ "Technical Arrears" due to Venezuela were estimated at about US$ 642.1 million at end-September 2023, of which US$ 242.45 million represented unpaid interest.

8. Debt restructuring with Venezuela. Haitian and Venezuelan authorities finalized in January 2024 an agreement through which Haiti paid a lump sum of US$500 million to Venezuela (as a portion of external "technical arrears" due), in exchange of which Venezuela granted debt forgiveness of US$1.69 billion on the remaining debt. As indicated above (and in previous DSAs), Haiti had difficulties processing payments to Venezuela for debts incurred under the *Petrocaribe* agreement due to issues related to international sanctions on Venezuela, which led the government to place debt service payments into an escrow account held at the BRH. Therefore, the payment of the lump sum of US$500 million did not affect the government's gross financing requirements since it was

[8] Haiti had difficulties processing payments to Venezuela for debts incurred under the *Petrocaribe* agreement owing to issues related to international sanctions. Debt service payments to Venezuela made by the government had been placed in an escrow account held at the BRH, recorded in U.S. dollars after proceeds received in gourdes were converted into US dollars.

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

made by the central bank (fiscal agent of the government) through a combination of an increase in its short-term liabilities and drawdown in its foreign reserves.[10] As a result of this debt restructuring, the debt-to-GDP ratio and external debt-to-GDP ratios are now projected to decline sharply, from 28.5 percent of GDP in FY2023 to 14.1 percent of GDP in FY2024 and from 12.9 percent of GDP in FY2023 to 1½ percent of GDP in FY2024, respectively. Haiti will also be saving annually US$95 million (or 12.5 billion gourdes) from the debt service to Venezuela, which can be reallocated toward pro-poor and growth-enhancing expenditures.

C. Background on Macroeconomic Forecasts

9. The baseline assumes a normative policy implementation under a new 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 depicts a modest recovery. Restoring security could significantly boost growth, and the sustained implementation of sound macroeconomic policies and appropriate structural reforms could help restore stability and attract more external financing and FDI, thereby fostering investment, growth, and higher real incomes. While the SMP aims to lay the foundation for an eventual upper-credit-tranche arrangement, reform implementation after the SMP is assumed to be modest given the current challenging security.

- Real GDP is projected to contract in FY2024 by 4 percent, a six-year decline in a row, against the backdrop of the security situation that dramatically worsened since January 2024 (Text Table 3). The phased deployment of the Multilateral Security Support mission should help to gradually improve the security environment and foster a recovery in economic activity and growth by 2025. However, given the heightened uncertainties surrounding the outlook, including those related to natural disasters, the baseline scenario assumes a modest growth of 1/2 percent over the medium term.[11]

- Year-on-year inflation is expected to remain elevated in FY2024 at 27.9 percent, reflecting a sharp slowdown in the pace of deceleration observed in FY2023 (31.8 percent) after the peak reached in FY2022 (38.7 percent) due to the disruption of supply chains for goods and services caused by gang violence. In the medium to long term, inflationary pressures should gradually ease with the expected improvement in the security situation and the further reduction in monetary financing of the budget deficit. A stable real exchange rate vis-à-vis the U.S. dollar is assumed over the medium term, following the gradual

[10] The coverage of public sector in this DSA does not include the central bank.

[11] The 1½ 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 2024-29 at the same rate (1.2 percent) as the estimated average for 2013–19. Growth of 1½ percent is 0.1 percent above the average observed real rate during 2013–19, when Haiti recorded about 77 natural disasters.

depreciation in FY2023, with the nominal bilateral rate being driven by inflation differential vis-à-vis the U.S.

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

	2024		2025-29 Avg		2030-39 Avg	
	Previous DSA	Current DSA	Previous DSA	Current DSA	Previous DSA	Current DSA
(annual percentage change, unless otherwise indicated)						
Real GDP	1.2	-4.0	1.5	1.4	1.5	1.5
Consumer prices (period average)	14.0	25.9	10.7	12.2	9.7	7.2
(in percent of GDP, unless otherwise indicated)						
Total revenue and grants	9.4	11.7	10.0	6.1	10.6	7.0
Of which: Revenue	7.1	4.9	7.8	5.6	8.1	7.0
Total expenditure	11.9	4.5	12.8	7.4	13.9	8.0
Of which: Capital expenditure	4.1	1.1	4.6	3.0	5.4	2.8
Overall balance	-2.5	6.6	-2.8	-1.2	-3.3	-1.0
Current account balance	-0.5	-0.5	-1.8	-1.0	-3.0	-0.9
Exports of goods and services	6.3	3.3	6.5	3.6	6.4	4.4
Imports of goods and services	24.7	18.4	20.6	17.4	20.4	17.3

Sources: Haitian authorities; and Fund staff estimates and projections.
1/ The previous DSA was conducted at the time of the Request for a Disbursement under the Food Shock Window in January 2023.

- The overall balance of the NFPS is projected to post a surplus of 6.6 percent of GDP in FY2024, mainly due to a capital transfer of 5.9 percent of GDP received from the debt relief granted by Venezuela. A small fiscal deficit of 0.1 percent of GDP is projected in FY2025. Current 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. The fiscal deficit is expected to widen gradually over the medium term and reach nearly 1.0 percent of GDP in the long term as public investment and social spendings are scaled up to address the countries' daunting development needs. The deficit is expected to be financed with external financing, both concessional multilateral and bilateral, and domestic market financing. Domestic revenue is projected to keep strengthening in the medium term owing to meaningful progress on the domestic revenue mobilization reform agenda, including efforts to simplify the tax and customs regimes and enhance transparency, accountability, and audit capacity, while broadening the tax base.

- The current account deficit is projected to narrow substantially to 0.5 percent of GDP in FY2024 from 3.5 in FY2023 due to the intensification of gang violence which has slowed down—and even paralyzed at times—operations at the port in the capital Port-au-Prince, through which over 80 percent of the country's international trade passes. With the gradual restoration of security and the recovery of economic activity expected next year, the current account deficit is forecast to widen before stabilizing at nearly 1.0 percent of GDP in the long term, with remittance inflows projected to follow historical trends.

10. Funding of future gross financing needs is assumed to continue to prioritize external financing in the short and medium term with a view to extending maturities, reducing roll-over risk, and creating more space for bank lending to the private sector while increasing domestic market contribution in the long term. The SMP is expected to catalyze some external financing to fund more capital expenditures as securing donor concessional financing (including grants), in both short and medium terms, will be critical to maintain debt sustainability. Nonetheless, in percent of gross financing needs, the share of external financing is projected to fall over the long term as government steps up borrowing through Treasury bills and Treasury bonds. Central bank financing, currently unremunerated,[12] is expected to be waived over the projection period, with Treasury bills accounting for the bulk of domestic financing in the short and medium term while longer maturity debt instruments are phased in in the longer term as 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.[13] External debt financing, contracted or guaranteed, is assumed to remain concessional and growing only moderately in relative terms, thanks to the expected results of domestic revenue mobilization reforms.

11. The baseline assumptions are credible as the DSA toolbox for assessing the realism of macroeconomic forecasts does not raise any major inconsistencies with historical trends and comparisons with peers.

- **Drivers of debt dynamics (Figure 3)**. The main drivers of public debt dynamics are expected to remain broadly the same as over the past five years, with the exception of the real GDP growth rate and residual whose contribution is set to be muted. In addition, the change in public debt-to-GDP ratio over the next five years is projected to be mainly driven by the debt relief granted by Venezuela in FY2024 as captured by the large "other debt creating flows". As shown in the lower right chart of Figure 3, unexpected changes in real interest rate, residuals, and real GDP growth were mostly responsible for past forecast errors in total public debt, whereas residual, the current account and FDI, and real GDP growth drove the errors in external debt (upper right chart of Figure 3).

- **Realism of planned fiscal adjustment (Figure 4).** The projected three-year fiscal adjustment is realistic, as it falls well below the top quartile of the distribution of past adjustments of the primary fiscal deficit (2 percentage points of GDP) for a sample of LICs. Despite an expected significant rise in domestic revenues, the projected moderate fiscal adjustment is mainly due to the acceleration of public investment and social expenditures to close the country's huge infrastructure gap and to address the population's pressing basic social needs.

