EXECUTIVE BOARD MEETING

EBS/20/55

April 13, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Haiti—Request for Disbursement Under the Rapid Credit Facility**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Friday, April 17, 2020**
Proposed Decision:	Page 11
Publication:	Yes*
Questions:	Ms. Laframboise, WHD (ext. 36572) Mr. Lambert, WHD (ext. 34166)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Inter-American Development Bank, World Trade Organization

***The Secretary's Department has been notified by the authorities that their explicit consent is required prior to the publication of Board documents. At the time of circulation of this paper to the Board, the authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

HAITI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

April 13, 2020

EXECUTIVE SUMMARY

Context. From mid-2018 until early 2020, Haiti experienced political instability and intermittent social unrest that paralyzed the economy and impeded the implementation of economic policies. This protracted crisis placed severe strains on the population. Following the conclusion of the Article IV consultation in late January, the authorities began to take steps towards restoring economic stability and were preparing for discussions with staff on a potential Staff Monitored Program (SMP).

Impact of COVID-19. From this difficult starting point, and with Haiti's limited health services and high levels of poverty, the spread of COVID-19 could prove devastating for the country. Remittances represent over 34 percent of GDP and most textile exports are purchased by the U.S., so the global income shock is expected to have a sharp adverse impact on Haiti's balance of payments. With demand and fiscal revenues forecast to drop, higher outlays on health expenditures and income support would add to a surge in the fiscal deficit.

Request for RCF. Staff propose financing support of 50 percent of quota (SDR 81.9 million, about US$111.24 million) under the RCF 'exogenous shock' window. It is not feasible to implement an upper credit tranche-quality Fund-supported program at this time and the country meets the eligibility requirements for support under the RCF. The authorities have indicated commitment to implement policies aimed at progress towards achieving a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

Policy issues. The authorities will boost spending to mitigate the impact of the COVID-19 pandemic on the population. A higher fiscal deficit will be financed by external budget support, RCF resources, and domestic borrowing. The authorities indicated a commitment to restoring macro stability, addressing fiscal imbalances over the medium-term, and being proactive in their financial sector oversight. They intend to begin discussions for an SMP directly following the Board review of Haiti's request for disbursement under the RCF.

Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 81.9 million (50 percent of quota).

Approved By
Patricia Alonso Gamo and Jeromin Zettelmeyer

Prepared By
the Haiti team

The team comprised Nicole Laframboise (head), Frederic Lambert, Ahmed Zorome, and Paola Aliperti (all WHD), Patrick Petit (FAD), and Chiara Fratto (SPR). Bruno Saraiva and Ketleen Florestal (OED) participated in the meetings. Discussions took place remotely in early April with central bank Governor Jean Baden Dubois, Minister of Finance Michel Patrick Boisvert, other senior officials, and international development partners. Ms. Soungbe (WHD) assisted the team with logistics and contributed to the preparation of this report.

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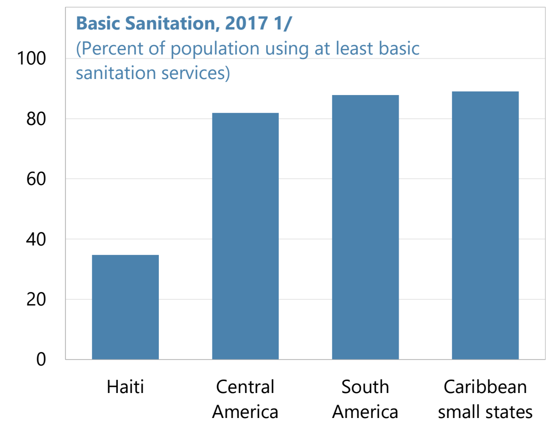
CONTEXT AND RECENT DEVELOPMENTS

1. **Haiti is facing a major shock in 2020 following an already difficult year in 2019.** The country has experienced protracted political instability and sporadic social unrest since mid-2018 (see SM/19/283). Despite efforts by the monetary and fiscal authorities in FY2019, the fiscal deficit widened to 3.5 percent of GDP, domestic arrears surged, and public debt jumped by 8 per-cent of GDP.[1] Parliament was dissolved and President Moise has been ruling by decree since mid-January. Some stability has returned with the appointment in early-March of a new prime minister—the fifth in three years—and minister of finance. The economic and human toll of the last two years has, however, been significant, with now almost 4 million people living with food insecurity (WFP, 2020). In this context, and with an already vulnerable population, the spread of COVID-19 is a potential catastrophe that could wreak havoc on already difficult living conditions.



Sources: World Bank, WHO and IMF staff calculations.
1/ Basic sanitation services as defined by the WHO and World Bank.

2. **In recent weeks, the authorities have taken preliminary steps toward restoring macroeconomic stability.** Since the Article IV staff report in January 2020 (text table 1), the authorities have taken preliminary steps to restore macroeconomic stability, including preparing a new budget framework for FY2020, restarting activity at the statistics agency, resuming publication of monetary statistics, and increasing the availability of fiscal and monetary data. While staff had begun preparations for discussions for a Staff-Monitored Program (SMP), the arrival of the COVID-19 shock has given rise to a need for emergency financing assistance. It is expected that preparations for an SMP will resume following Board approval of the RCF request (¶16).

3. **COVID-19 comes at a time of economic contraction and considerable macro-economic imbalances.** With the statistics institute closed from August 2019-March 2020, little data is available on output or inflation. Nonetheless, the output contraction is likely to have continued during the first six months of FY2020 given continuation of the political stalemate. Based on available fiscal and monetary data for the October 2019-January 2020 period, staff estimate that the fiscal deficit for the first half of FY2020 could reach 3.5 percent of GDP, compared to 1.0 percent of GDP recorded for the same period last year. The external current account deficit declined from 4.0 percent of GDP in FY2018 to 1.4 percent of GDP in FY2019, due mostly to import contraction and a rise in remittances to 35 percent of GDP. Gross international reserves were US$2.1 billion at end-2019 (5.7 months of imports), while the US$/HTG exchange rate was HTG98 at end-March, a depreciation of 5 percent since October 2019.

[1] The fiscal year end September 30.

IMPACT OF COVID-19 AND RESPONSE

4. **While Haiti has significant fiscal imbalances and deep-seated structural weaknesses, the COVID-19 pandemic has contributed to an urgent balance of payments need.** With the arrival of this pandemic, Haiti will likely see a major hit to its external accounts, including: (i) a drop in remittances estimated at about US$557 million compared to the previous fiscal year, based on estimated elasticities—a key channel since remittances exceeded US$3 billion; (ii) a decline in textile exports to the U.S. of about US$178 million, or 2.0 percent of GDP and 17 percent of total goods exports; and (iii) a drop in foreign direct investment (FDI) of about 0.4 percent of GDP. On the fiscal front, the country would encounter: (iv) additional direct health, medical, security, and social expenditures to address the virus impact; and (v) an expected decline in fiscal revenues as a share of GDP by 0.6 percentage points, to a level 3.0 percent of GDP below the FY2016-FY2018 average. Real GDP is forecast to contract by 4.0 percent in FY2020 compared to a 1.2 percent drop in FY2019, due to the combined supply and demand shocks of COVID-19. While the fiscal and external sectors would benefit from the drop-in oil prices expected in 2020, these gains are mitigated by the depreciation in the exchange rate (see text chart). While there is always uncertainty regarding projections of the amount and timing of external assistance (¶7), this is expected to widen the balance of payments shortfall to an estimated US$338 million from US$190 million in FY2019. Compared to staff's previous projections (SM/19/283), external financing needs for FY2020 are US$317 million larger (Text Table 1).

Text Table 1. Impact of COVID-19 on Balance of Payments [1/]

(In millions of US$ on a fiscal year basis; unless otherwise indicated)

	FY2020		
	SM/19/283	RCF request	Difference
Current account	**-75.2**	**-315.6**	**-240.3**
Trade Balance	-3,695.0	-3,175.9	519.1
of which textile exports	1,166.1	955.3	-210.8
of which tourism	292.3	258.0	-34.3
of which oil imports	-1,065.6	-619.2	446.4
Remittances	3,231.7	2,485.6	-746.1
Capital and financial accounts	**54.1**	**-22.2**	**-76.3**
of which FDI	75.0	45.0	-30.0
Official Disbursements	214.0	253.1	39.1
Overall Balance	**-21.1**	**-337.8**	**-316.7**
Financing	**21.1**	**337.8**	**316.7**
RCF		111.2	111.2
Other incl. decline in reserves	33.0	228.6	195.6

Sources: Authorities' data; and IMF staff estimates and projections.

