

**FOR  
AGENDA**

EBS/13/14  
Supplement 2  
Correction 1

March 1, 2013

To: Members of the Executive Board

From: The Secretary

Subject: **Haiti—Staff Report for the 2012 Article IV Consultation and Fifth Review  
Under the Extended Credit Facility—Financial Sector Review**

The attached corrections to EBS/13/14, Sup. 2 (2/25/13) have been provided by the staff:

**Factual Errors Not Affecting the Presentation of Staff's Analysis or Views**

**Page 30, Table 2, column 2, row 2:** for “BRH’s financial situation has strengthened because of the improved macroeconomic situation, the adoption of the new banking law that prohibits government deficit financing and the recent agreement on the debt between BRH and the MEF”  
read “BRH's financial situation has strengthened because of the improved macroeconomic situation, the adoption of the new banking law, the absence of government deficit financing, and the recent agreement on the debt between BRH and the MEF”

**Page 30, Table 2, column 2, row 16:** for “Draft legislation for insurance sector has been prepared,”  
read “In progress”

Questions may be referred to Mr. Loko (ext. 37611), Ms. Sulla (ext. 38766), and Mr. Brousseau (ext. 37983) in WHD.

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Table 1. Haiti: Recommendations

<b>BANKING SECTOR</b>
Re-assess the implementation of the reforms that have been put in place since 2008 FSAP
Establish a credit registry, a centralized registry of security collateral, a land registry and deposit insurance scheme
Develop explicit rules and regulation pertaining to corporate governance and consolidated supervision of financial groups and/or financial conglomerates
Upgrade IT infrastructure to allow the automated data collection and the production of key risk-focused statistics
Enhance bank supervision through stress testing and on-site supervision
<b>NON-BANKING FINANCIAL INSTITUTIONS</b>
Establish systematic collection of supervisory data, particularly on insurance, financial cooperatives, microfinance institutions and remittances
<b>FINANCIAL COOPERATIVES AND MICROFINANCE INSTITUTIONS</b>
Accelerate the approval of the revised Law for Cooperatives, aiming at: the simplification of licensing and supervision, increased faculties of BRH to intervene, and transparency of the sector
Accelerate the approval of the Law for MFIs and establish a regulatory framework, differentiating deposit and non-deposit taking institutions and including provisions on the use of joint-liability
Carry out a census of FCs and MFIs and develop an action plan to expand the availability and quality of financial information
Study options to promote the consolidation of small financial cooperatives
Facilitate access of qualifying FCs and MFIs to the financial infrastructure (payment system and credit registry)
<b>INSURANCE</b>
Accelerate the approval of the Law for Insurance
Complete the reporting process in cooperation with the industry
Build-up supervisory capacity and processes
Prepare an action plan to supervise public insurers
<b>HOUSING FINANCE</b>
Establish the necessary conditions to guarantee property, land and mortgage rights
Improve credit information system
Study the development of mortgage insurance and adjust existing guarantees mechanism
Address shortcomings in risk management of financial providers
Adjust of the structure of taxes and fees related to mortgage loans
Develop and establish a household subsidy system linked to credit
Strengthen disclosure requirements for housing microfinance loans, including interest rates, terms and conditions, redress mechanism if any
<b>REMITTANCES</b>
Develop policies to promote competition and transparency among remittance providers
Assess the impact of the tax on remittances and consider alternatives to the current flat fee.
Conduct a comprehensive assessment of the legal and regulatory framework of remittances industry
Study in depth the structure and operation of the informal remittance corridor Dominican Republic - Haiti

**Table 2. Haiti: 2008 FSAP Recommendations and Implementation Status**

<b>FSAP Recommendations</b>	<b>Implementation Status</b>
BRH's financial sustainability: prepare for recapitalization and increase government transfers	BRH's financial situation has strengthened because of the improved macroeconomic situation, the adoption of the new banking law, the absence of government deficit financing and the recent agreement on the debt between BRH and the MEF
Enhance competition in BRH bond auction system	Through development of the T-Bills market the competition in BRH bond auction system has been enhanced
Adopt and implement new banking law and upgrade regulations	Banking Law was passed recently
Conduct special inspections of the three largest banks, and prepare BNC restructuring strategy	Successful inspection was conducted
Broaden scope and set up centralized public registry of personal property collateral	Ongoing – Private Sector Development Project (WB)
Strengthen BRH's independence through recapitalization and legal reform	Significantly strengthened through the new banking law and improved capitalization
Develop treasury securities market	Treasury securities market will be further strengthened through the Public debt law expected to be submitted parliament by end-March 2013
Complete transition of BRH accounting toward IFRS and commission BRH audit by new audit firm	In progress BRH audit has been committed
Strengthen judicial capacity for contract enforcement	Reforms underway
Implement BNC restructuring strategy	Guarantee was executed by BNC in 2011
Reduce cost of establishing collateral	Ongoing with PCGF and movable collateral. Pillar one of the PCGF has been completed
Increase competition in audit sector	OCPAH working with French Accounting Board towards capacity Building
Improve framework for systemic liquidity forecasting	TA is being provided and exercises are being conducted
Improve regulation and supervision of credit unions	In progress
Establish basic transparency requirements and regulation for other nonbank financial institutions	Law for supervision of microfinance has been drafted
Set up working group to assess options for deposit insurance scheme	Currently under consideration
Start improving banks' accounting practices in line with long-term IFRS compliance goal	New Accounting Law and framework being drafted by OCPAH with TA of IFI's executed by French Accounting Board takes this into account
Require full publication of banks' annual accounts	Required under the New Banking Law
Upgrade IT infrastructure and increase risk focus of banking supervision	Being upgraded under the Payment System TA
Support orderly expansion of microfinance sector	New Law for microfinance has been drafted and is under consideration
Conduct actuarial assessments of all defined benefit pension schemes	Public DB scheme will be supervised by insurance regulator under the new insurance law
Facilitate establishment of a private credit bureau	Work is ongoing jointly with WB and IFC
Modernize insolvency legislation	A commercial court to be established
Develop strategy for the transition of bank accounting toward IFRS	New Accounting Law and framework being drafted by OCPAH with TA of IFI's executed by French Accounting Board takes this into account
Adopt simple and easily enforceable accounting system for private enterprises	New Accounting Law and framework being drafted by OCPAH with TA of IFI's executed by French Accounting Board takes this into account