International Monetary Fund

Haiti and the IMF

Press Release:
IMF Executive Board Completes Fifth Review Under ECF Arrangement for Haiti and Approves US$7.4 Million Disbursement
March 13, 2013

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Haiti: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

February 14, 2013

The following item is a Letter of Intent of the government of Haiti, which describes the policies that Haiti intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Haiti, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

February 14, 2013

Mrs. Christine Lagarde
Managing Director
International Monetary Fund
Washington D.C. 20431
United States of America

Dear Mrs. Lagarde:

1. The economic recovery process is slower than planned, as a result of several factors, including the passage of tropical storms Isaac and Sandy in August and October 2012, a drop in external aid, and weak administrative and absorptive capacities. Notwithstanding these adverse conditions, implementation of our program supported by an arrangement under the Extended Credit Facility (ECF) remains broadly on track.

2. We observed all end-June 2012 indicative targets and met all end-September 2012 performance criteria. In the structural area, we have implemented the end-June 2012 benchmark related to the closing of all dormant accounts of the central government at the central bank or commercial banks as well as the two end-September 2012 benchmarks on the creation of the fiscal policy unit with the MEF and the unit in charge of the medium and large enterprises. The third end-September benchmark related to the move to single-price foreign exchange auctions has not been implemented yet. Our objective is to start by expanding the number of participants in the FX markets. Also, two end-March 2012 structural benchmarks are not yet observed. The benchmark on strengthening the debt unit with fully operational middle and back offices is underway as it is linked to the passage of the organic law on the reorganization of the Ministry of Economy and Finance. The second benchmark is related to the public debt law. Both draft laws are being reviewed by the Prime Minister's office and will be submitted to the Parliament by end-March 2013.

3. The ECF-supported program will continue to play a pivotal role in supporting the reconstruction and recovery, maintaining macroeconomic stability and achieving broad-based and inclusive growth. In this context, the government is committed to creating more room for poverty-related and growth-enhancing spending; maintaining price stability and facilitating external adjustment through prudent and well-coordinated macroeconomic policies; and moving ahead with key structural reforms to boost productivity and competitiveness, and to support sustained growth.

4. To meet these objectives, we intend to make full use of all available technical assistance and financial resources, including those freed by the IMF PCDR, a share of which will be allocated to increase the domestic revenue intake through further reforms aimed at broadening the tax

base and modernizing the revenue administration. In this vein, we have agreed on the need to improve customer service at DGI by launching and operating an electronic tax declaration system.

5. The reform agenda will also focus on enhancing public financial management, and economic governance, strengthening the financial sector, and creating the conditions for an appropriate environment for private investment. We will also strengthen the coordination with our partners and improve the efficiency of aid flows through the new mechanism for coordination and harmonization of aid. This mechanism provides for an alignment of international funds on national development goals and government investment programs, and relies on the national budget as the main vehicle for channeling all aid.

6. In support of these policies and in view of the progress made in implementing the program supported by the ECF arrangement, the government requests the completion of the fifth review and the approval of the sixth disbursement for an amount equivalent to SDR 4.914 million. The upcoming sixth review, which will assess performance based on end-March 2013 targets, is envisaged for July 2013.

7. We will regularly update the IMF on economic and policy developments and will provide the data needed for adequate monitoring of the program. The government will continue its policy dialogue with the IMF and is prepared to take any further measures as deemed appropriate to meet its program objectives. We will consult with the Fund ahead of the adoption of these measures and any revisions to the measures outlined in the MEFP, in accordance with the Fund's policies on such consultation.

8. The Government authorizes the IMF to publish this letter, the attached Memorandum of Economic and Financial Policies, and the related Staff Report, including the placement of these policy documents on the IMF website, following the IMF Executive Board's conclusion of the review.