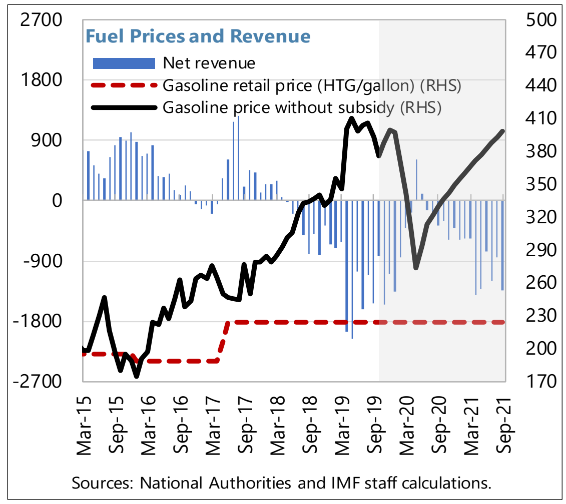
1/ The Article IV 2019 Consultation (SM/19/283) was concluded on January 24, 2020.

Text Table 2. Additional Expenditures Related to COVID-19

Measures	Millions of HTG	Share of GDP (%)
Goods and services		
Health-related expenditures	3,432.9	0.4
Security	1,000.0	0.1
Transfers (non-energy)		
Dry food rations	1,800.0	0.2
Transfers to poor families	4,000.0	0.5
Transfers to teachers	2,000.0	0.2
Transfers to textile workers	412.5	0.0
Other transfers	233.6	0.0
Capital expenditures (University hospital)	500.0	0.1
Total	**13,379.0**	**1.6**

Sources: Authorities' data; and IMF staff estimates and projections.

5. **The government has moved quickly to respond to the appearance of COVID-19.** The last country in the Americas to report a COVID-19 case (March 20), Haiti had already formulated a national response strategy—*Plan de Préparation et de Réponse*—for containment and treatment. The government moved to Phase 2 of the plan on March 20 launching a communication campaign to



sensitize the population; declaring a state of emergency; instituting a curfew from 8pm to 5am; shutting all land and sea borders to persons (not freight); closing schools, factories, and places of worship; cancelling public gatherings of more than 10 people; and prohibiting any informal trading of medicines and food.

6. **The central bank (BRH) and ministry of finance have taken steps to cushion the impact on the population.** The BRH has moved to ease liquidity conditions in the financial system, including reducing the refinance and reference rates, lowering reserve requirements on domestic currency deposits, allowing 20 percent of treasury certificates held to count against reserves, easing loan repayment obligations for three months, and suspending fees in the interbank payment system. The government announced additional health care spending and transfers to support workers and households, including paying the salaries for one month of most teachers and professors, paying 50 percent of salaries of workers in the textile sector, providing cash transfers and food rations to households, and providing subsidies to the transport and sanitation sectors (Text Table 2). These measures are estimated at 1.6 percent of GDP.

7. **The international community may offer additional budget support in the context of a Fund-supported program.** International financial institutions (excluding the IMF) and the European Union together are expected to provide financing of about US$253 million in FY2020, mostly in the form of project grants. Of this amount, only US$17 million is in the form of budget support. Additional international support would be required to close the financing gap (Text Table 1) and would likely materialize in conjunction with implementation of a SMP. Details on bilateral support in the form of emergency financing were not yet available.

OUTLOOK AND DEBT SUSTAINABILITY

8. **The economic outlook assumes political stability relative to recent times but fiscal and external stresses related to the global pandemic.** In the absence of firm policy commitments under an SMP framework, the outlook assumes continued modest improvements in policy implementation aimed at restoring macro stability. The near term focus would be anchored by the government's FY2020 notional budget as the organizing framework, guided by medium-term principles of debt sustainability. For FY2020, this includes a focus on closing the fiscal financing gap while making room for measures to counter the impact of COVID-19 on the population, containing inflation by limiting monetary financing of the deficit, allowing the exchange rate to adjust to market pressures, and enhancing rapidly the provision of social benefits—with the assistance of development partners. The latter aims to contain the spread of COVID-19 and deliver relief to the broader public from associated economic hardships.

9. **Political instability in the first quarter of FY2020 and the COVID-19 impact in of the year will weigh on activity in 2020 and 2021**. While there is no data on national accounts since September 2018 and no activity data since June 2019, staff project a further contraction in GDP by 4.0 percent in FY2020 before a rebound to 1.0 percent in FY2021. Central bank financing of the government for the whole fiscal year will remain under its current level of HTG 26.7 billion. Inflation is projected to rise to 23 percent (y/y) by September 2020, exacerbated by monetary financing of the deficit and supply constraints related to COVID-19. Without offsetting measures to increase domestic revenues or rationalize spending unrelated to the COVID-19 crisis, the fiscal deficit is projected to widen to 6.4 percent of GDP in FY2020. If sources of financing fall short, this would lead to a further accumulation of arrears of about 2.8 percent of GDP. The external current account deficit is forecast to decline to about 0.6 percent of GDP in FY2021 as oil import costs remain low and remittances recover.

10. **Risks are varied and primarily on the downside.** In addition to the risk of a deeper and more prolonged COVID-19 impact, significant internal risks include a failure to move forward with a comprehensive reform program and stronger governance, return to political instability and social unrest, and natural disasters. Externally, Haiti is vulnerable to a larger-than anticipated interruption in remittance flows. On the upside, continuing low fuel prices would relieve pressure from the government budget.

11. **Haiti is assessed as having sustainable debt.** The current DSA update (Annex I) and most recent DSA write-up (SM/19/283) assess public debt to be sustainable in the medium term as the debt-to-GDP ratio is projected to remain roughly flat over the next 5-10 years and there exists a feasible set of policy measures that would address the rising debt profile in the long-term. Haiti's risk of debt distress is still assessed to be "high", although the model-based risk rating for both external and overall public debt is "moderate." An application of judgement was applied to raise the risk rating to "high" because of Haiti's institutional fragilities, vulnerability to natural disasters, and high risk of debt distress in the long-term in the absence of adjustment in the outer years.

POLICY UNDERTAKINGS

12. **Discussions focused on immediate policies to contain COVID-19, protect and care for the population, and limit the economic deterioration**. Staff encouraged the authorities to build on the draft "*Politique Nationale de Protection et de Promotion Sociale*" (PNPPS) to support their policy response to COVID-19. Looking forward, the authorities have committed to implement a reform program with the support of an SMP framework that will include policies to strengthen the fiscal and monetary policy frameworks, improve tax administration and public finance management, tackle governance weaknesses and corruption, and focus in particular on a few concrete measures to build a coherent social safety net and reform the energy sector (see ¶ 16).

13. **The authorities have worked with staff to prepare a credible budget framework for FY2020**. As there has been no budget law passed since 2017/18, this notional budget is needed to guide policies and manage cash needs in the absence of a sitting parliament to approve a budget

law. New spending on health, social programs, and security is expected to reach 1.6 percent of GDP and Treasury-funded domestic public investment could rise by 0.5 percent of GDP, albeit from a low base in FY2019.[2] Initial preparations for elections to be held in FY2021 will also add a further 0.5 percent of GDP in expenditures. The authorities do not plan to incur new arrears in 2020 and will prepare for discussions for an SMP by providing a stock-taking of existing budget arrears and proposing a plan for their restructuring. Of the gross financing needs of 6.4 percent of GDP, 21 percent would be met by external budget support from the IMF (1.3 percent of GDP, ¶19) while financing by the central bank would be limited to the level of HTG 26.7 billion reached in mid-March, or 3.1 percent of GDP. Text Table 3 presents the financing gap compared to staff's last projections (SM/19/283).[3] If budget support is not sufficient to cover the financing gap, efforts could be made to reduce capital expenditures on non-COVID-19 related investment and implement additional revenue measures (see ¶18, SM/19/283).

Text Table 3. Non-financial Public Sector [1/]

(In percent of GDP on a fiscal year basis)

	FY2019	FY2020		
		SM/19/283	RCF request	Difference
Revenue and grants	**12.1**	**13.4**	**12.4**	**-1.0**
Revenue	10.8	10.0	10.2	0.2
Grants	1.4	3.4	2.2	-1.2
Total expenditures	**14.5**	**15.6**	**17.5**	**1.9**
of which: COVID-19 related	NA	NA	1.6	1.6
Transfers (energy)	2.4	2.4	1.4	-1.0
Elections	NA	NA	0.5	0.5
Other	12.1	13.2	14.1	0.9
Central government balance [2/]	**-2.4**	**-2.2**	**-5.2**	**-3.0**
Transfers to EDH	-1.1	-1.2	-1.2	0.0
Overall balance incl. grants	**-3.5**	**-3.4**	**-6.4**	**-3.0**
Financing	**3.5**	**3.4**	**3.6**	**0.2**
Financing gap	**0.0**	**0.0**	**2.8**	**2.8**
Additional financing	**NA**	**NA**	**1.3**	**1.3**
RCF			1.3	1.3
Other donors			To be determined	
Remaining financing gap	**NA**	**NA**	**1.5**	**1.5**

Sources: Authorities' data; and IMF staff estimates and projections.
1/ The Article IV 2019 Consultation (SM/19/283) was concluded on January 24, 2020.
2/ Including grants.