- **Consistency between fiscal adjustment and growth (Figure 4)**. Growth trajectory is consistent with fiscal adjustments in FY2024 and FY2025, marked successively by an improvement and deterioration in the fiscal balance. After the projected 4 percent fall in FY2024, growth is expected to return to positive territory in FY2025 and stabilize at 1.5 percent in the medium to long term. The resumption of economic activity predicates an improvement in the security situation, thanks to the deployment of the Kenya-led

[12] Real interest rates on domestic debt shown in Table 3 reflect unremunerated central bank financing.
[13] Projected internal financing is assumed to be exclusively in domestic currency.

Multinational Security Support mission. The projected moderate long-term growth rate reflects lower potential GDP growth rate resulting from the adverse effects of the crisis on human and physical capital.

- **Consistency between public investment and growth (Figure 4).** The tool shows a divergence in share of public investment in GDP in the previous and the current DSAs, reflecting the lingering impact of the crisis (in the short and medium term) and the expected improvement in domestic public revenues and external financing (in the long term). Private investment is also expected to scale up over the projected years.

D. Country Classification and Stress Tests

12. Haiti's debt-carrying capacity remains rated "medium" as in the two previous DSA despite the downgrade of the Composite Indicator (CI) to assess debt-carrying from "medium" to "weak" as a result of the decline of the CI to 2.64 (Table 1)**.**[14]. The CI decrease is due mainly to the deterioration in the country CPIA index (2.687 against 2.749 in previous DSA), and a lower import coverage of reserves (40.5 percent against 44 percent in previous DSA) due to the drop in gross reserves coverage of months imports in FY2022. Remittances-to-GDP (11.7 percent) also fell below the 15.5 percent cut-off value (on average during 2013–21). Since the classification based on the two previous vintages was "medium", Haiti's debt carrying capacity is maintained at "medium".

13. 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. Although the damage and losses following the 2010 earthquake were estimated at 120 percent of FY2009 GDP, this type of disaster is not as statistically frequent as hurricanes and is thus considered a tail risk event.[15] The stress test on combined contingent liabilities on external and domestic debt was updated to reflect available data.

[14] The current Composite Index (CI) is estimated at 2.64 and is based on the World Bank's 2023 CPIA and the October 2023 WEO. Haiti's debt-carrying capacity remains "medium."

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

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	Weak 2.64	Medium 2.75	Medium 2.81

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	2.687	1.03	39%
Real growth rate (in percent)	2.719	-0.084	0.00	0%
Import coverage of reserves (in percent)	4.052	40.451	1.64	62%
Import coverage of reserves^2 (in percent)	-3.990	16.363	-0.65	-25%
Remittances (in percent)	2.022	11.748	0.24	9%
World economic growth (in percent)	13.520	2.856	0.39	15%
CI Score			2.642	100%
CI rating			Weak	

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

E. Debt Sustainability

External Debt Sustainability Analysis

14. **External debt is projected to increase gradually from 2026 onwards, due to the tight fiscal space and limited sources of domestic funding to finance the government's investment and social program**. Under the baseline scenario, after the sharp drop from 12.9 percent in FY2023 to 1.5 percent in FY2024, and a further decline to 1.4 percent in FY2025, due to the Venezuela debt relief, the PPG external debt-to-GDP ratio is expected to increase significantly, reaching 11.9 percent at the end of the projection period. However, the ratio remains lower than forecast in the previous DSA (see top left of Figure 3), where it reached 22.7 percent at the end of the projection period—the gap being mainly due to the Venezuela debt restructuring operation. The non-interest current account deficit remains the main driver of external debt dynamics, largely fueled by the deficit in goods and services, reflecting increased imports of foodstuffs as well as capital and intermediate goods as part of the investment drive.

15. **Under the baseline scenario, Haiti's export-related external debt indicators are projected to breach their indicative thresholds, while the other indicators are expected to remain below their thresholds (Figure 1 and Table 3)**. The present value (PV) of external PPG debt-to-GDP ratio is projected to decrease to 1.3 percent in FY2025 from 2.5 percent in FY2023, then rise steadily to 9.2 percent in FY2044 but would remain well below the debt distress threshold owing to gradual increase in external concessional financing, amid subdued export growth. This projection is based on a gradual resumption of external borrowing to finance public investment projects, against a backdrop of improved political stability and policy reform implementation. In contrast, the PV of debt-to-exports ratio, which is also set to decline from 44.5 percent in FY2023 to 41.7 percent in FY2025, is projected to breach its indicative threshold of 180 from FY2037 onwards, but without displaying an explosive trajectory. The debt-service-to-exports ratio is projected to drop drastically to 3.3 percent in FY2025 from 11.8 percent in FY2023. However, it is expected to increase steadily in the following years and to breach its indicative threshold only towards the end of the projection period. The unfavorable trends of these two exports-related debt indicators underline the challenges of strengthening and developing the country's key export sectors, notably manufacturing, whose production base and competitiveness have been severely eroded by the ongoing protracted security crisis. The debt-service-to-revenue ratio is also projected to fall in FY2025 and increase thereafter but would remain well below its threshold until FY2044, as fiscal revenues would recover gradually in the medium term thanks to the effective implementation of the authorities' reform agenda to boost revenue collection.

16. **Stress tests confirm the vulnerability of debt to lower remittances and natural disasters (Figure 1 and Table 5)**. A natural disaster shock would raise the present value of external debt to exports above the 180 percent threshold as early as FY2025. Exports shock also induces a breach of the threshold by the same indicator in FY2026, as would shocks to non-debt-creating flows (i.e., a decline in both current transfers and FDI inflows by one standard deviation) in FY2027 and the primary balance in FY2029. These same shocks also cause a threshold breach in the debt-service to exports ratio, with a natural disaster shock being the most impactful. A drop in remittances would entail 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

17. Public debt is sustainable under the baseline scenario (Figure 2 and Table 4). Total public debt is projected to fall to 11.5 percent of GDP in FY2025 from 28.5 percent of GDP in FY2023 thanks to the debt relief received from Venezuela but is set to grow at a moderate pace thereafter—driven mainly by the accumulation of foreign debt—and reach 18.8 percent of GDP by the end of the projection period. In present value terms, public debt is projected to drop to 11.5 percent of GDP in FY2025 from 17.9 percent in 2023 and would peak at 16.2 percent of GDP in FY2044, below its indicative benchmark. The characteristics of the public debt profile, notably the long maturity of multilateral debt, the high proportion of debt denominated in gourdes (around 82 percent after the debt relief of Venezuela's debt), and its orientation towards investment, reduce its exposure to potential vulnerabilities.

18. Debt service is projected to remain moderate over a 10-year horizon, but would significantly increase thereafter, until FY2044. But repayment of short-term domestic debt (Treasury Bills) will raise it over the long run substantially, due to its higher cost, very short maturity and predominant share in the financing of the fiscal deficit. As a result, despite a moderate fiscal deficit, higher domestic debt reimbursement over the long run would increase gross financing needs to about 1.6 percent of GDP by FY2034 and 2.9 percent of GDP by FY2044, from 0.2 percent of GDP projected in FY2025. Hence, the debt service-to-revenue ratio, which is expected to remain relatively low between FY2025 and FY2034, rising from 1.3 percent to 12.2 percent, should increase considerably thereafter, reaching 24.1 percent in FY2044. However, all of these gross financing needs expected to be covered by domestic borrowing and externally financed project loans, rollover risk would likely be mitigated. Moreover, improved tax revenue collection, and increased demand for government securities by domestic banks as a result of financial deepening, would help fund Haiti's annual gross financing needs over the medium and long terms.

19. While the present value of public debt-to-GDP ratio remains largely below its benchmark for all stress test scenarios, it appears highly vulnerable to natural disasters (Figure 2 and Table 6). A natural disaster shock would result in a large and protracted increase of the present value of the public debt-to-GDP ratio, from 14.0 percent in FY2024 to 29.8 percent in FY2025 and reaching 34.9 percent at the end of the projection period. However, under this most extreme scenario, the present value of the public debt-to-GDP ratio barely approaches its indicative benchmark of 55 percent.