Sincerely yours,

/s/
Marie Carmelle JEAN MARIE
Minister of Economy and Finance
Ministry of Economy and Finance

/s/
Charles CASTEL
Governor
Bank of the Republic of Haiti

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

Introduction

1. **This Memorandum of Economic and Financial Policies (MEFP) supplements and updates the MEFPs that have preceded it since July 2010**. It reviews recent economic developments and progress in implementing our macroeconomic and structural program under the Extended Credit Facility (ECF) arrangement, approved by the IMF Board on July 21, 2010. It also sets out macroeconomic policies and structural reforms that we will pursue during FY2012/2013.

Political background and recent economic developments

2. **Recent political developments are encouraging.** Prime Minister Lamothe and his reform-minded cabinet are pressing ahead with an agenda favoring an acceleration of the reconstruction and key reforms to improve economic management and governance. The current cabinet is forward-looking and reform-minded and is gaining support from large segments of the population. The recent publication of constitutional amendments opens the door for dual nationality and will pave the way for a greater involvement of the Haitian living abroad in the development of the country. Nonetheless, we also are aware of the need for the upcoming election cycle for the renewal of one third of the Senate and all municipal governments[1] to be organized in the best security conditions so as to lessen political tensions. The security situation remains our main priority.

3. **The economic recovery has been weaker-than-planned and 12-month inflation has risen.** Economic activity has been uneven across sectors. It remained buoyant in the manufacturing, energy, and commerce sectors. In contrast, agricultural output was weaker, as a result of the spring drought and the passage of Hurricane Isaac at the end of August. At the same time, activity in the construction sector and transportation has remained modest, due in part to the low execution rate of public investment caused by the political stalemate and the late approval of the budget. On balance, for the year as a whole, the economy has grown only by 2.8 percent, against a target of 4.5 percent. In contrast, inflationary pressures from international food prices have pushed headline inflation to 7.6 percent through end-December 2012, up 2.7 percentage points since June 2012.

4. **The fiscal deficit outcome for FY2012 is higher-than-programmed**. The overall fiscal deficit reached 5.9 percent of GDP, against a program target of 3.6 percent. This underperformance reflected lower-than-planned domestic revenue, a drop in grants, and slightly higher-than-planned spending. On the revenue side, the intake reached 12.8 percent of GDP, compared with a program objective of 13.5 percent, mainly on account of lower customs duties. Disbursement of budget support fell short of the 0.7 percent of GDP target by 0.4 percentage

[1] The new cycle seeks the renewal of 1/3 of the Senate (10 new senators), 142 municipal councils, 565 sector officers, and several city delegates.

points, partly because of slow progress in key structural areas, including procurement and governance, delays in some donors' disbursement process stemming from external aid conditionality and complexity, and the country's limited administrative and absorptive capacities. Current spending slightly exceeded the target by 0.6 percentage points of GDP, as a result of some additional spending for damages caused by Hurricane Isaac. Domestically-financed capital spending was slightly above the target of 6.4 percent of GDP.

5. Monetary policy continued to aim at low and stable inflation. Broad money growth has moderated to 6.9 percent, against a program target of 11.2 percent, due to a larger-than-programmed decline in bank net credit to government.

6. While credit has grown at a fast pace, the banking sector remains sound. Credit grew by 29.8 percent year-on-year through end-September, with demand boosted by short-term trade credits and long-term borrowing for investment projects weaker than planned given delays in adopting the budget and appointing a new Prime Minister during the first half of 2012. Work is ongoing on establishing credit bureaus and insurance law has been submitted to the Parliament. Key indicators suggest that the financial sector is relatively liquid and profitable.

7. The overall balance of payments recorded a surplus in FY2012. Consequently, gross international reserves rose to US$2.2 billion at end-December 2012 (6 months of imports of goods and services). Both merchandise exports and imports were below targets. Textile exports were negatively affected by the drop of the US demand and imports. At the same time, the current and capital and financial accounts outcome were better than programmed. Since April 2010, the gourde has depreciated gradually against the U.S. dollar by about 8 percent.