14. **In the short term, staff advised the BRH to contain monetary financing of the deficit and limit foreign exchange interventions to smoothing volatility.** While the temporary easing of liquidity conditions is appropriate in the present circumstances, as noted above, staff expect the BRH to limit monetary financing of the deficit for the whole fiscal year to the level reached in March of HTG 27 billion (excluding the planned on-lending by the central bank to the government of RCF resources). This is more than double the HTG 10 billion agreed in the *Pacte de Gouvernance Economique et Financière*. The banking supervisor should heighten monitoring of financial soundness, enhance the frequency of dialogue with regulated entities, and prioritize discussions on business continuity planning and operational resilience. Banks should be encouraged to use existing buffers and work with affected borrowers to consider prudent loan restructuring. However, loan classification, provisioning rules, and other accounting requirements should not be relaxed.

15. **It will be important to consider the implications of short-term emergency measures on the efficacy and integrity of economic institutions**. For example, in recent months the authorities took decisions that could undermine laws and the efficiency of resource allocation down the road,

[2] Other domestically funded public investment could also rise by 0.2 percent of GDP.

[3] There was a massive drop in revenue collection in FY2019 (see ¶4). From this low base, the revenue/GDP forecast now for FY2020 is slightly higher than in SM/19/283 due primarily to a lower nominal GDP denominator.

including allowing the president to circumvent public procurement rules and reviving the state fuel import monopoly that had been disbanded. Under the current special circumstances, and given limited capacity and the need to promote sustainable reforms, staff stressed the importance of enforcing standard budget execution procedures and reporting regarding the spending chain, starting with COVID-19 expenditures. This would support the general improvement of standard budget procedures and also help the administration keep track, record, and publish monthly all expenditures incurred on an emergency basis so as to limit the risk of misuse of public funds. The authorities agreed to prepare monthly budget execution reports on all COVID-19 expenditures and also to undertake a thorough *ex-post* financial and operational audit of COVID-19-related operations. This would strengthen sustainable reforms of budget processes, provide assurances on the use of external financing, and help the authorities improve the operational efficiency of emergency responses in the future.

16. **Efforts to strengthen the policy framework are expected to continue with the support of an SMP**. The government's program would focus on: (i) restoring macroeconomic stability and the seeds of growth and employment; (ii) building a better social safety net; and (iii) improving governance and combatting corruption. To reduce fiscal dominance and the negative feedback loop of monetary financing of the deficit on inflation and exchange rate depreciation, policies would aim to limit public sector deficits, including the significant fiscal losses related to the fuel sector and the public electricity company (EDH). On social policies, the SMP should support implementation of the new national plan PNPPS (not yet approved), continue to expand coverage of the social registry (SIMAST), establish an effective governance structure for social spending, and advance Fintech reforms to help distribute cash transfers and deepen financial inclusion. Finally, a key pillar of the program would include measures to strengthen implementation of the 2009 Anti-Corruption Strategy, advance governance reforms across the public service and the central bank, and support efforts to increase the transparency of public spending. With government ownership and buy-in across a broader set of stakeholders, an SMP-supported program is expected to unlock further donor support to help close the residual financing gap.

MODALITIES OF SUPPORT UNDER THE RCF

17. **Staff propose to provide support of 50 percent of quota (SDR 81.9 million) under the RCF under the exogenous shock window**. Haiti meets the eligibility requirements for support under the RCF. It faces an urgent balance of payments need, which, if not addressed would result in immediate and severe economic and humanitarian disruption. It is not feasible to implement an upper credit tranche (UCT)-quality Fund-supported program due to the recent history of political instability and social disruption which has resulted in an erosion in administrative capacity and weakening in policy frameworks. In addition, there is a high degree of uncertainty regarding the duration and scale of the COVID-19 impact, practical difficulties related to the no-travel environment, including in Haiti, and the need for more comprehensive policy discussions, including with non-government stakeholders, to advance to a UCT level program under an ECF.

18. **Staff considers access of 50 percent of quota under the RCF to be appropriate.** Haiti

does not currently have an IMF arrangement and has outstanding debt to the IMF of SDR 54.6 million, or 33 percent of quota (March 2020). Access of 50 percent of quota is within the applicable access limits under the PRGT. As noted above, Haiti is assessed as having sustainable debt and capacity to repay the Fund (Table 5) at that level of access. A disbursement of 50 percent of quota would be appropriate given the government's stated commitment to pursue policies to help stabilize the economy and the balance of payments need at this time. The amount would represent about 34 percent and 47 percent of the additional external and fiscal financing gaps, respectively. The remaining external financing needs not covered by the RCF would need to be filled by other donors and some international reserve drawdown (Table 1, Text table 1). Should the balance of payments need widen significantly in the coming months, the authorities might consider requesting another disbursement under the RCF, provided they had built a solid policy track record under the SMP and met the other eligibility requirements for support under the RCF.

19. **The RCF disbursement will be disbursed to the central bank and is expected to be on-lent to the government for budget support.** This will help the government finance its response to the COVID-19 crisis, including purchases of medical supplies and cash transfers to the most vulnerable households. The proposed access of 50 percent of quota, equivalent to 1.3 percent of GDP, is not sufficient to cover the full fiscal financing gap of 2.8 percent of GDP. The authorities are seeking further support to cover the remaining fiscal financing need of US$129 million, or 1.5 percent of GDP (Text table 3). The remainder of the fiscal financing gap would need to be covered by additional revenue measures and issuance of T-bills. In their Letter of Intent, the authorities confirm that they have a established a Memorandum of Understanding between the ministry of economy and finance (MEF) and the central bank (BRH) agreeing to the terms of the on-lending arrangement, and clarifying their respective roles and responsibilities for timely servicing of the financial obligations to the IMF.

20. **The authorities have indicated their intention to cooperate with the Fund and pursue economic policies appropriate for addressing the impact of COVID-19**. As noted above, Haiti is expected to undertake discussions for a six month SMP arrangement in the coming weeks with the goal of advancing after that to a comprehensive upper credit tranche-quality economic reform program aimed at lifting Haiti out of fragility and on a path toward stronger growth, employment and poverty reduction. The authorities have also requested debt relief under the Catastrophe and Containment Relief Trust (CCRT). Under the new "tranching" approach, the Fund will provide CCRT debt service relief for a period of up to six months from the date of the request (from April 14 until October 13, 2020), or for as much as is possible from available resources.

21. **The authorities have committed to continue implementing the recommendations from the last safeguards assessment of the BRH, completed in August 2019**. Indeed, as prior actions for disbursement under the RCF, the BRH implemented the following two key recommendations from the Assessment on April 10, 2020: (i) completed the financial audit and published the audited financial statements for the year ended September 30, 2019; and (ii) adopted a Board decision to strengthen the governance and accountability arrangements for foreign reserve management in line with IMF recommendations by revising the composition of the Investment Committee (IC) and

amending its charter, establishing strict segregation of responsibilities between the director and staff members within the Foreign Portfolio Department, and establishing a dedicated risk management function. The authorities will continue to provide IMF staff with the required audit reports of the central bank, authorize the external auditors of the central bank to hold discussions with staff. In addition, they intend to follow through on other recommendations from the safeguards assessment in the context of the upcoming SMP.

22. **Risks to Haiti's capacity to repay are moderate, but may be mitigated by the authorities' intention of committing to policy reforms under an SMP and later UCT-level program**. The authorities have expressed interest in a continued close dialogue with the Fund and, as noted in the Letter of Intent, have committed to achieving macro stability and undertaking reforms to strengthen governance, raise employment and growth, and reduce poverty (Box 1). Progress in these areas will help mobilize sizeable external concessional funding and grants that would help ease financing constraints and mitigate risks on capacity to pay (Table 5).

STAFF APPRAISAL

23. **Haiti faces high risks related to the COVID-19 epidemic as well as monumental policy challenges**. Weakened by eighteen months of political instability and intermittent social unrest, the Haitian economy has zero buffers to withstand the current crisis. Monetary financing of the fiscal deficit has grown by one third over the past three months, leading to an acceleration of inflation and further depreciation of the gourde. Without decisive external support, this situation would be unsustainable.

24. **Staff support Haiti's request for financial assistance under the RCF.** The authorities have indicated commitment to implement policies that will make progress towards achieving a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth, to be supported by a subsequent SMP. The Fund's financial assistance under the RCF is expected to be used for budget support to fund the authorities' response to the crisis, including health and social spending, and will cover a sizeable share of the fiscal financing gap, complemented by the assistance of other development partners. The proposed disbursement of 50 percent of quota would not impair Haiti's debt sustainability or capacity to repay the Fund.