F. Risk Rating and Vulnerabilities

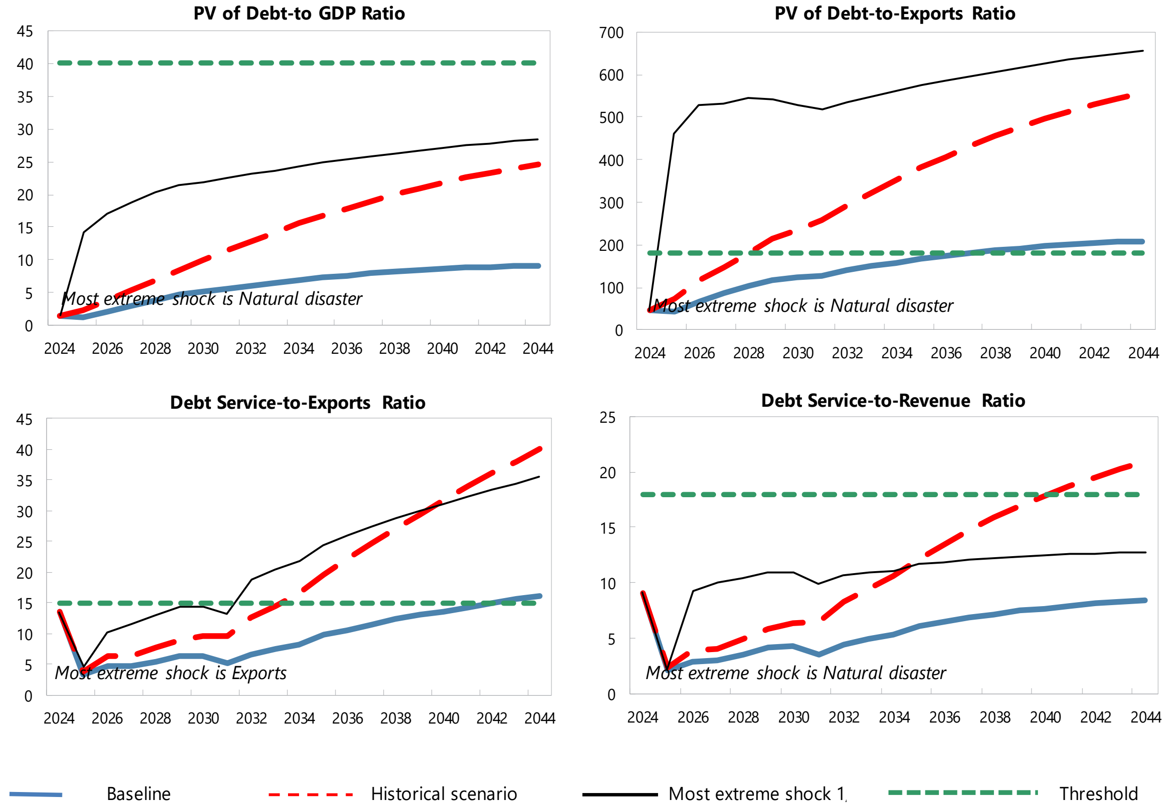
20. Haiti's external and overall risk of debt distress rating remains "high", and debt is deemed sustainable. The high risk of external debt distress rating arises from the fact that both exports-related external debt indicators breach their respective indicative threshold under the baseline scenario. Although the breaches occur beyond the 10-year projection period, judgement is applied and the risk of debt distress is deemed high due to the continued narrowing of Haiti's production and export base, accelerated by the ongoing security crisis. The high risk of overall debt distress rating arises from the fact steady-upward trend of public debt service-to-revenue ratio. Debt remains however sustainable as: (i) exports-related debt indicators will only breach their indicative thresholds in the distant future (in 14 and 19 years, respectively), without displaying a particularly explosive trajectory; (ii) although the public debt service-to-revenue ratio is forecasted to increase sharply in the long term, it should remain at a sustainable level, reaching 24.1 percent at the end of the projection period; (iii) liquidity risk of servicing external debt should remain limited, due to the projected accumulation of reserves, mainly from remittances; (iv) roll-over risks would remain limited in the long term as larger gross financing needs are expected to be covered mostly by domestic debt and externally-financed project loans; (v) medium- and long-term growth prospects are favorable, underpinned by recovery from multiple shocks; and (vi) the authorities are committed to re-engage with the donor community and to fight corruption more effectively and improve governance frameworks.

21. The debt outlook for Haiti remains subject to risks and vulnerabilities. Key indicators of Haiti's external debt path are projected to be below their indicative benchmarks under the baseline, thanks to the debt relief received from Venezuela. However, a drop in remittances or a natural disaster shock similar in magnitude to Hurricane Matthew would 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 increase in debt-service-to-revenue under stress scenario (Table 4). Haiti's debt-carrying capacity remains "medium" as in the last two DSA. However, the downgrading in Haiti's composite indicator to weak in this vintage is a source of concern given the country's elevated needs of growth enhanced and social spending, which might require external financial. This calls for stepping up efforts to strengthen revenue mobilization and reforms to raise investment and growth, as recommended by the 2022-23 SMPs.

Authorities' Views

22. The authorities agreed with the staff's assessment of an external and overall high risk of debt distress and sustainable debt. They reiterated their commitment to implementing sound macroeconomic policies, including a prudent fiscal policy and a debt strategy prioritizing concessional external financing in the short and medium term, in order to safeguard debt sustainability. However, the authorities expressed concerns about the availability of sufficient concessional external financing to help meet the country's huge investment and development needs. Nevertheless, they committed to pursuing ongoing efforts to improve public debt management and ensure greater transparency. The authorities also stressed the urgency of restoring security as a prerequisite for boosting economic activity and exports, with a view to containing debt vulnerabilities related to the country's narrower export base.

Figure 1. Haiti: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2024–44



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	2.0%	2.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	5	5

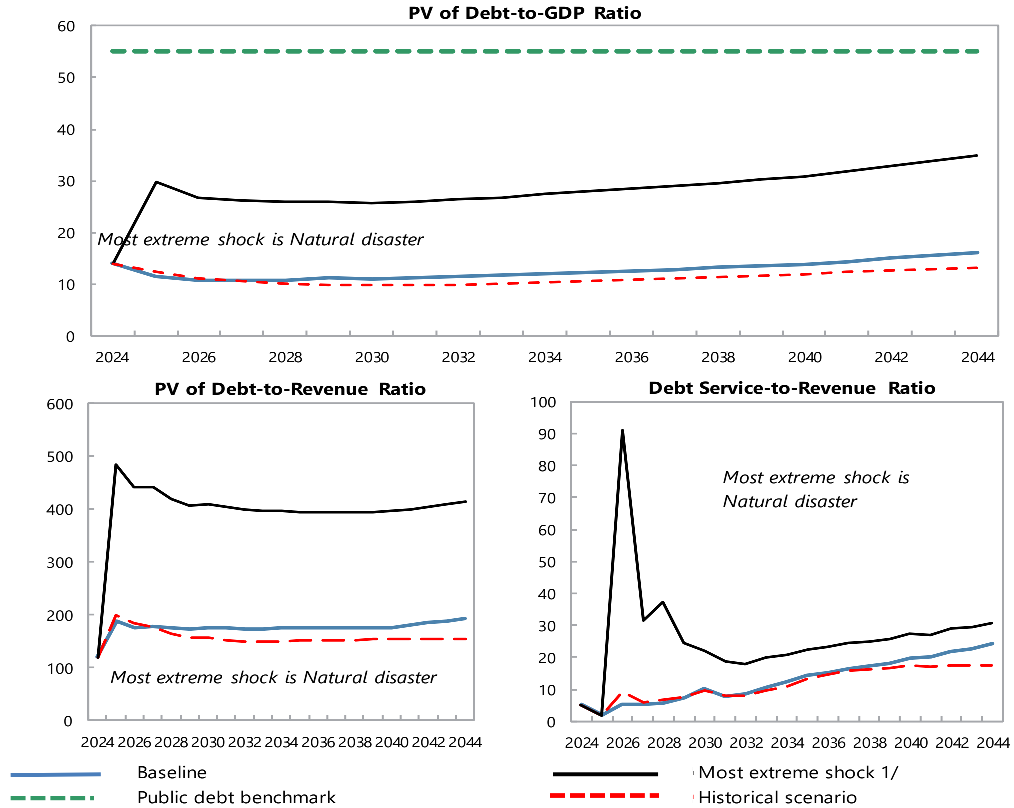
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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, 2024–44