8. Our program remains broadly on track. We have met all end-June indicative targets and observed all end-September 2012 performance criteria. In the structural area, we have completed two out of the three end-September 2012 benchmarks. The implementation of the third end-September 2012 benchmark related to the implementation of a single auction system in the FX is underway. We have also made progress regarding the two outstanding end-March 2012 structural benchmarks on debt management. The benchmark on strengthening the debt unit with fully operational middle and back offices is underway as it is linked to the passage of the organic law on the reorganization of the Ministry of Economy and Finance. The second benchmark is related to the public debt law. Both draft laws are being reviewed by the Prime Minister's Office and will be submitted to the Parliament by end-March 2013. At the same time, we have continued our efforts in improving public financial management and making headway on improving the business environment.

The government program for 2013

9. We are facing significant challenges in the period ahead. Our overriding priority is to create jobs, increase spending linked to poverty reduction and provide housing to the 350,000 people still living in temporary shelters although more than 1 million people have been relocated, particularly in the context of the project 16/6. We must also pursue our efforts to rebuild the country, maintain macroeconomic stability, while creating the conditions for sustainable (broad-based and inclusive) growth, and build resilience against shocks through appropriate macroeconomic policies and environmental consolidation. Our macroeconomic policies and structural and institutional reform agenda mirror these challenges, as we seek to enhance the country's resilience, particularly to natural disasters, protect long-term growth, reduce unemployment, and raise living standards. A significant shock to global growth is a major risk, which would have consequences for exports, foreign aid, and remittances, although the latter has displayed some resilience in the past. Other risks are higher food and energy prices, heightened political and social tensions that could delay public investment spending and the reform agenda.

10. Medium-term projections remain broadly unchanged compared with earlier estimates. Maturing ongoing agricultural projects, a rebound in public construction investment, and rising exports of textiles and other manufacturing goods assembled in emerging free zones are expected to sustain growth in the medium term supported by improvements in infrastructure and services as well as in the business environment. Domestic revenue collection should continue to improve, while donor support is expected to trend down. Tight control on current spending and appropriate and sustainable levels of capital outlays, and the promotion of innovative public-private partnerships are expected to improve the fiscal position in the medium term. The external account deficit would decline, associated with a gradual winding-down of reconstruction-related imports and improved exports.

11. Our long-term goal is to transform Haiti into an emerging country by 2030. For that purpose, we are committed to undertake appropriate reforms and investments aimed at enabling a business-friendly environment, developing small and medium enterprises and reinforcing the rule of law. To ensure a steady progress toward this long-term goal, a "Presidential Consultative Council for Economic Growth and Investment" has been set up.

A. Macroeconomic Policies

12. The recovery is expected to continue in FY2013. Real GDP growth is projected to reach 6.5 percent in FY2013, on the assumption of a rebound in public investment spending, the continued implementation of several projects to promote exports and tourism,[2] and a rebound in agriculture. Inflation should remain stable, in the mid-single digits. Higher reconstruction-related imports would widen the external account deficit, and reduce gross liquid reserves to 5.5 months of imports.

[2] Renovation and upgrade of the airports in Haiti's two largest cities are almost completed. The 128-room Royal Oasis five star hotel is open and the 106-room Best Western hotels is scheduled to open in FY 2013.

Fiscal policy

13. Within the framework of an expanded fiscal space, fiscal policy will aim at increasing poverty-related and growth-enhancing spending, while building cushions against future shocks. In this context, we will step up efforts to further increase domestic revenue, and improve the composition and the quality of public spending. We are targeting a fiscal deficit of 5.3 percent of GDP, only about 2 billion gourdes higher than the one projected at the time of the fourth ECF review, reflecting higher current spending outlays. The deficit is fully financed with external resources (4.4 percent of GDP) and domestic financing, including issuance of T-bills (0.9 percent of GDP). Given the high reconstruction-related needs, the government has the option of drawing down its deposits and issuing additional T-Bills in the event of a shortfall in domestic revenue, while ensuring medium-term debt sustainability and macroeconomic stability. We will also consider reducing some non-priority current spending or delaying some non-reconstruction-related domestically-financed capital spending.