25. **Staff urge the authorities to carefully track, record, and publish all expenditures related to the emergency response.** Accurate and transparent recording and accountability with respect to the allocation of financing assistance would be important to build public confidence. In this regard, staff welcome the authorities' commitment to continue to advance governance and anti-corruption reforms and to move forward with a more comprehensive economic reform strategy. In particular, their proposal to report monthly on COVID-19 expenditures and undertake an *ex-post* COVID-19 financial and operational audit of the expenditure response is encouraging. This would help strengthen public financial management transparency and accountability while contributing to building capacity on the efficiency of the government's social spending and emergency response.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

1. Haiti has requested a loan disbursement in an amount equivalent to SDR 82 million (50 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

2. The Fund notes the intentions of Haiti as set forth in the letter from the Minister of Economy and Finance and the Governor of the Bank of the Republic of Haiti, dated April 10, 2020 ("April 2020 Letter"), and approves the disbursement in accordance with the request, on the condition that the information provided by Haiti on the implementation of the measures specified as prior actions for the disbursement in paragraph 21 of the April 2020 Letter.

Table 1. Haiti: Selected Economic and Financial Indicators, FY2018–25 [1]

(Fiscal year ending September 30)

Nominal GDP (2018): US$9.7 billion — GDP per capita (2018): $890

Population (2016): 10.847 million — Percent of population below poverty line (2012): 58

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Change over previous year; unless otherwise indicated)							
National income and prices								
GDP at constant prices	1.5	-1.2	-4.0	1.2	1.0	1.1	1.2	1.4
GDP deflator	12.8	17.3	22.2	21.3	18.3	15.3	12.9	10.9
Consumer prices (period average)	12.9	17.3	22.2	21.3	18.3	15.3	12.9	10.9
Consumer prices (end-of-period)	13.3	20.1	23.0	20.0	17.0	14.0	12.0	10.0
External Sector								
Exports (goods, valued in U.S. dollars, f.o.b.)	8.8	11.4	-15.2	1.8	2.6	2.7	3.4	3.0
Imports (goods, valued in U.S. dollars, f.o.b.)	24.0	-6.4	-14.8	1.8	3.9	2.4	2.4	2.4
Remittances (valued in U.S. dollars)	21.1	8.5	-18.3	12.7	7.3	-3.0	-2.8	-0.9
Real effective exchange rate (eop; + appreciation)	2.8	-10.7	…	…	…	…	…	…
Money and credit (valued in gourdes)								
Credit to private sector (in U.S. dollars and gourdes)	12.5	22.6	13.3	22.8	19.5	16.6	14.2	12.4
Base money (currency in circulation and gourde deposits)	25.8	21.3	17.3	21.8	19.5	16.6	14.2	11.9
Broad money (excl. foreign currency deposits)	13.7	22.0	16.8	22.1	19.5	16.6	14.2	11.9
	(In percent of GDP; unless otherwise indicated)							
Central government								
Overall balance (including grants)	-1.7	-2.4	-5.2	-2.9	-2.8	-2.4	-2.5	-2.6
Domestic revenue	13.0	10.8	10.2	11.4	12.9	13.4	14.0	14.4
Grants	4.3	1.4	2.2	3.8	3.0	3.8	4.6	4.9
Expenditures	19.0	14.5	17.5	18.0	18.7	19.6	21.2	21.8
Current expenditures	12.7	12.4	13.3	12.8	13.6	13.3	13.3	13.1
Capital expenditures	6.2	2.1	4.2	5.2	5.1	6.3	7.9	8.7
Overall balance of the nonfinancial public sector 1/	-2.9	-3.5	-6.4	-4.0	-3.9	-3.5	-3.6	-3.7
Savings and investment								
Gross investment	29.0	30.8	27.4	27.5	28.0	29.0	30.0	30.4
Of which: public investment	6.2	2.1	4.2	5.2	5.1	6.3	7.9	8.7
Gross national savings	25.1	29.4	23.7	26.9	27.6	27.6	28.0	27.8
Of which: central government savings	0.7	0.9	2.0	2.7	3.2	3.3	3.2	3.3
External current account balance (incl. official grants)	-3.9	-1.4	-3.7	-0.6	-0.4	-1.4	-2.0	-2.6
External current account balance (excl. official grants)	-7.9	-3.5	-5.8	-4.4	-3.5	-5.1	-6.6	-7.5
Net fuel exports	-10.1	-12.8	-7.2	-7.5	-7.9	-8.1	-8.3	-8.3
Public debt								
External public debt (medium and long-term, eop)	23.5	27.4	28.0	25.8	23.8	22.9	22.5	22.4
Total public sector debt (end-of-period)	39.9	47.7	51.9	49.9	48.6	47.3	46.8	46.6
External public debt service 2/	6.1	7.3	9.2	9.0	8.8	8.6	8.3	8.6
Memorandum items:	(In millions of dollars, unless otherwise indicated)							
Overall balance of payments	-39	-190	-338	13	100	105	82	60
Net international reserves (program definition)	677	644	268	279	368	430	469	488
Gross international reserves	2,086	2,100	1,872	1,885	1,977	2,069	2,140	2,190
In months of imports of the following year	4.8	5.7	4.8	4.7	4.8	4.9	4.9	4.9
Nominal GDP (millions of gourdes)	631,829	732,545	859,287	1,054,976	1,260,768	1,470,033	1,679,466	1,888,510
Nominal GDP (millions of U.S. dollars)	9,658	8,708	8,601	8,875	9,196	9,531	9,879	10,258
Output gap (% of potential)	0.0	-1.4	-5.5	-4.4	-3.5	-2.5	-1.3	0.0

Sources: Ministry of Economy and Finance; Bank of the Republic of Haiti; World Bank; Fund staff estimates and projections.

1/ Includes transfers to the state-owned electricity company (EDH).

2/ In percent of exports of goods and nonfactor services. Includes debt relief.

Table 2a. Haiti: Non-Financial Public Sector Operations, FY2018–25

(Fiscal year ending September 30; In millions of gourdes)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**109,107**	**88,998**	**106,170**	**159,930**	**200,379**	**252,891**	**313,700**	**363,480**
Domestic revenue	82,089	79,071	87,630	120,110	162,359	197,462	235,839	271,049
Domestic taxes	56,858	53,299	60,422	84,314	117,059	145,231	175,158	198,849
Customs duties	22,533	20,098	20,850	29,539	37,823	44,101	50,384	60,432
Of which : fuel taxes	2,884	52	0	0	0	0	0	0
Other current revenue	2,698	5,674	6,357	6,257	7,478	8,131	10,297	11,767
Of which : FNE	2,105	2,068	2,320	2,848	3,404	3,969	4,535	5,099
Of which : FER	245	169	199	244	291	487	724	1,003
Grants	27,018	9,927	18,541	39,820	38,020	55,428	77,860	92,431
Budget support [1/]	3,467	0	1,681	10,084	2,330	11,264	12,553	13,756
Project grants	23,551	9,927	16,860	29,736	35,690	44,164	65,308	78,675
Total expenditure [2/]	**119,965**	**106,345**	**150,533**	**190,020**	**235,607**	**287,959**	**356,374**	**412,458**
Current expenditure	80,516	90,896	114,627	135,513	171,762	195,002	223,292	247,379
Wages and salaries	37,645	40,280	45,774	58,024	71,864	83,792	95,730	107,645
Goods and services	25,312	23,022	32,905	37,979	44,127	51,451	58,781	66,098
Interest payments	1,936	3,398	2,662	3,933	4,612	5,125	6,044	7,194
External	1,300	1,702	1,748	2,440	2,707	2,881	3,432	4,200
Domestic	635	1,696	915	1,493	1,905	2,244	2,612	2,994
Transfers and subsidies	15,623	24,195	33,286	35,577	51,159	54,634	62,737	66,442
Nonenergy sector	11,381	6,766	21,130	15,825	19,164	22,639	26,200	29,838
Energy sector [3/]	4,243	17,430	12,156	19,753	31,996	31,996	36,537	36,604
Capital expenditure	39,449	15,449	35,905	54,507	63,844	92,957	133,082	165,079
Domestically financed	15,460	5,264	12,302	19,421	23,013	28,743	39,723	48,634
Foreign-financed	23,988	10,186	23,604	35,085	40,831	64,215	93,359	116,445
Central government balance including grants	-10,858	-17,347	-44,362	-30,089	-35,228	-35,069	-42,674	-48,978
Excluding grants	-37,877	-27,274	-62,903	-69,909	-73,247	-90,497	-120,535	-141,409
Excluding grants and externally financed projects	-13,888	-17,089	-39,299	-34,824	-32,416	-26,282	-27,176	-24,964
Other transfers to EDH	-7,419	-8,094	-10,290	-11,605	-13,868	-16,758	-18,474	-20,018
Primary balance of NFPS, including grants	**-16,341**	**-22,044**	**-51,990**	**-37,761**	**-44,484**	**-46,702**	**-55,104**	**-61,802**
Overall balance of NFPS, including grants	**-18,277**	**-25,442**	**-54,652**	**-41,694**	**-49,096**	**-51,827**	**-61,148**	**-68,996**
Adjustment (unsettled payment obligations)	16,764	0	0	0	0	0	0	0
Financing gap			12,893	0	0	0	0	0
Financing, NFPS [5/]	**35,041**	**25,442**	**41,759**	**41,694**	**49,096**	**51,827**	**61,148**	**68,996**
External net financing	-3,379	-2,836	-2,353	-6,890	-9,084	3,926	9,257	15,088
Loans (net)	-3,379	-6,790	-2,353	-5,773	-7,795	5,376	10,855	16,819
Disbursements	1,799	259	6,744	5,349	5,141	20,051	28,051	37,770
Amortization	-5,178	-7,049	-9,097	-11,122	-12,936	-14,675	-17,196	-20,951
Arrears (net)	0	3,954	0	-1,117	-1,289	-1,450	-1,598	-1,731
Internal net financing	38,420	28,278	44,112	48,584	58,180	47,901	51,891	53,908
Banking system	34,590	14,665	54,231	63,942	68,814	58,385	59,566	61,583
BRH	24,318	9,591	37,114	12,251	14,640	17,070	19,502	21,930
Commercial banks	10,272	5,074	17,117	51,691	54,174	41,315	40,064	39,653
Nonbank financing [4/]	3,831	13,613	-10,119	-15,358	-10,634	-10,484	-7,675	-7,675
Of which : domestic arrears	0	23,376	0	-4,675	-4,675	-4,675	-4,675	-4,675
Memorandum items								
Total costs of EDH to public sector	11,662	12,550	15,543	18,075	20,338	23,228	25,011	26,622
Forgone fuel taxes and fuel direct subsidies	17,222	45,728	31,277	44,702	72,279	87,537	106,301	119,612
Health, education and agriculture spending	20,744	18,314	17,186	24,264	30,258	36,751	43,666	50,990
Nominal GDP	631,829	732,545	859,287	1,054,976	1,260,768	1,470,033	1,679,466	1,888,510