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	75%	75%
Domestic medium and long-term	6%	6%
Domestic short-term	19%	19%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	2.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.9%	2.9%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-4.4%	-4.4%

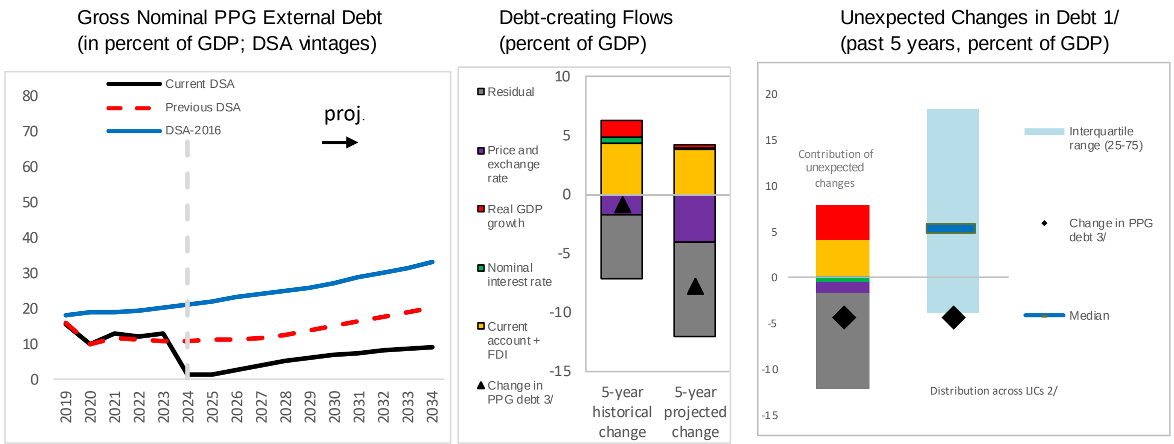
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

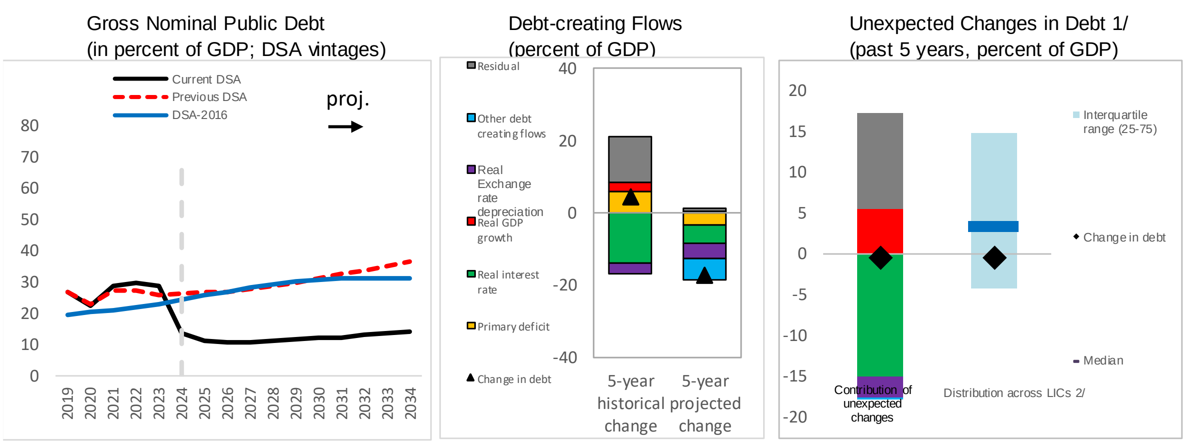
1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock 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

External Debt



Public Debt



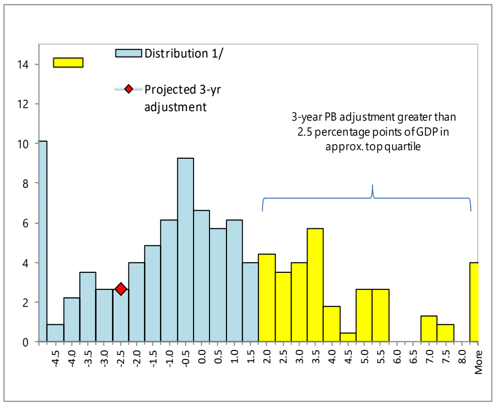
1/ Difference between anticipated and actual contributions on debt ratios.

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.

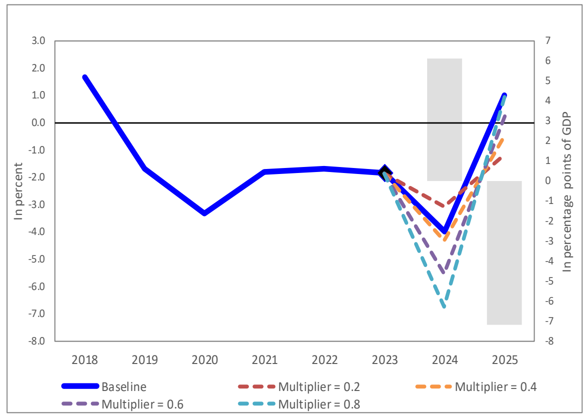
Figure 4. Haiti: Realism Tools

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



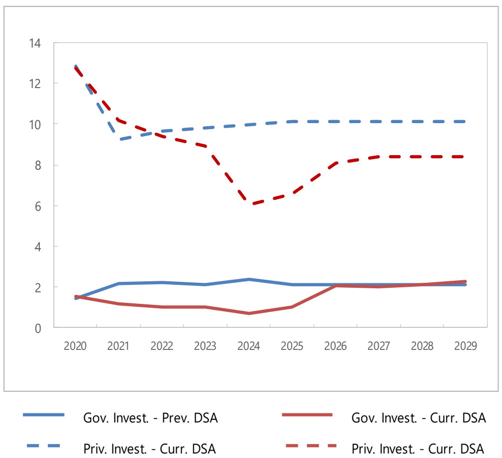
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

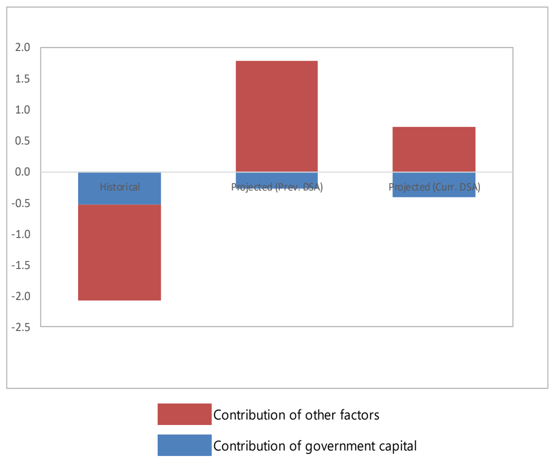


Table 2. Haiti: Structure of Public Debt and Debt Service
(Fiscal-year basis)

