

The contents of this document are preliminary and subject to change.

GRAY/16/3495

November 16, 2016

**Statement by Ms. Tshazibana and Ms. Gasasira-Manzi on Haiti
(Preliminary)
Executive Board Meeting
November 18, 2016**

Haiti is a fragile state prone to natural disasters and facing various domestic and external challenges. The category-four hurricane Matthew in October 2016, has now plunged the country into a new humanitarian crisis and amplified fiscal and external sector imbalances. The losses and damages from the hurricane are significant and severe flooding continues to be registered in several regions of the country. Prior to the storm, Haiti was already grappling with the repercussions of a prolonged drought and an uncertain political situation. Moreover, the effects of the 2010 earth quake still weigh on the current social and economic outcomes. Against this background, **we support the authorities' request for a disbursement of 18.75 of quota under the Rapid Credit Facility (RCF)** and as the country meets the criteria for the proposed decision. We thank staff for their engagement with Haitian authorities and Mr. Tombini and Ms. Florestal for their helpful buff statement.

Despite the challenging background, and the termination of the ECF program, reflecting the political uncertainty, external shocks and a slow pace of reform, macroeconomic policy management appears to be improving. The non-financial public sector deficit was marginally below the 2015/16 ECF target and the central government deficit was in line with the program targets. Inflation had started to decline and there was a recovery in the net international reserves in line with program targets, while the pace of national currency depreciation was limited. The impact of the Hurricane is however, expected to widen the fiscal and current account deficits underpinned by higher capital expenditure and increased imports of goods and services to support reconstruction efforts.

We are encouraged by the authorities' commitment to maintaining fiscal discipline and ensuring that available financing is used for relief and reconstruction purposes. The authorities' commitment to maintain a single Treasury account and proper accountability for post-hurricane expenditures as well as restraints on monetizing the budget deficit and maintain exchange rate flexibility is welcome. Although the debt burden remains sustainable over the medium term, even with the revision of the risk of debt distress, we urge the authorities to avoid contracting non-concessional loans and to bring debt back on a sustainable trajectory in the long run. *Given Haiti's vulnerability to climate related natural*

disasters, we wonder if staff has started to engage with the authorities regarding measures to mitigating these risks.

More should be done to improve safeguards and manage risks at the BRH. We welcome the actions being taken in the external auditor selection process as mentioned in the buff statement and encourage the authorities to take necessary steps to close the gaps highlighted in the January 2016 update of the safeguards assessment.

Finally, we welcome the support provided by the Fund and other international partners to the authorities and encourage them to continue working with the authorities to develop a strategic and sustainable response to the multiple challenges being faced by the country. We also note and support the authorities' commitment to establishing a strong policy track record and their intention to request an SMP. We welcome the authorities' resolve to go beyond stabilization and focus on long term growth and development need.