Sources: Ministry of Finance and Economy; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed.

2/ Commitment basis, except for domestically financed spending, which is reported on the basis of project account replenishments.

3/ Comprises payments on behalf of EDH for electricity generation, tax payments remitted to EDH and transfers to fuel distributors to maintain pump prices. Reform of the energy sector is assumed in the outer years.

4/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

5/ For FY2020, amount already includes the RCF financing.

Table 2b. Haiti: Non-Financial Public Sector Operations, FY2018–25

(Fiscal year ending September 30; percent of GDP)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**17.3**	**12.1**	**12.4**	**15.2**	**15.9**	**17.2**	**18.7**	**19.2**
Domestic revenue	13.0	10.8	10.2	11.4	12.9	13.4	14.0	14.4
Domestic taxes	9.0	7.3	7.0	8.0	9.3	9.9	10.4	10.5
Customs duties	3.6	2.7	2.4	2.8	3.0	3.0	3.0	3.2
Of which : fuel taxes	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current revenue	0.4	0.8	0.7	0.6	0.6	0.6	0.6	0.6
Of which : FNE	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Of which : FER	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Grants	4.3	1.4	2.2	3.8	3.0	3.8	4.6	4.9
Budget support [1/]	0.5	0.0	0.2	1.0	0.2	0.8	0.7	0.7
Project grants	3.7	1.4	2.0	2.8	2.8	3.0	3.9	4.2
Total expenditure [2/]	**19.0**	**14.5**	**17.5**	**18.0**	**18.7**	**19.6**	**21.2**	**21.8**
Current expenditure	12.7	12.4	13.3	12.8	13.6	13.3	13.3	13.1
Wages and salaries	6.0	5.5	5.3	5.5	5.7	5.7	5.7	5.7
Goods and services	4.0	3.1	3.8	3.6	3.5	3.5	3.5	3.5
Interest payments	0.3	0.5	0.3	0.4	0.4	0.3	0.4	0.4
External	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Domestic	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Transfers and subsidies	2.5	3.3	3.9	3.4	4.1	3.7	3.7	3.5
Non-energy sector	1.8	0.9	2.5	1.5	1.5	1.5	1.6	1.6
Energy sector [3/]	0.7	2.4	1.4	1.9	2.5	2.2	2.2	1.9
Capital expenditure	6.2	2.1	4.2	5.2	5.1	6.3	7.9	8.7
Domestically financed	2.4	0.7	1.4	1.8	1.8	2.0	2.4	2.6
Foreign-financed	3.8	1.4	2.7	3.3	3.2	4.4	5.6	6.2
Central government balance including grants	-1.7	-2.4	-5.2	-2.9	-2.8	-2.4	-2.5	-2.6
Excluding grants	-6.0	-3.7	-7.3	-6.6	-5.8	-6.2	-7.2	-7.5
Excluding grants and externally financed projects	-2.2	-2.3	-4.6	-3.3	-2.6	-1.8	-1.6	-1.3
Other transfers to EDH	-1.2	-1.1	-1.2	-1.1	-1.1	-1.1	-1.1	-1.1
Primary balance of NFPS, including grants	**-2.6**	**-3.0**	**-6.1**	**-3.6**	**-3.5**	**-3.2**	**-3.3**	**-3.3**
Overall balance of NFPS, including grants	**-2.9**	**-3.5**	**-6.4**	**-4.0**	**-3.9**	**-3.5**	**-3.6**	**-3.7**
Adjustment (unsettled payment obligations)	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap			1.5	0.0	0.0	0.0	0.0	0.0
Financing, NFPS [5/]	**5.5**	**3.5**	**4.9**	**4.0**	**3.9**	**3.5**	**3.6**	**3.7**
External net financing	-0.5	-0.4	-0.3	-0.7	-0.7	0.3	0.6	0.8
Loans (net)	-0.5	-0.9	-0.3	-0.5	-0.6	0.4	0.6	0.9
Disbursements	0.3	0.0	0.8	0.5	0.4	1.4	1.7	2.0
Amortization	-0.8	-1.0	-1.1	-1.1	-1.0	-1.0	-1.0	-1.1
Arrears (net)	0.0	0.5	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Internal net financing	6.1	3.9	5.1	4.6	4.6	3.3	3.1	2.9
Banking system	5.5	2.0	6.3	6.1	5.5	4.0	3.5	3.3
BRH	3.8	1.3	4.3	1.2	1.2	1.2	1.2	1.2
Commercial banks	1.6	0.7	2.0	4.9	4.3	2.8	2.4	2.1
Nonbank financing [4/]	0.6	1.9	-1.2	-1.5	-0.8	-0.7	-0.5	-0.4
Of which: domestic arrears	0.0	3.2	0.0	-0.4	-0.4	-0.3	-0.3	-0.2
Memorandum items								
Total costs of EDH to public sector	1.8	1.7	1.8	1.7	1.6	1.6	1.5	1.4
Forgone fuel taxes and fuel direct subsidies	2.7	6.2	3.6	4.2	5.7	6.0	6.3	6.3
Health, education and agriculture spending	3.3	2.5	2.0	2.3	2.4	2.5	2.6	2.7
Nominal GDP (millions of gourdes)	631,829	724,757	859,287	1,054,976	1,260,768	1,470,033	1,679,466	1,888,510

Sources: Ministry of Finance and Economy; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed.

2/ Commitment basis, except for domestically financed spending, which is reported on the basis of project account replenishments.

3/ Comprises payments on behalf of EDH for electricity generation, tax payments remitted to EDH and transfers to fuel distributors to maintain pump prices. Reform of the energy sector is assumed in the outer years.

4/ Includes the net change in the stock of government securities held by non-banks, of checks that are not yet cashed, of supplier credits and of domestic arrears.

5/For FY2020, amount already includes the RCF financing.

