

Haiti: First Review Under the Staff-Monitored Program-Press Release; and Staff Report



HAITI

January 2023

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM—PRESS RELEASE; AND STAFF REPORT

In the context of the First Review Under the Staff-Monitored Program (SMP), the following documents have been released and are included in the package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's information following discussions that ended on December 8, with the officials of Haiti on economic developments and policies underpinning the First Review Under the Staff-Monitored Program. Based on information available at the time of these discussions, the staff report was completed on December 22.

The documents listed below have been or will be separately released.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Management Completed the First Review of the Staff Monitored Program with Haiti

FOR IMMEDIATE RELEASE

Staff Monitored Programs (SMPs) are informal arrangements between national authorities and IMF staff to monitor the authorities' economic program. As such, they do not entail endorsement by the IMF Executive Board. SMP Staff reports are issued to the Board for information

- Management of the International Monetary Fund (IMF) approved the first review of Haiti's Staff-Monitored Program (SMP) on December 21, 2022. The SMP will help the government restore macroeconomic stability and lower inflation—a key goal given the burden of high inflation on the poor.
- The SMP seeks to advance decisive governance reforms to enhance accountability. In particular, it emphasizes greater accountability through stronger public finance management, revenue administration, transparency, and anti-corruption measures.
- The program comprises realistic measures suited to Haiti's fragility to help the authorities build a track record of policy implementation.

Washington, DC – January 23, 2023: Management of the International Monetary Fund (IMF) approved on December 21, 2022 the first review of Haiti's Staff-Monitored Program (SMP). Discussions for the review took place during October-December, 2022¹. The SMP takes into account Haiti's fragility and capacity constraints. It was designed to support the authorities' economic policy objectives and build a track record of reform implementation.

Haiti is mid-way through a SMP that has been an important anchor for Haitian policymakers, despite one of the most challenging economic environments in many years. Haiti is faced with many difficulties, which have been worsened by higher food and fuel prices stemming the war in Ukraine, which have increased its economy's fragility. The external shocks and deterioration of the security situation have resulted in a macroeconomic outlook worse than at the time of the program's approval by IMF management in June 2022.

Despite the more difficult macroeconomic conditions and downside risks, recent data and progress on structural reforms suggest that the authorities are making meaningful efforts to ease the country's multiple challenges. In this difficult context, the authorities have committed

¹ The SMP was approved on June 17, 2022 and runs through May 31, 2023. SMPs are arrangements between country authorities and the IMF to monitor the implementation of the authorities' economic program but are not accompanied by financial assistance.

to continue implementing policies that would begin to restore macroeconomic stability and growth, strengthen governance, and to provide relief to the most vulnerable households. The SMP has been instrumental in catalyzing forthcoming external financing and its implementation has been broadly satisfactory, despite obstacles in meeting quantitative targets due to a less favorable environment than initially anticipated.

The Haitian authorities have adopted a budget for FY2023 that is consistent with agreed targets under the SMP and in the context of a medium-term budget. They ensured that a meaningful budget allocation is used to protect the most vulnerable and are implementing public financial management systems to monitor the use of public funds. The authorities are committed to reduce central bank financing of the deficit to levels consistent with low inflation and limit foreign exchange intervention to smoothing excess volatility.

In line with the reforms under the SMP, the authorities took measures aimed at raising domestic revenues, approving in December a new tax code and following through with the adoption of the customs and tax administration reforms. In particular, the tax code—a primer in the country's history—entails the rationalization and simplification of the personal income tax and corporate income tax, including through the broadening of the tax base and elimination of many exemptions.

Progress on governance is key to ensure inclusive growth. The authorities have taken steps to strengthen accountability in the collection and use of public resources and have boosted the transparency of public procurement for emergency resources. They are working to bring AML/CFT laws up to international standards supported by Fund's capacity development.

IMF staff will continue to work closely with the authorities to support implementation of their program and help them build public support. Indeed, most elements of the authorities' program are underpinned by ongoing IMF technical assistance. The Fund will also continue to coordinate closely with Haiti's other development partners to leverage efforts in support of common objectives. SMP are only subject to formal IMF management review.



HAITI

FIRST REVIEW UNDER THE STAFF-MONITORED PROGRAM

December 22, 2022

EXECUTIVE SUMMARY

Context: Haiti is faced with many difficulties, which have been worsened by higher food and fuel prices stemming from Russia's war in Ukraine. Because of this global shock and a deterioration of the domestic security situation, the economy has become even more fragile, and the macroeconomic situation and outlook are more challenging than in June 2022, when the Staff Monitored Program was approved by IMF Management. In line with global trends, growth has been weaker than expected and inflation higher. Despite the more difficult macroeconomic situation and downside risks, recent data and progress on structural reforms suggest that the authorities are making meaningful efforts to ease the country's multiple challenges.

Program implementation: The implementation under the SMP has been broadly satisfactory—despite obstacles in meeting quantitative targets (QTs) due to a less favorable environment—and it has been instrumental in catalyzing forthcoming external financing. The authorities met one end-June QT and missed three other targets. They met two of three continuous QTs on arrears. They also met the two recurrent structural benchmarks. Of the five end-September structural benchmarks, although none was met on time, four were completed with some delay. Staff proposes to reset one structural benchmark that was not completed as well as the end-December and end-March structural benchmarks, and to adjust QTs to reflect the less favorable environment. The review focused on identifying corrective actions to support program implementation.

Policy recommendations:

- Adopt a budget for FY2023 that is consistent with agreed targets under the SMP and in the context of a medium-term budget framework for FY2023–25.
- Ensure a meaningful budget allocation to protect the most vulnerable and implement public financial management systems to monitor the use of public funds.
- Reduce central bank financing of the deficit to levels consistent with low inflation and limit foreign exchange intervention to smoothing excess volatility.
- Sustain recent efforts to boost revenue collection, including by following through with the adoption of the tax code and customs and tax administration reforms.
- Address the Fund's safeguards recommendations, including on strengthening the central bank's law and transitioning to International Financial Reporting Standards.

Approved By
Patricia Alonso-Gamo
(WHD) and Andrea
Schaechter (SPR)

Discussions began in person during the week of the Annual meetings (October 10-15), continued with weekly virtual meetings in November, and concluded from Washington during a remote mission during December 1-8, 2022. The team comprised Ms. Tumbarello (Head), Mr. Noah Ndela, Mses. Bhattacharya and Aliperti (all WHD), Ms. Osorio-Buitron (FAD), Mr. Shenai (SPR), and Messrs. Duvalsaint and Wata (Port-au-Prince office). Ms. Coquillat (WHD) assisted with logistics and document preparation. Mr. Saraiva and Ms. Florestal (OED) joined the discussions. The team met with Mr. Michel Patrick Boisvert (Minister of Finance), Mr. Jean Baden Dubois (Governor of the Bank of the Republic of Haiti, BRH), Mr. Pierre Ricot Odney (Minister of Social Affairs and Labor), other senior officials, and throughout the process with the international community.

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