	Debt (at end-2023)			Debt Service					
		In percent of		2024	2025	2026	2024	2025	2026
	US$ million	total debt	GDP	US$ millions			In percent of GDP		
Total	**5932.7**	**100.0**	**28.5**	**118.3**	**32.0**	**51.0**	**0.4**	**0.1**	**0.2**
External	**2699.0**	**45.5**	**12.9**	**118.3**	**32.0**	**51.0**	**0.4**	**0.1**	**0.2**
Multilateral creditors	**321.0**	**5.4**	**1.5**	**25.4**	**24.7**	**44.3**	**0.1**	**0.1**	**0.1**
IMF	248.4	4.2	1.2	17.4	16.7	36.4	0.1	0.1	0.1
OPEC	35.4	0.6	0.2	4.9	4.8	4.7	0.0	0.0	0.0
IFAD	37.2	0.6	0.2	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	**2377.8**	**40.1**	**11.4**	**92.9**	**7.3**	**6.7**	**0.4**	**0.0**	**0.0**
Paris Club	-	-	-	-	-	-	-	-	-
Non-Paris Club	2377.8	40.1	11.4	92.9	7.3	6.7	0.4	0.0	0.0
Venezuela	2216.1	37.4	10.6	86.2	1.9	1.9	0.3	0.0	0.0
PetroCaribe	2189.3	36.9	10.5	84.3	0.0	0.0	0.3	0.0	0.0
BANDES	26.8	0.5	0.1	1.9	1.9	1.9	0.0	0.0	0.0
Taiwan, Province of China	161.7	2.7	0.8	6.7	5.4	4.9	0.0	0.0	0.0
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Other international creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	**3233.7**	**54.5**	**15.5**	-	-	-	-	-	-
Held by non-residents, total	-	-	-	-	-	-	-	-	-
Held by residents, total	3233.7	54.5	15.5	-	-	-	-	-	-
Loans, total	3233.7	54.5	15.5	-	-	-	-	-	-
BRH	2564.5	43.2	12.3	-	-	-	-	-	-
Other creditors (incl.T-Bills)	669.2	11.3	3.2	-	-	-	-	-	-
Total	**5932.7**	**100.0**	**28.5**	**118.3**	**32.0**	**51.0**	**0.4**	**0.1**	**0.2**
Memo items									
Collaterized debt	-	-	-	-	-	-	-	-	-
Contingent liabilities	-	-	-	-	-	-	-	-	-
External arrears	642.1	10.8	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (US$ millions)	19,603.5			26,283.4	30,614.3	33,172.7			

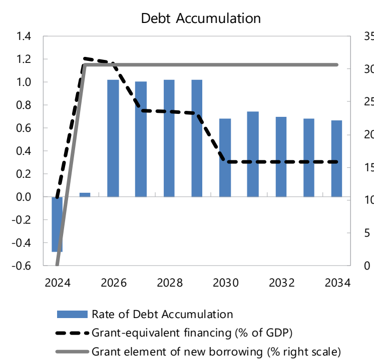
Sources: Haitian authorities, and Fund staff estimates.

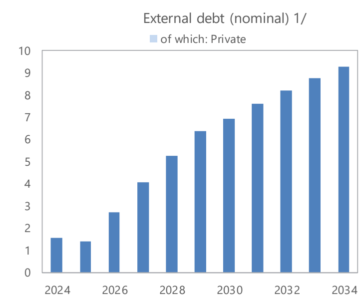
Table 3. Haiti: External Debt Sustainability Framework, Baseline Scenario, 2021–2044

(In Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	12.9	12.3	12.9	1.5	1.4	2.7	4.1	5.3	6.4	9.3	11.9	13.4	5.6
of which: public and publicly guaranteed (PPG)	12.9	12.3	12.9	1.5	1.4	2.7	4.1	5.3	6.4	9.3	11.9	13.4	5.6
Change in external debt	2.9	-0.6	0.6	-11.4	-0.1	1.3	1.3	1.2	1.1	0.5	0.1		
Identified net debt-creating flows	-3.8	2.9	3.5	0.9	0.5	0.8	1.0	0.9	0.6	0.3	0.3	1.7	0.6
Non-interest current account deficit	-0.5	2.2	3.4	0.5	0.6	0.9	1.1	1.0	0.9	0.7	0.7	2.4	0.8
Deficit in balance of goods and services	18.0	20.5	21.5	15.0	14.3	13.8	13.9	13.8	13.5	12.9	12.9	20.9	13.6
Exports	6.1	7.0	5.6	3.3	3.1	3.3	3.6	3.8	4.0	4.4	4.4		
Imports	24.0	27.5	27.1	18.4	17.4	17.0	17.5	17.6	17.5	17.3	17.3		
Net current transfers (negative = inflow)	-18.3	-18.1	-18.0	-14.5	-13.7	-12.8	-12.7	-12.7	-12.6	-12.2	-12.2	-18.1	-12.7
of which: official	-0.8	-1.0	-0.9	-0.8	-1.2	-0.7	-0.3	-0.3	-0.3	0.0	0.0		
Other current account flows (negative = net inflow)	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
Net FDI (negative = inflow)	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	-0.4	-0.4	-0.6	-0.3
Endogenous debt dynamics 2/	-3.0	0.9	0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.1	0.1		
Contribution from nominal interest rate	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.2		
Contribution from real GDP growth	0.1	0.2	0.2	0.4	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2		
Contribution from price and exchange rate changes	-3.2	0.5	-0.1	...	...	...	...	...	...	...	...		
Residual 3/	6.7	-3.5	-2.9	-12.3	-0.7	0.5	0.3	0.3	0.5	0.2	-0.2	-1.4	-0.9
of which: exceptional financing	-0.5	-0.5	-0.5	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	2.5	1.5	1.3	2.2	3.1	3.9	4.7	7.0	9.2		
PV of PPG external debt-to-exports ratio	...	...	44.5	44.9	41.7	65.6	85.4	103.3	117.7	158.5	208.1		
PPG debt service-to-exports ratio	9.4	8.1	11.8	13.5	3.3	4.7	4.6	5.4	6.3	8.3	16.2		
PPG debt service-to-revenue ratio	9.6	10.7	10.3	9.1	2.1	2.9	2.9	3.5	4.1	5.3	8.5		
Gross external financing need (Million of U.S. dollars)	-39.4	517.8	765.2	227.9	191.1	327.1	400.8	371.5	313.1	298.2	649.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-1.8	-1.7	-1.9	-4.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	0.0	1.0
GDP deflator in US dollar terms (change in percent)	47.5	-4.1	0.8	39.7	15.3	6.8	1.4	2.9	3.6	2.1	2.1	3.8	7.4
Effective interest rate (percent) 4/	1.4	0.7	0.9	0.5	2.3	2.3	2.2	2.1	2.1	2.1	2.0	0.8	2.0
Growth of exports of G&S (US dollar terms, in percent)	24.9	8.8	-20.9	-20.0	10.0	13.2	12.6	10.3	10.7	3.7	3.7	-1.7	6.1
Growth of imports of G&S (US dollar terms, in percent)	20.8	8.0	-2.7	-9.0	10.6	6.0	5.4	5.0	4.6	3.7	3.7	2.5	3.8
Grant element of new public sector borrowing (in percent)	...	...	...	...	30.7	30.7	30.7	30.7	30.7	30.7	30.7	...	30.7
Government revenues (excluding grants, in percent of GDP)	5.9	5.3	6.4	4.9	5.0	5.3	5.7	5.9	6.1	6.9	8.4	6.9	6.0
Aid flows (in Million of US dollars) 5/	-2421.4	-5570.2	-9219.1	1774.9	359.4	233.4	100.0	100.0	100.0	0.0	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	...	1.2	1.2	0.8	0.7	0.7	0.3	0.3	...	0.6
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	...	94.6	52.8	42.0	41.6	41.2	30.7	30.7	...	42.6
Nominal GDP (Million of US dollars)	21,017	19,826	19,603	26,283	30,614	33,173	34,155	35,664	37,497	45,611	65,360		
Nominal dollar GDP growth	44.9	-5.7	-1.1	34.1	16.5	8.4	3.0	4.4	5.1	3.7	3.7	3.7	8.3
Memorandum items:													
PV of external debt 7/	...	...	2.5	1.5	1.3	2.2	3.1	3.9	4.7	7.0	9.2		
In percent of exports	...	...	44.5	44.9	41.7	65.6	85.4	103.3	117.7	158.5	208.1		
Total external debt service-to-exports ratio	9.4	8.1	11.8	13.5	3.3	4.7	4.6	5.4	6.3	8.3	16.2		
PV of PPG external debt (in Million of US dollars)			486.8	392.8	401.6	714.9	1048.7	1398.2	1763.3	3181.3	5985.9		
(PVt-PVt-1)/GDPt-1 (in percent)				-0.5	0.0	1.0	1.0	1.0	1.0	0.7	0.4		
Non-interest current account deficit that stabilizes debt ratio	-3.5	2.9	2.7	11.9	0.7	-0.4	-0.2	-0.2	-0.2	0.2	0.6		

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.