Table 3. Haiti: Summary Accounts of the Banking System, FY2018–25

(Fiscal year ending September 30; In millions of gourdes, unless otherwise indicated)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
				I. Central bank				
Net foreign assets	111,424	145,177	132,010	157,153	194,596	233,648	270,315	302,115
(In millions of U.S. dollars)	1,593	1,556	1,224	1,247	1,351	1,455	1,537	1,597
Net international reserves [1/]	677	644	268	279	368	430	469	488
Commercial bank forex deposits	929	915	960	971	986	1,029	1,072	1,114
Net domestic assets	-7,904	-21,835	12,672	19,031	15,956	11,851	10,160	11,869
Net credit to the nonfinancial public sector	60,682	69,137	105,775	128,026	142,666	159,736	179,238	201,168
Of which : Net credit to the central government	61,939	71,530	108,644	130,895	145,535	162,605	182,107	204,037
Claims on central government	89,566	107,087	143,191	154,431	168,061	184,122	203,624	225,554
Central government deposits	27,628	35,557	34,547	33,537	32,527	31,517	31,517	31,517
Of which : IMF PCDR debt relief	-5,208	-4,776	0	0	0	0	0	0
Liabilities to commercial banks (excl. gourde deposits)	77,597	87,103	105,348	124,239	143,954	167,129	190,322	212,543
BRH bonds/Open market operations	12,695	1,840	1,840	1,840	1,840	1,840	1,840	1,840
Commercial bank forex deposits	64,902	85,263	103,508	122,399	142,114	165,289	188,482	210,703
Other	9,012	-3,869	12,244	15,244	17,244	19,244	21,244	23,244
Base money	101,716	123,342	144,682	176,184	210,552	245,500	280,476	313,984
Currency in circulation	47,201	60,700	73,631	91,135	108,913	126,990	145,082	162,415
Commercial bank gourde deposits	54,514	62,641	71,051	85,049	101,639	118,510	135,394	151,569
				II. Consolidated banking system				
Net foreign assets	164,520	225,441	255,452	301,395	352,306	401,383	445,223	480,804
(In millions of U.S. dollars)	2,351	2,416	2,369	2,392	2,445	2,500	2,532	2,542
Of which: Commercial banks NFA	759	1,111	1,145	1,145	1,095	1,045	995	945
Net domestic assets	142,507	147,074	179,653	229,920	282,651	338,966	400,602	466,073
Credit to the nonfinancial public sector	50,807	58,821	112,576	186,518	255,332	313,717	373,284	434,867
Of which : Net credit to the central government	61,071	75,736	129,967	203,909	272,723	331,109	390,675	452,258
Claims on central government	67,221	82,412	136,643	210,585	279,399	337,784	397,351	458,933
Central government deposits	6,150	6,675	6,675	6,675	6,675	6,675	6,675	6,675
Credit to the private sector	124,628	152,738	172,297	210,239	250,140	290,714	331,320	371,852
In gourdes	75,426	82,548	92,771	112,602	133,456	154,663	175,887	197,072
In foreign currency	49,203	70,190	79,526	97,637	116,683	136,050	155,433	174,780
In millions of U.S. dollars	703	752	737	775	810	847	884	924
Other	-32,928	-64,484	-105,220	-166,837	-222,821	-265,465	-304,002	-340,646
Broad money	305,222	372,515	435,105	531,315	634,957	740,349	845,825	946,877
Currency in circulation	47,201	60,700	73,631	91,135	108,913	126,990	145,082	162,415
Gourde deposits	97,211	97,363	114,209	139,076	166,205	193,792	221,401	247,852
Foreign currency deposits	160,810	214,452	247,266	301,104	359,840	419,567	479,342	536,609
In millions of U.S. dollars	2,298	2,298	2,293	2,389	2,498	2,613	2,726	2,837
				(12-month percentage change)				
Currency in circulation	22.7	28.6	21.3	23.8	19.5	16.6	14.2	11.9
Base money	25.8	21.3	17.3	21.8	19.5	16.6	14.2	11.9
Gourde money (M2)	22.0	9.5	18.8	22.6	19.5	16.6	14.2	11.9
Broad money (M3)	13.7	22.0	16.8	22.1	19.5	16.6	14.2	11.9
Gourde deposits	21.6	0.2	17.3	21.8	19.5	16.6	14.2	11.9
Foreign currency deposits	7.2	33.4	15.3	21.8	19.5	16.6	14.2	11.9
Credit to the private sector	12.5	22.6	13.3	22.8	19.5	16.6	14.2	12.4
Credit in gourdes	12.8	8.6	13.3	22.8	19.5	16.6	14.2	12.4
Credit in foreign currency	12.1	42.7	13.3	22.8	19.5	16.6	14.2	12.4
Memorandum items:								
Foreign currency deposits (% of total private deposits)	59.2	66.3	66.3	66.7	66.9	67.1	67.3	67.4
Foreign curr. credit to priv. sector (% of total)	41.0	47.7	47.7	47.7	47.7	47.7	47.7	47.7
Commercial banks' credit to private sector (% of GDP)	19.0	20.1	19.4	19.4	19.4	19.4	19.4	19.4

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Program definition. Excludes commercial bank forex deposits, letters of credit, guarantees, earmarked project accounts and US$ denominated bank reserves. The SDR allocation is not netted out of NIR.

Table 4a. Haiti: Balance of Payments, FY2018–25

(In millions of US$ on a fiscal year basis; unless otherwise indicated)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (including grants)	**-373**	**-123**	**-316**	**-52**	**-41**	**-131**	**-195**	**-264**
Current account (excluding grants)	**-759**	**-304**	**-501**	**-387**	**-318**	**-491**	**-653**	**-766**
Trade balance	-3,406	-2,996	-2,557	-2,603	-2,718	-2,780	-2,837	-2898
Exports of goods	1,079	1,201	1,019	1,038	1,065	1,093	1,131	1165
Of which : Assembly industry	987	1,133	955	973	998	1,025	1,060	1092
Imports of goods	-4,484	-4,198	-3,576	-3,640	-3,783	-3,873	-3,968	-4063
Of which : Fossil fuels	-972	-1,112	-619	-666	-727	-776	-818	-856
Of which : Food products	-910	-729	-687	-698	-707	-714	-723	-733
Services (net)	-486	-618	-619	-639	-662	-686	-711	-739
Receipts	701	385	258	355	368	381	395	410
Payments	-1,187	-1,003	-877	-994	-1,030	-1,067	-1,106	-1149
Income (net)	50	50	26	53	55	57	59	62
Of which : Interest payments	-20	-21	-20	-21	-20	-19	-21	-23
Current transfers (net)	3,469	3,442	2,835	3,137	3,284	3,278	3,294	3312
Official transfers (net)	386	181	186	335	277	359	458	502
Of which : budget support [1/]	53	0	17	85	17	73	74	75
Private transfers (net)	2,805	3,043	2,486	2,802	3,007	2,918	2,836	2810
Other transfers (net)	278	218	163	0	0	0	0	0
Capital and financial accounts	**353**	**-113**	**-22**	**65**	**140**	**236**	**277**	**324**
Capital transfers	31	15	0	0	30	30	30	30
Public sector capital flows (net)	-44	-92	-31	-59	-68	23	58	100
Loan disbursements	28	3	68	45	38	130	165	205
Amortization	-71	-95	-99	-104	-105	-107	-107	-106
Foreign direct investment (net)	105	75	45	133	138	143	148	154
Banks (net) [2/]	152	-79	-34	0	50	50	50	50
Other items (net)	109	-32	-2	-9	-9	-9	-9	-9
Of which: repayment of arrears [5/]	-	-	-	-9	-9	-9	-9	-9
Errors and omissions	-19	45	0	0	0	0	0	0
Overall balance	**-39**	**-190**	**-338**	**13**	**100**	**105**	**82**	**60**
Financing	**39**	**190**	**338**	**-13**	**-100**	**-105**	**-82**	**-60**
Change in net foreign assets (+ is decrease)	36	187	338	-13	-100	-105	-82	-60
o/w Change in gross reserves (+ is decrease)	-33	109	229	-13	-92	-92	-71	-50
o/w Liabilities (+ is increase)	69	78	109	0	-7	-13	-11	-11
Changes in arrears [3/]	87	93	0	0	0	0	0	0
Other liabilities	-6	0	0	0	0	0	0	0
Debt rescheduling and debt relief	3	3	0	0	0	0	0	0
Memorandum items:								
Change in US$ denom. reserve deposits at BRH (+ is decrease)	22	14	-45	-12	-15	-43	-42	-42
Change in NIR (program definition) (+ is decrease)	153	33	376	-12	-89	-62	-40	-19
Current account (in percent of GDP)	-3.9	-1.4	-3.7	-0.6	-0.4	-1.4	-2.0	-2.6
Excluding official transfers	-7.9	-3.5	-5.8	-4.4	-3.5	-5.1	-6.6	-7.5
Exports of goods, f.o.b (percent change)	8.8	11.4	-15.2	1.8	2.6	2.7	3.4	3.0
Imports of goods, f.o.b (percent change)	24.0	-6.4	-14.8	1.8	3.9	2.4	2.4	2.4
Increase in Arrears [5/]	-	47	-	-	-	-	-	-
Projected average oil price (U.S. dollars per barrel, APSP)	68.3	61.4	35.6	37.9	40.9	43.2	45.0	46.4
Debt service (in percent of exports of goods and services)	6.1	7.3	9.2	9.0	8.8	8.6	8.3	8.6
Gross international reserves (in millions of U.S. dollars) [4/]	2,086	2,100	1,872	1,885	1,977	2,069	2,140	2,190
(in months of next year's imports of goods and services)	4.8	5.7	4.8	4.7	4.8	4.9	4.9	4.9
Nominal GDP (millions of U.S. dollars)	9,658	8,708	8,601	8,875	9,196	9,531	9,879	10,258

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed.

