International Monetary Fund

Statement at the Conclusion of an IMF Mission to Haiti

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A mission from the International Monetary Fund (IMF) headed by M. Boileau Loko visited Port-au-Prince from June 4 to 8, 2012 for discussions related to the Fourth Review under the Extended Credit Facility (ECF) arrangement.[1] The mission met with Prime Minister, Laurent Lamothe, Minister of Economy and Finance, Marie Carmelle Jean-Marie, Minister Delegate responsible for human rights and combating extreme poverty, Marie Carmèle Rose Anne Auguste, Governor of the Bank of the Republic of Haiti Charles Castel, other senior government officials, and representatives of the banking sector and development partners. The mission would like to thank the authorities for their warm hospitality and the climate of close cooperation and frank discussion that prevailed throughout its stay. At the end of its visit, the mission issued the following statement:

"The economy continues to grow, albeit below the levels projected in the ECF-supported program, which remains broadly on track. The slowdown in public investment, associated with the process of political transition over the recent months, was offset by sustained dynamism in the commercial sector and manufacturing industries as well as by a good harvest. Inflation slowed to 5.4 percent in April in line with easing international food and energy prices. The fiscal position firmed as a result of strong domestic revenue collection and lower capital expenditures than initially forecast in the budget. Credit to the economy picked up and gross foreign reserves exceeded the equivalent of five months of imports at end-March.

"The government of Haiti and the mission reached agreement ad referendum on the broad outlines of a macroeconomic and structural reform program covering the remainder of 2012 and the new 2013 budget year. The authorities' program will continue to focus on preserving macroeconomic stability, supporting economic recovery, and further reducing poverty.

"The new government would need to accelerate the pace of reconstruction against the backdrop of political stability and security. With the expected upturn in public investment, real economic growth is expected to range between 4.5 and 5.5 percent in 2012. Raising poverty-reducing expenditures and investment levels will remain key fiscal policy objectives. An appropriate combination of macroeconomic policies should help

maintain inflation at around 5 percent, while the external position is set to remain strong."

"The structural reform program will focus mainly on: (i) strengthening domestic revenue collection; (ii) improving public financial management and economic governance; (iii) strengthening institutional capacity to enhance public investment management; (iv) reinforcing liquidity management and monetary and foreign exchange operations to bring them more closely in line with market conditions; and (v) reforming the business environment. Close coordination between the new government and the donor community is important to ensure the success of the program.

The IMF staff will recommend that management request the completion of the fourth review under the ECF, to be taken up by the Executive Board in July 2012."

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[1] The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

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