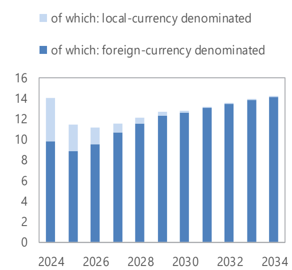
Table 4. Haiti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–2044

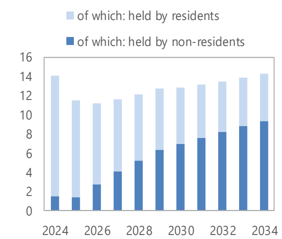
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	28.9	29.5	28.5	14.1	11.5	11.1	11.6	12.1	12.7	14.3	18.8	25.2	12.8
of which: external debt	12.9	12.3	12.9	1.5	1.4	2.7	4.1	5.3	6.4	9.3	11.9	13.4	5.6
Change in public sector debt	6.5	0.6	-1.0	-14.4	-2.6	-0.4	0.4	0.5	0.6	0.4	0.6		
Identified debt-creating flows	3.2	-2.4	-6.2	-18.8	-1.6	0.3	1.0	0.9	1.0	0.6	0.6	-0.4	-1.3
Primary deficit	2.0	1.5	-1.2	-7.4	0.1	1.2	1.3	1.3	1.4	0.8	0.8	1.5	0.2
Revenue and grants	7.0	6.6	7.3	11.7	6.1	6.0	6.0	6.2	6.4	6.9	8.4	8.9	6.9
of which: grants	1.0	1.3	0.9	6.8	1.2	0.7	0.3	0.3	0.3	0.0	0.0		
Primary (noninterest) expenditure	9.0	8.0	6.1	4.3	6.2	7.2	7.2	7.6	7.8	7.7	9.3	10.4	7.0
Automatic debt dynamics	1.2	-3.8	-5.0	-5.5	-1.7	-0.9	-0.3	-0.4	-0.4	-0.2	-0.2		
Contribution from interest rate/growth differential	-1.4	-3.4	-4.1	-2.6	-0.9	-0.5	-0.3	-0.2	-0.2	-0.2	-0.2		
of which: contribution from average real interest rate	-1.8	-3.9	-4.6	-3.8	-0.8	-0.3	-0.1	0.0	0.0	0.0	0.0		
of which: contribution from real GDP growth	0.4	0.5	0.6	1.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3		
Contribution from real exchange rate depreciation	2.6	-0.4	-0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5
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	-5.9	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	3.4	3.0	5.1	1.6	-1.7	-1.1	-0.6	-0.6	-0.6	-0.2	0.0	0.7	-0.4
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	17.9	14.0	11.5	10.7	10.7	10.8	11.1	12.1	16.2		
PV of public debt-to-revenue and grants ratio	...	...	244.5	119.7	187.0	176.3	179.2	174.7	174.2	174.8	192.5		
Debt service-to-revenue and grants ratio 3/	11.9	12.0	11.8	5.3	1.9	5.4	5.1	5.7	7.2	12.2	24.1		
Gross financing need 4/	2.8	2.2	-0.3	-12.7	0.2	1.5	1.6	1.7	1.9	1.6	2.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-1.8	-1.7	-1.9	-4.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	0.0	1.0
Average nominal interest rate on external debt (in percent)	0.9	0.8	1.0	0.5	2.3	2.4	2.2	2.2	2.2	2.2	2.1	0.8	2.1
Average real interest rate on domestic debt (in percent)	-14.1	-21.6	-22.8	-21.5	-18.7	-13.5	-7.8	-6.9	-6.4	-3.1	1.2	-12.4	-8.6
Real exchange rate depreciation (in percent, + indicates depreciation)	25.3	-3.0	-7.7	...	...	...	...	...	...	...	...	0.6	...
Inflation rate (GDP deflator, in percent)	19.3	29.8	31.5	29.1	23.2	17.6	10.4	9.7	9.1	7.0	7.0	16.3	12.3
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.0	-12.0	-25.2	-32.8	46.1	18.7	1.5	5.9	5.2	3.3	3.1	-8.7	4.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-4.5	0.8	-0.1	7.0	2.6	1.5	0.8	0.8	0.8	0.4	0.2	-1.3	1.5
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 central, state, and local governments plus extra budgetary funds. 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, 2024–2044

(In Percent)

	Projections 1/																				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
PV of debt-to GDP ratio																					
Baseline	1	1	2	3	4	5	5	6	6	7	7	7	8	8	8	8	9	9	9	9	9
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	1	2	4	5	7	8	10	11	13	14	16	17	18	19	20	21	22	23	23	24	25
B. Bound Tests																					
B1. Real GDP growth	1	1	2	3	4	5	6	6	7	7	8	8	9	9	9	9	10	10	10	10	10
B2. Primary balance	1	3	5	6	7	8	8	9	9	9	10	10	10	11	11	11	11	11	11	11	12
B3. Exports	1	2	4	5	6	6	7	7	8	8	8	9	9	9	9	9	10	10	10	10	10
B4. Other flows 3/	1	3	6	7	7	8	9	9	9	10	10	10	10	10	10	10	10	10	10	10	10
B5. Depreciation	1	2	0	2	3	4	4	5	5	6	7	7	8	8	9	9	9	10	10	10	10
B6. Combination of B1-B5	1	3	6	7	8	9	9	9	10	10	10	11	11	11	11	11	11	11	11	11	11
C. Tailored Tests																					
C1. Combined contingent liabilities	1	5	6	8	9	9	10	10	11	11	12	12	13	13	13	13	14	14	14	14	14
C2. Natural disaster	1	14	17	19	20	21	22	22	23	24	24	25	25	26	26	27	27	27	28	28	28
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	45	42	66	85	103	118	122	128	139	149	158	167	174	**180**	**186**	**191**	**196**	**200**	**203**	**206**	**208**
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	45	74	118	148	**180**	**213**	**235**	**259**	**291**	**323**	**353**	**381**	**407**	**432**	**455**	**476**	**495**	**513**	**529**	**544**	**557**
B. Bound Tests																					
B1. Real GDP growth	45	42	66	85	103	118	122	128	139	149	158	167	174	**180**	**186**	**191**	**196**	**200**	**203**	**206**	**208**
B2. Primary balance	45	87	141	161	178	**190**	**191**	**193**	**203**	**212**	**221**	**228**	**235**	**240**	**245**	**250**	**253**	**256**	**259**	**261**	**262**
B3. Exports	45	83	**226**	**258**	**287**	**310**	**315**	**322**	**338**	**354**	**369**	**381**	**391**	**401**	**408**	**415**	**420**	**425**	**428**	**430**	**431**
B4. Other flows 3/	45	98	171	**183**	**195**	**204**	**204**	**204**	**211**	**217**	**223**	**227**	**230**	**233**	**235**	**237**	**238**	**238**	**238**	**237**	**236**
B5. Depreciation	45	42	11	35	55	73	80	88	101	113	124	134	143	152	160	167	173	179	**184**	**189**	**193**
B6. Combination of B1-B5	45	120	159	**270**	**290**	**305**	**306**	**307**	**318**	**328**	**337**	**345**	**351**	**356**	**360**	**363**	**365**	**366**	**367**	**366**	**365**
C. Tailored Tests																					
C1. Combined contingent liabilities	45	161	**197**	**211**	**228**	**237**	**235**	**237**	**248**	**259**	**269**	**277**	**285**	**293**	**299**	**305**	**310**	**315**	**319**	**323**	**326**
C2. Natural disaster	45	**462**	**529**	**531**	**546**	**543**	**528**	**519**	**534**	**548**	**562**	**574**	**586**	**596**	**607**	**616**	**626**	**634**	**642**	**650**	**658**
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	14	3	5	5	5	6	6	5	7	7	8	10	11	11	12	13	14	14	**15**	**16**	**16**
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	14	4	6	6	8	9	9	9	12	14	17	20	22	25	27	29	32	34	36	38	40
B. Bound Tests																					
B1. Real GDP growth	14	3	5	5	5	6	6	5	7	7	8	10	11	11	12	13	14	14	15	16	16
B2. Primary balance	14	3	6	7	7	8	8	8	11	12	13	15	16	16	17	18	19	19	20	21	21
B3. Exports	14	5	10	12	13	14	14	13	19	20	22	24	26	27	29	30	31	32	33	34	35
B4. Other flows 3/	14	3	6	7	8	9	8	9	13	14	14	15	16	17	18	18	19	19	20	20	20
B5. Depreciation	14	3	5	3	4	5	5	4	3	4	5	7	8	9	10	10	11	12	13	13	14
B6. Combination of B1-B5	14	4	10	11	12	13	13	14	19	20	21	23	24	26	27	27	28	29	30	31	31
C. Tailored Tests																					
C1. Combined contingent liabilities	14	3	8	8	9	9	9	8	9	10	11	12	13	14	15	15	16	17	17	18	18
C2. Natural disaster	14	3	16	16	17	17	17	15	16	17	18	19	20	21	22	22	23	24	24	25	25
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	9	2	3	3	3	4	4	3	4	5	5	6	6	7	7	7	8	8	8	8	8
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	9	2	4	4	5	6	6	6	8	9	11	12	13	15	16	17	18	**19**	**20**	**20**	**21**
B. Bound Tests																					
B1. Real GDP growth	9	2	3	3	4	5	5	4	5	5	6	7	7	8	8	8	9	9	9	9	9
B2. Primary balance	9	2	4	4	5	5	5	6	8	8	8	9	10	10	10	10	11	11	11	11	11
B3. Exports	9	2	3	4	4	5	5	5	7	7	7	8	8	8	9	9	9	9	9	10	10
B4. Other flows 3/	9	2	4	5	5	6	6	6	9	9	9	10	10	10	10	10	10	11	11	11	11
B5. Depreciation	9	3	4	3	3	4	4	3	3	3	4	5	6	6	7	7	8	8	8	9	9
B6. Combination of B1-B5	9	2	4	5	5	6	6	7	9	9	10	10	10	11	11	11	11	11	11	11	11
C. Tailored Tests																					
C1. Combined contingent liabilities	9	2	5	5	6	6	6	5	6	7	7	8	8	8	9	9	9	9	9	9	10
C2. Natural disaster	9	2	9	10	10	11	11	10	11	11	11	12	12	12	12	12	12	13	13	13	13
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, 2024–2044