2/Change in net foreign assets of commercial banks.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes gold.

5/ Includes arrears on oil imports.

Table 4b. Haiti: Balance of Payments, FY2018–25
(In percent of GDP on a fiscal year basis; unless otherwise indicated)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (including grants)	-3.9	-1.4	-3.7	-0.6	-0.4	-1.4	-2.0	-2.6
Current account (excluding grants)	-7.9	-3.5	-5.8	-4.4	-3.5	-5.1	-6.6	-7.5
Trade balance	-35.3	-34.4	-29.7	-29.3	-29.6	-29.2	-28.7	-28.3
Exports of goods	11.2	13.8	11.8	11.7	11.6	11.5	11.4	11.4
Of which : Assembly industry	10.2	13.0	11.1	11.0	10.9	10.8	10.7	10.6
Imports of goods	-46.4	-48.2	-41.6	-41.0	-41.1	-40.6	-40.2	-39.6
Of which : Fossil fuels	-10.1	-12.8	-7.2	-7.5	-7.9	-8.1	-8.3	-8.3
Of which: Food products	-9.4	-8.4	-8.0	-7.9	-7.7	-7.5	-7.3	-7.1
Services (net)	-5.0	-7.1	-7.2	-7.2	-7.2	-7.2	-7.2	-7.2
Receipts	7.3	4.4	3.0	4.0	4.0	4.0	4.0	4.0
Payments	-12.3	-11.5	-10.2	-11.2	-11.2	-11.2	-11.2	-11.2
Income (net)	0.5	0.6	0.3	0.6	0.6	0.6	0.6	0.6
Of which : Interest payments	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Current transfers (net)	35.9	39.5	33.0	35.3	35.7	34.4	33.3	32.3
Official transfers (net)	4.0	2.1	2.2	3.8	3.0	3.8	4.6	4.9
Of which : budget support [1/]	0.5	0.0	0.2	1.0	0.2	0.8	0.7	0.7
Private transfers (net)	29.0	34.9	28.9	31.6	32.7	30.6	28.7	27.4
Other transfers (net)	2.9	2.5	1.9	0.0	0.0	0.0	0.0	0.0
Capital and financial accounts	3.7	-1.3	-0.3	0.7	1.5	2.5	2.8	3.2
Capital transfers	0.3	0.2	0.0	0.0	0.3	0.3	0.3	0.3
Public sector capital flows (net)	-0.5	-1.1	-0.4	-0.7	-0.7	0.2	0.6	1.0
Loan disbursements	0.3	0.0	0.8	0.5	0.4	1.4	1.7	2.0
Amortization	-0.7	-1.1	-1.1	-1.2	-1.1	-1.1	-1.1	-1.0
Foreign direct investment (net)	1.1	0.9	0.5	1.5	1.5	1.5	1.5	1.5
Banks (net) [2/]	1.6	-0.9	-0.4	0.0	0.5	0.5	0.5	0.5
Other items (net)	1.1	-0.4	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Of which : repayment of arrears [5/]	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Errors and omissions	-0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.4	-2.2	-3.9	0.1	1.1	1.1	0.8	0.6
Financing	0.4	2.2	3.9	-0.1	-1.1	-1.1	-0.8	-0.6
Change in net foreign assets (+ is decrease)	0.4	2.2	3.9	-0.1	-1.1	-1.1	-0.8	-0.6
Change in gross reserves (+ is decrease)	-0.3	1.3	2.7	-0.1	-1.0	-1.0	-0.7	-0.5
Liabilities (+is increase)	0.7	0.9	1.3	0.0	-0.1	-0.1	-0.1	-0.1
Changes in arrears [3/]	0.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt rescheduling and debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Exports of goods, f.o.b (percent change)	8.8	11.4	-15.2	1.8	2.6	2.7	3.4	3.0
Imports of goods, f.o.b (percent change)	24.0	-6.4	-14.8	1.8	3.9	2.4	2.4	2.4
Projected average oil price (U.S. dollars per barrel, APSP)	68.3	61.4	35.6	37.9	40.9	43.2	45.0	46.4
Increase in Arrears (in percent of GDP) [5/]	-	0.5	-	-	-	-	-	-
Debt service (in percent of exports of goods and services)	6.1	7.3	9.2	9.0	8.8	8.6	8.3	8.6
Nominal exchange rate	65.4	…	…	…	…	…	…	…
Gross international reserves (in millions of U.S. dollars) [4/]	2,086	2,100	1,872	1,885	1,977	2,069	2,140	2,190.0
(in months of next year's imports of goods and services)	4.8	5.7	4.8	4.7	4.8	4.9	4.9	4.9
Nominal GDP (millions of U.S. dollars)	9,658	8,708	8,601	8,875	9,196	9,531	9,879	10,258

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Includes previously-programmed multilateral budget support that could be delayed.

2/Change in net foreign assets of commercial banks.

3/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

4/ Includes gold.

5/ Includes arrears on oil imports.

Table 5. Haiti: Indicators of Capacity to Repay the Fund (Existing and Proposed Credit), 2018/19–2026/27

(Units as indicated)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Fund obligations based on existing credit (in millions of SDRs)									
Principal	7.7	5.6	8.0	8.4	9.0	8.2	7.7	6.1	3.1
Interest	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Fund obligations based on existing and prospective credit (in millions of SDRs)									
Principal	7.7	5.6	8.0	8.4	9.0	8.2	7.7	22.5	19.5
Interest	0.4	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total obligations based on existing and prospective credit									
In millions of SDRs	8.1	5.8	8.4	8.8	9.4	8.6	8.1	22.9	19.8
In millions of US$	11.2	8.0	11.6	12.3	13.1	12.0	11.4	32.2	27.9
In percent of									
exports	0.9	0.8	1.1	1.1	1.2	1.0	0.9	2.5	2.1
government revenue	1.0	0.7	0.9	0.9	0.9	0.7	0.6	1.4	1.1
reserves	0.5	0.4	0.6	0.6	0.6	0.6	0.6	1.5	1.3
debt service	9.8	6.5	9.3	9.8	10.4	9.1	7.8	20.7	16.7
quota	4.9	3.5	5.1	5.4	5.7	5.2	4.9	14.0	12.1
Outstanding Fund credit (end of period)									
In millions of SDRs	58.4	132.4	124.5	116.1	107.0	98.8	91.1	68.6	49.1
In millions of US$	80.7	182.9	172.7	161.6	149.4	138.3	128.0	96.4	69.0
In percent of									
exports	6.7	17.3	16.0	14.7	13.2	11.8	10.6	7.5	5.2
government revenues	8.6	19.6	17.1	14.5	12.6	11.1	9.7	6.6	4.5
reserves	3.8	9.1	8.8	8.1	7.3	6.6	6.2	4.5	3.3
quota	35.6	80.8	76.0	70.8	65.3	60.3	55.6	41.9	30.0
Memorandum items:									
Exports [1/ 2/]	1.2	1.1	1.1	1.1	1.1	1.2	1.2	1.3	1.3
Government revenues [1/ 3/]	0.9	0.9	1.0	1.1	1.2	1.3	1.3	1.5	1.5
Reserves [1/ 4/]	2.1	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Debt service [1/]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Quota (in millions of SDRs)	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8	163.8
GDP [1/]	8.7	8.7	9.0	9.3	9.6	9.9	10.4	11.1	11.5

Sources: Haitian authorities; and Fund staff estimates and projections.

Note: Data covers Haiti's fiscal year, which runs from October 1 to September 30.

1/ In billions of U.S. dollars.

2/ Exports of goods and services.

3/ Central government domestic revenues.

4/ Gross liquid international reserves, end of period.

Table 6. Haiti: External Financing Requirements and Sources, FY2018–Y2025
(In millions of US$ on a fiscal year basis; unless otherwise indicated) 1/

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Requirements	**830**	**399**	**600**	**491**	**423**	**598**	**759**	**871**
Current account deficit, excluding grants	759	304	501	387	318	491	653	766
Debt amortization, excluding repayments to the IMF	71	95	99	104	105	107	107	106
Sources	**830**	**399**	**489**	**490**	**423**	**598**	**759**	**871**
Capital transfers, excluding official transfers	31	15	0	0	30	30	30	30
Foreign direct investment	105	75	45	133	138	143	148	154
Official disbursements, excluding budget support	361	184	236	295	298	416	549	633
Of which: Project loans	28	3	68	45	38	130	165	205
Other flows, including commercial banks (net)	242	-65	-36	-9	41	41	41	41
Official budget support [2/]	53	0	17	85	17	73	74	75
Change in central bank's NFA (+ is decrease) [3/]	36	187	227	-13	-100	-105	-82	-60
o/w: Change in existing obligations to the IMF (+ is decrease)	-12	-15	-2	0	-7	-13	-11	-11
o/w: Change in arrears [4/]	87	93	0	0	0	0	0	0
Debt rescheduling and debt relief, excluding the Fund	3	3	0	0	0	0	0	0
Exceptional Financing	**0**	**0**	**111**	**0**	**0**	**0**	**0**	**0**
o/w: IMF disbursement under RCF	0	0	111	0	0	0	0	0
Memorandum items:								
Gross international reserves [5/]	2,086	2,100	1,872	1,885	1,977	2,069	2,140	2,190
(in months of next year's imports of goods and services)	4.8	5.7	4.8	4.7	4.8	4.9	4.9	4.9

Sources: Bank of the Republic of Haiti; and Fund staff estimates and projections.

