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Remarks by Dominique Strauss-Kahn,
Managing Director of the International Monetary Fund,
at the International Donors Conference on Haiti
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Honorable Prime Minister Pierre-Louis, President Moreno, your excellencies, ladies and gentlemen:

I appreciate very much the opportunity to speak at this International Donors Conference on Haiti. The conference is taking place at a critical juncture for Haiti. Over the past five years, Haiti has made great strides in consolidating its democratic process and improving security and macroeconomic management, hence, reversing decades of economic decline. Now more than ever, Haiti is in a position to anchor these hard-won gains and make inroads in poverty reduction, job creation, and faster growth.

In my remarks today, I will focus on three key messages. First, **Haiti—in partnership with the IMF and other multilateral and bilateral donors—has been able to turn around the very difficult situation that it faced five years ago.**

Under the PRGF or Poverty Reduction and Growth Facility- supported program that began in November 2006, the IMF has committed about 170 million dollars in concessional lending to Haiti, and close to two-thirds of this total has already been disbursed. This program, which is 140 percent of quota, is one of the highest in terms of quota access for a low-income member country, and has acted as a catalyst for other donor support of Haiti. In the past year, the IMF increased its financial support to Haiti twice in the face of the food and fuel price crises and the severe hurricanes. Haiti is also on track to receive almost 1 billion U.S. dollars in debt relief from the IMF and other multilateral and official creditors by the end of June 2009,

leading to annual debt service savings of 35-40 million dollars that would free resources for poverty-reducing and pro-growth expenditures.

The IMF remains committed to a strong relationship with Haiti in whatever capacity the authorities decide, including a possible new PRGF-supported program later this year, when the current one expires.

Haiti has made remarkable progress toward economic stabilization. Financing of fiscal deficits through money creation has been largely eliminated. As a result, inflation fell to around 8 percent by the summer of last year, growth had recovered to around 3 ½ percent range, and net international reserves strengthened substantially.

The authorities also have established a good track record of delivering on their commitments on their economic reform agenda. Steps have been taken to strengthen the independence and governance of the central bank, and to better control budget expenditure. Also, an anti-corruption unit has become operational. My second message is that despite these gains, however, **Haiti is currently facing a very difficult combination of events like few other countries in the world, and needs urgent assistance.**

In 2008, Haiti was hit hard by rising world food and fuel prices and devastating hurricanes. With damage from the hurricanes estimated at 15 percent of GDP, inflation rose and economic growth decelerated sharply, becoming negative in per capita terms. Despite these difficult circumstances, the authorities were able to maintain macroeconomic stability and made further progress toward the HIPC completion point.

The Haitian economy is also being adversely affected by the impact of the global slowdown. Remittances, which provide a critical lifeline to many families and are equivalent to about 20 percent of GDP, declined by about 6 percent in February 2009 compared with a year ago. Import prices have fallen, which has helped bring inflation down rapidly, but this decline is now contributing to a significant shortfall in customs revenue. During this fiscal year, the overall fiscal deficit could deteriorate to 4 percent of GDP or more, and the fiscal gap could rise well beyond the level of 50 million dollars originally estimated in the program.

We therefore strongly support the authorities' request for an additional 125 million dollars in budget support for this year. These resources would enable

the country not only to finance its fiscal gap, but also to press ahead with critical investment projects to create jobs, support growth, and reduce poverty.

My third message is that, **beyond immediate funding requirements, Haiti also needs our continued support to address key development challenges in the midst of the global slowdown.**

There is a critical need to alleviate poverty and malnutrition, consolidate stabilization gains, and anchor ongoing structural and institutional reforms in a sound legal and judicial framework. The IMF will continue to play its part through the provision of macroeconomic policy advice, and technical assistance in its areas of expertise.

We welcome the work under way to establish a common budget support and governance matrix, which could be supported by a large number of donors. **I hope that this will allow for an increased share of aid to be provided as general budget support in line with the Paris Declaration on Aid Effectiveness.**

We also hope that the private sector and foreign investors will keep their focus on the long-term returns that investing in Haiti can provide. This includes taking full advantage of the trade preferences provided by the United States under the Haitian Hemispheric Opportunity through Partnership Encouragement Act.

Finally, the continued support of the international community will be of little use without Haiti's own efforts to confront the challenges that it faces today. Addressing serious structural and institutional bottlenecks is essential to improve competitiveness. Also, macroeconomic stability will have to lead to strong economic growth, otherwise the population will start questioning the importance of the macroeconomic stability to better their day-to-day lives.

I would like to end my remarks by stressing that the IMF stands ready to do its part to continue to help Haiti enhance economic prospects and reduce poverty. Thank you.