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November 16, 2016

**Statement by Mr. Gokarn and Mrs. Gunaratne on Haiti
(Preliminary)
Executive Board Meeting
November 18, 2016**

1. We thank staff for the report on Haiti and Mr. Tombini and Ms. Florestal for their buff statement.
2. Haiti is a country highly vulnerable to frequent natural disasters which face disruptions to the authorities' efforts for improving macroeconomic stability and achieving a sustainable high economic growth. Its most recent disaster, Hurricane Matthew, has causedmade a substantial loss to human lives and significant damages to properties to the tune of around 23 per cent of GDP. Despite the previous Extended Credit Facility (ECF) approved in May 2015 being has beenoff track largely due to the political uncertainties, the current request for a Rapid Credit Facility (RCF) should be considered favorably, given the necessity of addressing urgent balance of payment needs in the aftermath of the disaster. More importantly, the IMF's approval for the proposed RCF will be instrumental in receiving other bilateral and multilateral donor support for a speedy recovery in the economy. The expected contribution from other donors is likely to be higher than the Fund's contribution. We strongly support the proposed SDR 30.7125 million (18.75 per cent of quota) under the RCF of the Poverty Reduction and Growth Trust (PRGT) and stress the need for adequate support from other donors to bring back the country into normalcy.
3. Currently, Haiti's risk of debt distress has been classified as high. The reconstruction activities following the hurricane will require a large amount of public spending and it will lead to a further pressure on the debt. Also, Haiti's debt profile is highly vulnerable to fluctuations in the exchange rate, external financing terms, output growth and oil prices. Even though an appreciation of the exchange rate could be expected with the anticipated foreign assistance in the short run, it is likely that there could be bedownward a pppressure on the exchange rate to depreciate in the medium term, given the macroeconomic challenges facing the economy and more importantly due to political instability. Therefore, in order to reduce future debt burden, it is important avoiding contracting of debt on non-concessional terms. We are pleased to note that the authorities' determination to limit the non-hurricane budget deficit at approximately 2.3 per cent of GDP which is the budgeted level of FY

2016/2017. *We would like to know from the staff whether the authorities are going to adopt any commitment control mechanism to achieve this target.*

4. As per the May 2015 staff report though the Haiti's banking system remained sound, we noted that NPLs were on an increasing trend. With the damages caused by the storm, there is a likelihood that NPLs could go up further. Therefore, close monitoring and taking appropriate measures to strengthen the stability in the banking system is necessary. *Could staff provide developments since the May 2015 with respect to NPLs in the banking system?*

5. The targets under ECF have been missed largely due to political uncertainty, external shocks, and a slow pace of reforms. However, we are happy to note that the policy performance has been strengthened with the appointment of a new finance minister and new central bank governor. Even though the NIR target was missed in the first year of the program, the staff report and the buff indicate that NIR had begun to recover in early 2016 and the exchange rate had stabilized. Also, some improvements in macroeconomic policy management was visible. Despite the adverse impact of the hHurricane and the necessity of giving priority for urgent humanitarian assistance and reconstruction activities, we urge the authorities' continued commitment to bring the ECF back on track enabling to maintain macroeconomic stability, improve growth and reduce poverty.

6. With these remarks, we wish all the best for the authorities' future endeavors.