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
PV of Debt-to-GDP Ratio																					
Baseline	14	11	11	11	11	11	11	11	11	12	12	12	13	13	13	14	14	14	15	16	16
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	14	12	11	11	10	10	10	10	10	10	10	11	11	11	11	12	12	12	13	13	13
B. Bound Tests																					
B1. Real GDP growth	14	11	11	11	11	12	12	13	14	15	16	16	17	18	19	20	21	23	24	26	27
B2. Primary balance	14	13	12	12	12	12	12	12	12	12	13	13	13	14	14	14	15	15	16	17	18
B3. Exports	14	12	12	12	13	13	13	13	13	13	13	14	14	14	14	15	15	15	16	16	17
B4. Other flows 3/	14	13	14	14	14	15	15	15	15	15	15	15	15	15	15	16	16	16	17	17	17
B5. Depreciation	14	10	8	8	7	7	7	7	7	7	7	7	7	7	7	7	7	7	8	8	9
B6. Combination of B1-B5	14	12	10	9	9	9	9	9	9	10	10	10	11	11	12	12	12	13	14	15	15
C. Tailored Tests																					
C1. Combined contingent liabilities	14	16	14	14	14	14	14	14	14	14	15	15	15	16	16	17	17	18	19	20	20
C2. Natural disaster	14	30	27	26	26	26	26	26	26	27	27	28	28	29	30	30	31	32	33	34	35
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	120	187	176	179	175	174	176	175	174	174	175	175	175	175	176	176	177	181	185	189	193
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	120	198	184	176	164	156	156	152	150	149	150	151	151	152	153	153	153	154	155	155	155
B. Bound Tests																					
B1. Real GDP growth	120	182	178	183	183	188	198	203	209	216	225	232	240	248	257	265	273	285	297	309	321
B2. Primary balance	120	206	205	200	191	187	189	186	184	183	184	184	184	185	186	187	189	194	199	204	209
B3. Exports	120	197	205	208	202	201	203	201	198	196	195	193	192	191	190	189	188	191	194	197	200
B4. Other flows 3/	120	217	235	240	232	229	232	228	223	219	216	213	210	207	205	202	201	202	204	206	207
B5. Depreciation	120	165	139	130	119	114	109	104	100	98	96	94	93	92	91	90	90	93	96	99	102
B6. Combination of B1-B5	120	204	169	150	144	143	144	142	142	143	145	146	148	150	153	155	158	164	170	177	183
C. Tailored Tests																					
C1. Combined contingent liabilities	120	263	236	233	221	217	218	215	213	213	213	214	214	215	217	218	220	226	231	236	242
C2. Natural disaster	120	485	441	441	418	406	410	404	400	397	396	395	394	394	394	395	396	400	404	409	414
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	5	2	5	5	6	7	10	8	8	11	12	14	15	17	17	18	20	20	22	23	24
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2024-2034 2/	5	2	9	6	7	7	10	8	8	10	11	13	15	16	16	17	17	17	18	17	18
B. Bound Tests																					
B1. Real GDP growth	5	2	7	8	9	12	15	13	15	18	20	23	25	27	28	30	32	33	36	37	39
B2. Primary balance	5	2	15	14	11	11	12	11	12	15	16	18	19	21	21	22	24	24	26	26	28
B3. Exports	5	2	6	6	6	8	11	9	10	13	14	16	17	18	19	20	21	21	23	24	25
B4. Other flows 3/	5	2	6	7	7	9	12	11	13	15	16	18	19	20	20	21	23	23	24	25	26
B5. Depreciation	5	2	6	4	6	7	10	7	8	10	11	13	13	14	15	15	17	17	18	18	20
B6. Combination of B1-B5	5	2	5	5	6	7	10	8	9	11	12	15	16	17	18	19	21	21	23	23	25
C. Tailored Tests																					
C1. Combined contingent liabilities	5	2	30	13	15	12	13	11	11	13	14	16	17	19	19	20	22	22	24	24	26
C2. Natural disaster	5	2	91	31	37	24	22	19	18	20	21	23	23	24	25	26	27	27	29	29	31
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 the IMF Staff Representative on
Haiti
November 20, 2024

This statement provides information that has become available since the staff report was finalized. This information does not alter the thrust of the staff appraisal.

1. On November 11, 2024, the Transitional Presidential Council (TPC) of Haiti designated a new Prime Minister, Mr. Alix Didier Fils-Aimé. As a result, former Prime Minister, Garry Conille, resigned. A decree listing the names of the new cabinet members (comprising 18 ministries, including eight reappointments from Mr. Conille's administration) was issued on Friday November 15. Since his appointment, the new Minister of Economy and Finance, Mr. Alfred Metellus, has already met with the IMF team, together with Central Bank Governor Gabriel. Minister Metellus has indicated his strong commitment to remain closely engaged with the Fund, which is seen as an important anchor for signaling the authorities' commitment to continue making progress toward macroeconomic stabilization and strengthen governance, and locking in macroeconomic gains accumulated over recent years, despite the many headwinds. Former Minister of Economy and Finance, Ms. Ketleen Florestal, maintains her portfolio as Minister of Planning and External Cooperation.

Statement by Mr. Andre Roncaglia, Executive Director for Haiti, Mr. Bruno Saraiva, Alternate Executive Director, and Ms. Ludmilla Buteau Allien, Advisor
November 20, 2024

On behalf of our Haitian authorities, we would like to thank management and staff for the Fund's continuous engagement during this period of crisis. We broadly concur with staff's assessment of the current situation.

After five consecutive years of GDP decline in Haiti, negative shocks have frustrated expectations of an economic recovery in the last fiscal year. Since the last article IV assessment in 2020, the country has experienced a series of shocks ranging from the pandemic to natural disasters and the spike in food and energy prices. In the meantime, the security situation had deteriorated, particularly after the assassination of the former president, Jovenel Moise. The country has been living through a protracted period of political instability, leading more recently to a humanitarian crisis, with a rising number of conflict-affected internally displaced people largely over 700,000 as of this week with a new set of people fleeing their homes. Different regions of the country have been besieged by criminal gangs, hampering mobility and the normal functioning of institutions and businesses. The constrained circulation of goods and services have disrupted value chains and overall supply, keeping inflationary pressures high and leaving nearly half of the population under acute food insecurity. Moreover, the country's fragility continues to be severely worsened by prolonged economic recession, social discontent, and significant loss of human capital. The substantial brain drain that has taken place in the past few years has further weakened the Haitian economy.