14. In 2013, we will continue improving our tax-to-GDP ratio. Our revenue target is 14.1 percent of GDP, 1.3 percentage points above the 2012 outcome. The improvement will result from (i) the expected economic rebound; (ii) the full impact of the FY2012 measures (higher excise tax on alcoholic beverages, fees on casinos and house games); and (iii) tighter control on tax exemptions; and (iv) a set of new measures comprising tighter controls, improvements in tax collection made possible by the implementation of the e-declaration, and actions by the customs to strengthen valuation and inspect all imports into the country. In addition, the newly created tax payer unit for medium and large enterprises and unit for NGOs will be instrumental in expanding the taxpayer net, improving compliance, making headway in rationalizing exemptions and ensuring the strict application of those in effect, and strengthening our tax collection network. The appointment of a Secretary of State in charge of tax reform is also a step forward in improving coordination and ensuring a good command of the tax reform plan.

15. We will improve the composition of current public spending. As part of a cautious effort to keep current spending under control, we will offset the increase in the wage bill by limiting spending on goods and services to 3 percent of GDP, and further reducing subsidies to the electricity company to 0.7 percent of GDP, down from 1.5 percent of GDP in FY2012, in order to free resources that will be allocated to fund growth-enhancing projects and poverty-related spending. Lower electricity sector subsidies are anticipated to result from the pursuit of the restructuring plan seeking, with support from the World Bank, IDB and USAID, to improve the financial management of EDH, and reduce technical losses. We have made some progress on the social front through direct budgetary transfers, and we are planning to improve current transfer schemes and safety nets, notably to alleviate the effects of natural disasters on the poor segments of the population. Current spending is projected at 11.3 percent of GDP, against an outcome of 11.9 percent of GDP the year before.

16. We are upgrading the public investment framework to improve capacity and enhance project management, and maximize the impact on growth. In this context, domestically-financed capital spending is projected to increase to 9 percent of GDP, a 2.2 percent of GDP rise in FY2013. More funds will be allocated to social and growth-inducing projects. To boost capital spending efficiency, we will undertake a reform of the investment framework in two phases. The first phase will aim at (i) defining the mandate of the UEPs (Analytical and Programming Units) to include all phases of project management and strengthen them with adequate resources; (ii) enhancing the SYSGEP; (iii) increasing procurement capacity; (iv) clarifying the roles of the government agencies involved in project management; and (v) reforming capital expenditure procedures, in line with the introduction of the Treasury Single Account. The second phase will start in 2014 with the assignment of international experts to UEPs, and the introduction of new disbursement, execution and control procedures. This new framework will be supported by the new mechanism for coordination and harmonization of aid which provides for an alignment of international funds to national development goals and government investment programs, and relies on the national budget as the main vehicle for channeling all aid. As a result, the new investment framework will seek to unify the public investment projects into one coherent program.

Monetary and exchange rate policies

17. Our monetary policy will continue to aim at price stability. Consumer price inflation is expected to be in the 5-6 percent range in FY2013 as the shock from international food prices recedes and domestic food production recovers. Nevertheless, we will remain vigilant against second round effects and take appropriate steps should they materialize. We are also taking steps towards improving liquidity management, strengthening market-based operations and developing macroprudential regulatory mechanisms.

18. We will enhance our monetary framework through additional actions aimed at reducing excess liquidity and lessening dollarization. Measures in this context include developing a domestic T-bill market (the legal and operational market infrastructure is in place and two initial T-bill issuances were successful), securitizing the large government debt to the BRH to boost the T-Bill market, and improving liquidity management. We are also using reserve requirements to control liquidity in the system. On the reduction of dollarization, our agenda aims at establishing a longer positive track record of political and maintaining macroeconomic and financial stability, higher flexibility in the exchange rate, and deepening of domestic financial markets to provide alternative investment opportunities to foreign currency deposits.