1/ Components may not exactly match up to totals due to rounding.

2/ Includes previously-programmed multilateral budget support that could be delayed.

3/ Excluding exceptional financing.

4/ Includes debt to Venezuela for oil shipments already paid by the GOH in local currency but not yet cleared in U.S. dollars.

5/ Includes gold.

Appendix I. Letter of Intent

Port-au-Prince, Haïti
April 10, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. On March 19, 2020, the Government of Haiti announced a "State of Emergency" to prevent the spread of the global COVID-19 pandemic. Although only 30 cases and 2 deaths were confirmed as of April 9, our health care system is severely underequipped to handle such a pandemic, with only 124 intensive care beds for a population of 10.7 million inhabitants. Given the potential human catastrophe related to the spread of COVID-19 virus, our government decided to close all borders, cease the docking of cruise ships and commercial vessels, and suspend all commercial international flights (with the exception of cargo and humanitarian flights). An executive decree was also issued by the President, implementing a curfew from 8:00 pm to 5:00 am. All factories, schools and universities across the country are closed, except for essential businesses (pharmacies, medical centers, etc.). The administration is working at half capacity with rotations and telework arrangements wherever possible.

2. This adverse development has and will severely affect the Haitian economy and could have a profound impact on the population, already reeling from economic hardship and poverty. Our preliminary projections suggest that real GDP in 2020 could decline by 4.0 percent—another year of contraction after growth of -1.2 percent in 2019 and down from an already negative pre-pandemic projection of -0.4 percent. This difficult outlook is due largely to a sizeable deterioration in international remittances, which represent over 34 percent of GDP, reduction in textile exports to the U.S., a drop in agriculture production, and further disruptions to transport, financial services, and also the informal sector.

3. To prevent a further downward spiral of our economy and the well-being of our citizens, our government has undertaken various measures, including but not limited to:

- Cash transfers to 1,500,000 families.

- Distribution of dried food rations to vulnerable families, most of them living with less than US$2 per day, equivalent to about 60 percent of the population.
- Payment of half the salary to 58,000 workers in the subcontracting (textile) industry.
- Payment of the salaries of most teachers and professors.
- Subsidies to the transport and sanitation sectors.
- Deferment of the tax returns deadline by three months to June 2020.

4. Also, steps were taken by the central bank to ease liquidity conditions in the financial system. They include reducing the refinance and reference rates, lowering reserve requirements on domestic currency.

5. The fiscal and external sectors will take a major hit including because of measures we are taking to contain the spread of the pandemic. Scarce budgetary resources must be reallocated to critical spending on disease containment and eradication (including medical supplies, equipment, and facilities), preparation for treatment of the sick, and increased social assistance to the most vulnerable. The fiscal deficit is projected to rise to 6.4 percent of GDP in FY2020—3.0 percent of GDP higher than earlier projected. The decrease in remittances and textile exports, drop in FDI, and increase in health-related imports will put significant strain on our balance of payments. We estimate that these pressures could drain gross international reserves by as much as US$338 million, despite a projected fall in import values of 15 percent following the drop in fuel prices and the contraction in domestic demand. This is not a tenable proposition given the extreme vulnerability and fragility of the country.

6. Against this background, and in the face of the urgent balance of payments need, the Government of Haiti requests emergency financing from the IMF under the Rapid Credit Facility (RCF) in the amount of SDR 81.9 million, equivalent to 50 percent of quota. This disbursement will help fill both the external and fiscal financing gaps in 2020. We do not intend to introduce or intensify exchange and trade restrictions (for balance of payments purposes) or other measures or policies that would compound these difficulties. In addition, the Ministry of Economy and Finance (MEF) has signed a Memorandum of Understanding with the central bank (BRH) agreeing to the terms of an on-lending arrangement between the BRH and the MEF, and clarifying their respective roles and responsibilities for timely servicing of the financial obligations to the IMF anticipating the disbursement of the RCF. Furthermore, we are confident that the IMF's involvement in the international effort to assist Haiti in dealing with this pandemic will help promote stability and confidence in our financial sector. In that regard, we are reaching out to other development partners and have indications of support from the European Union, World Bank, and IDB.

7. We would like to stress, however, as we contemplate higher spending to respond to the emergency pandemic, that we are aware of the need to contain fiscal imbalances that could jeopardize macroeconomic stability. In that vein, we are committed to moving forward with a

more comprehensive economic reform program aimed at reducing poverty and fostering stronger and more inclusive growth. We have already begun discussions with your staff on a package of measures that could be supported by a Staff Monitored Program (SMP) that will resume immediately after the conclusion of our request for disbursement under the RCF. Support under an SMP would help us focus on an effective set of core reforms aimed at restoring macroeconomic stability, ensuring fiscal sustainability, building a better social safety net, reforming the energy sector, and strengthening governance across all areas of the public service.

8. We are committed to a gradual fiscal adjustment that will ensure fiscal and debt sustainability over the medium term and eliminate monetary financing of the deficit. Indeed, the goal would be to end the fiscal dominance that has caused a negative feedback loop of monetary financing of the deficit on inflation and exchange rate depreciation by limiting public sector deficits, including the significant losses related to the energy sector. To that end, we would work over time to boost domestic revenue collection with customs and tax administration reforms, increase EDH payment collection and strengthen EDH efficiency, curb arrears and adopt a plan to clear/restructure current stocks, and improve public financial management, including with better expenditure control.

9. A key pillar of our planned reform program would include building a stronger social safety net. The program would support the implementation of the new *Politique Nationale de Protection et de Promotion Sociale* (PNPPS). We would also seek to deepen financial inclusion with Fintech and the development of mobile money infrastructures as part of a broader effort to strengthen and formalize channels for the distribution of cash transfers to vulnerable households, as well as other forms of support.

10. We also intend to strengthen efforts to combat corruption and advance governance reforms, notably through more comprehensive, transparent and tightly managed budget processes and improved reporting systems, both at the ministry of economy and finance and the central bank. In this respect, we will immediately strengthen standard budget reporting by better documenting the different phases of execution of public spending of COVID-19 resources, through the preparation of monthly budget execution reports of all COVID-19 expenditures. We will then move to expand such reforms to the rest of the budget under an SMP and eventually a successor Fund-supported program. We will also undertake a thorough ex post financial and operational audit of all COVID-19 related operations. These efforts will contribute to strengthening accountability and transparency in public finance management and also help us draw useful conclusions on ways to build a better social safety net and boost emergency response capability.

11. We hope to continue rapidly the engagement in discussions with the IMF on the SMP the day after the RCF would have been approved, with the aim of reaching agreement and

endorsement of an SMP as soon as possible and at the latest in early May. The ultimate goal would be to move from an SMP to a medium-term, upper credit tranche-quality program supported by the Extended Credit Facility (ECF), after completing the SMP. In light of recent deliberations amongst IMF members, we have also requested Fund assistance under the Catastrophe Containment and Relief Trust (CCRT).

12. We commit to continuing implementation of the recommendation from the IMF safeguards assessment concluded in 2019. In this respect, as prior actions, the BRH Board implemented the following two key recommendations from the assessment prior to the RCF Board meeting: (i) completed the financial audit and published the audited financial statements for the year ended September 30, 2019; and (ii) adopted a decision to strengthen the governance and accountability arrangements for foreign reserve management by revising the composition of the Investment Committee (IC) and amending its charter, establishing strict segregation of responsibilities between the director and staff members within the Foreign Portfolio Department, and establishing a dedicated risk management function. We also commit to continue providing IMF staff with the necessary central bank audit reports and authorize the external auditors of the central bank to hold discussions with staff. We intend to follow through on other recommendations from the safeguards assessment in the context of the upcoming SMP.

13. We authorize the IMF to publish this Letter of Intent and the staff report for the request for disbursement under the RCF.

Sincerely yours,

/s/	/s/
Michel Patrick Boisvert	Jean Baden Dubois
Minister of Economy and Finance	Governor of the Central Bank of Haiti
Ministère de l'Economie et des Finances	*Banque de la République d'Haïti*