Volatile security conditions led to disruptions across sectors with greater impact on productive activities. The quarterly indicator of economic activity published for the third quarter of the 2024 fiscal year (May-Jul) reveals a dismal performance by the main sectors of the economy, especially agriculture and manufacturing, with a 3.8 percent decline y-o-y in the index. Nonetheless, the economy experienced episodes of timid recovery in December 2023 and April 2024, due to end-of-year festivities and to the reopening of the Port-au-Prince port and airport, whose operations had been interrupted. However, the agricultural sector, which continues to suffer from climate related shocks, has not benefited from the relative above-mentioned upturn in business activity periods. Lower-than-average rainfall, rising input costs (both fertilizers and seeds) and labor supply bottlenecks, as well as the reduction in cultivated land, which has been overtaken by armed gangs, have weakened the country's production, intensifying inflationary pressures and food insecurity.

Despite the subdued economic activity, trade deficit has deteriorated, while the local currency appreciated by close to 2 percent in nominal terms through September 2024, driven mainly by rising remittances. Preliminary data show a 5.8 percent widening of the trade deficit in 2024, despite the downward trend in imports throughout the fiscal year, reflecting the slowdown in economic activity. Exports totaled US$732 million, down 17 percent over the first 11 months of 2024, with the downturn in the textile industry, which account for an important share of the country's exports. In the meantime, the current account balance has been sustained by remittances, which rose by 11 percent year-on-year for FY2024. The easing of tensions on the foreign exchange market enabled the monetary authorities to bolster official reserves through net purchases of US$470 million. Net international reserves were valued at nearly one billion US dollars at the end of the fiscal year.

Throughout this protracted crisis, the Ministry of Finance and the central bank (BRH) have remained functional and active, averting even worse macroeconomic outcomes. Despite the political instability and the crumpling institutional framework, the two key economic institutions in the countries have still been engaged with the Fund, trying to pursue feasible measures to contain macroeconomic imbalances and ensure a reasonable level of economic functioning in the country. In the second quarter this year, the acute deterioration in security conditions, led to the creation of a Transitional Presidential Council (TPC), which assigned a new transitional government to conduct the country through general elections by 2026. This week, the TPC designated a new Prime Minister for the task and the process of constituting the new administration is being finalized. That said, the TPC and the Prime Minister have committed to release a joint action plan outlining measures to improve security and governance, and to bring the country to free elections.

An amendment to the FY2023/24 budget in August and the timely approval of FY2024/25 budget brought fiscal policy to a sustainable track. As of September 30, 2024, revenue collection decreased by 3 percent year-on-year in nominal terms. This drop in total revenues is owed to the underperformance of internal revenues which resulted from the intermittent halting of the General Tax Directorate (DGI) activities, the temporary closure of ports and airports, and the slowdown in economic activity. Customs revenues showed a slight nominal increase of 1.5 percent compared with the previous year, and a worse performance was averted by new measures taken at the General Customs aiming at reducing contraband at the Port. General Customs Administration had adopted new set of controls of imported merchandises during the beginning of the fiscal year, which was reinforced by the digital verification process during the third quarter. Government spending was also halted by a collapse in public investment spending due to the deterioration of the security situation. Ultimately, the fiscal year 2024 was closed with a small surplus, already signaling the zero-monetary financing for fiscal year 2025. These recent developments in public finances have helped keep monetary aggregates on check. That said, monetary aggregates subdued trend also reflects a sluggish economic activity, with a decline in both credit supply and demand.

Monetary policy stance remained focused on the objectives of containing inflation and averting undue volatility of the exchange rate. To this end, the monetary authorities have decided to maintain the stance adopted since August 2022, against a backdrop of a wait-and-see attitude on the part of economic agents less inclined to invest. Furthermore, the banking system's excess liquidity continued to be absorbed through BRH bonds, in an environment that was hardly conducive to intermediation activities. As a result, the outstanding amount of these securities increased significantly, while the reserve requirement ratios on gourde and foreign currency deposits were kept unchanged at 40 percent and 53 percent respectively for commercial banks; and 28.5 percent and 41.5 percent for savings and housing banks. Repo rates were maintained at 17 percent for BRH bonds and 14 percent for treasury bills. With the stronger fiscal stance and the cessation of monetary financing, as well as the more stable exchange rate, it is expected that the monetary policy stance will help bring inflation on a downward trajectory.

In order to preserve financial stability, the BRH adopted a range of measures from moratoria to loan restructuring. Similarly, the incentive programs put in place by BRH since 2013 have been maintained to date. It should be noted that these measures aimed to facilitate the granting of credit to sectors such as private construction, hotels, agriculture and agribusiness, real estate promotion and development projects (PPDI) and free trade zones, which have important impact on economic activity and job creation. The BRH has also conducted a survey of the financial sector's exposure to the current prolonged crisis. The preliminary results point to the need of more in-depth analysis and assessment, with the stress-testing of the financial system's risks, which will be performed with help from the IMF team.

The continuous deterioration in the business climate has impinged significantly on the financial system. In addition to the loss of close to 700 executives in the banking sector, the losses and material damage incurred by these banks have disrupted their normal operations, testing their resilience. According to data available as of June 30, 2024, there was an alarming 2.7 percent decline in net banking income (NBI), a deterioration in banking profitability, with return on assets (ROA) down to 0.64 percent (from 0.94 percent) and return on equity (ROE) down to 7.68 percent (from 11.13 percent). However, there have been signs of improvement in asset quality, with a decline in the arrears' ratio to 12 percent.

BRH has finalized the harmonization of its regulatory standards in the case of money laundering actions, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction. In addition, to ensure that all its regulated entities are fully aware of the new regulations in force, it has organized training sessions on these standards. As part of the enhanced monitoring of Haiti following its FATF evaluation, and the reports describing the strategies implemented to remedy the shortcomings identified during the said evaluation, Haiti may request a review of the ratings for which it has received an NC or PC rating. A coordinating committee composed of the Ministry of Justice, the MEF, and the

BRH has been set up to monitor the process of removing Haiti from the FATF "grey list." Under the leadership of this committee, the National Risk Assessment (NRA) was officially launched.

In such a challenging context, the authorities are committed to urgently pursue reforms aimed at breaking the cycle of political instability, violence, recession, and poverty. Through the 2024-2005 Budget, the government intends to address the growing structural vulnerabilities of the population. It has been elaborated with the perspective of a real GDP growth of 1%, a decelerating inflation rate, a sustainable debt level, and an increase in revenue collection. As we anticipate a favorable performance of revenue collections agencies, we predict a continued cessation of any monetary financing. On governance reforms, some important measures, such as lease contract procedures standardization and regulation within the public administration, are expected to lead to improved management of public debt, public spending rationalization, and public service delivery to the population. Supporting employment for the younger population and promoting a better integration in the workforce will contribute to enhancing opportunities and reducing inequalities, which is likely to take steam from social conflicts.

Engagement with the Fund has been an important anchor for the Haitian authorities which are facing protracted extremely challenging circumstances. Haiti is a fragile, conflict-affected country beleaguered by several of the factors that hinder economic development. Our Haitian authorities, who work under tremendous duress and have kept the economy afloat in most demanding situations, very much value the dialogue with the Fund and count on its support to their enduring efforts to bring the country back on a virtuous track. A Rapid Crisis Impact Assessment following the crisis of February through April was conducted under the leadership of the authorities and with the support of important international partners and MDBs. The authorities are aware of the dire circumstances and call upon all development and bilateral partners' support in order to achieve this recovery. This document estimates the needs to relaunch the post-conflict economy at around 2 billion dollars. Therefore, a new SMP is an essential piece of the strategy and will signal the authorities' commitment to continue making progress toward macroeconomic stabilization and strengthened governance, consolidating some hard-won gains accumulated over the recent years. This should help build a track record for a UCT-quality program and mobilize other development partners as the authorities continue to seek technical and financial support to put in place an effective stabilization and development plan. Fund's capacity development continues to be vital to help cope with widespread constraints in this fragile and conflict-affected country, particularly as human resources continue to leave. The authorities look forward to the Executive Directors' recommendations and support, as they continue to lead efforts toward macroeconomic stability and to address the causes of fragility, in order to put Haiti on a path to prosperity.