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November 16, 2016

**Statement by Mr. Merk and Mr. Maluck on Haiti
(Preliminary)
Executive Board Meeting
November 18, 2016**

We support the requested disbursement under the Rapid Credit Facility. Hurricane Matthew had severe implications on Haiti's Balance of Payments and generated significant financing needs due to indispensably needed imports for reconstruction purposes. We expect the Fund's arrangement to have a catalytical role and to trigger concessional financing from other multilateral and bilateral donors.

We uneasily take note of the deteriorated debt situation and of staff's assessment that there is a high probability of public and external debt distress in the short to medium term due to the Hurricane. This development is mainly driven by lower projections of potential growth, higher financing needs, and lower revenues. An improvement of these indicators can be expected only in the long run and to ensure that the situation is not deteriorating further in the short run we encourage the authorities to abstain from borrowing at non-concessional terms. Moreover, we consider it key to implement prudent fiscal reforms to achieve fiscal sustainability, eventually.

Reestablishing a stable political environment and implementing measures that bolster the economy's resilience are key to achieve macroeconomic stability in the short and medium term. We welcome first steps in the right direction and the authorities' commitment in the Letter of Intent. We encourage the authorities to implement the reform commitments comprehensively. The low potential growth reflects the need for implementation of bold structural reforms to increase productivity and potential growth. We encourage the authorities to remove the policy missteps identified by the safeguard assessment in January 2016, especially to strengthen the supervision of the BRH as soon as possible.

Moreover, we welcome the authorities' intention to cooperate closely with the IMF and to take advantage of Fund's Technical Assistance. Recognizing that the last Fund arrangement under the Extended Credit Facility went off-track last year, we would see an

arrangement under the SMP as an important step in the right direction. It would give the authorities the opportunity to build a track record of strong policies and to eventually qualify for a UCT-quality arrangement. We consider such a full program more suitable for the specific challenges Haiti is facing. The recent RCF can only provide a bridge to a warranted full IMF program, especially with a view to the deep and long term reform agenda.