19. We will allow greater exchange rate flexibility going forward. Our interventions in the market will continue to aim at smoothing out excess volatility, while not resisting fundamental trends. While on a declining trend over the past two years, our interventions in the FX market are conducted on an ad hoc basis through bilateral active or passive (via a window) transactions, Our main objective is to improve the functioning of the FX market. We are planning to introduce a system of single price foreign exchange auctions; as a first step, we will allow more participants and promote the development of the interbank foreign exchange market.

20. Further improvements in financial intermediation are needed to support the growth agenda. At about 19.1 percent of GDP, commercial banks' credit to the private sector in 2012 was well below the average for LICs. This reflects a broad range of factors, including the fragile security situation, and limited competition between banks. While the banking sector remains relatively sound and profitable, the recent uptrend in credit to the private sector signals the importance for updating financial legislation to improve regulation and supervision. We will establish a committee aimed at closely monitoring systemic risks and financial stability issues through macroprudential surveillance. A new insurance law is expected to contribute to improve business and protect consumers; and creation of credit bureaus will enable increasing lending to SMEs, a goal which is high on our agenda to sustain growth and diversify the economy.

B. Structural Reforms

Revenue administration and tax policy

21. For the medium-term, and with support from the newly-created Unit for the Analysis of Fiscal Policy, we will outline a broader reform of the tax system, including a shift to a VAT system and actions for streamlining tax expenditure. As a result, we are planning to raise the revenue-to-GDP ratio to 15 percent by 2017. Other actions will include improving the coverage for taxpayers; strengthening the efficiency and controls of revenue collection; putting together a more equitable and business-friendly tax system; and moving towards the CARICOM external tariff system.

Public financial management

22. We remain committed to continue improving the management of public finances. The rehabilitation of the budget remains a critical reform and we are taking steps toward strengthening budget formulation, execution, transparency and reporting, and improving internal and external controls. An update of the legal and regulatory framework has been prepared and is expected to be approved by the Government during the coming weeks and then transmitted to Parliament. This legal package includes a new organic law for the MEF that will enable the revamping of the Directorate General of Budget, the creation of a new Directorate General of Treasury and Public Accounting, which will include the Debt Unit, provisions to improve tax and customs administration, and the establishment of a central structure tasked with economic analysis, and oversight of economic developments. In doing so, we are guided by the principle that all public resources and spending are channeled through the budget with a view to preempt extra-budgetary outlays, including for pension and education purposes. Accordingly, we will ensure that the creation of the upcoming joint-venture between the Haitian and Venezuelan governments on public investment does not translate into fiscal risks. A MoU has been signed between the MEF and BRH to lock in the total amount of debt due by the Public Treasury to BRH and the modalities of payment, plus a set of provisions to ensure better cash management in order to fully implement the TSA. Regarding the introduction of a treasury single account, we have completed the first phase that called for closing all identified dormant government accounts in the banking system, training of public accountants, and drafting a manual of procedures. As a next step, we intend to introduce by January 2013 a first pilot of the TSA at the MEF before extending it to a first wave of ministries in June 2013 with adequate capacity for a rapid move. We will then gradually introduce multi-year budgeting and medium term expenditure frameworks as part of an ambitious budgetary reform, while we are taking steps to create Planning (UEP) and Studies units in every ministry. This measure is intended to improve public investment spending efficiency.

Other reforms

23. We remain committed to our reform agenda aimed at improving the business environment. Reforms in this area are crucial to raise productivity and competitiveness and lift constraints on growth. At the core of our agenda is the establishment of public-private partnerships in key areas, like infrastructure, utilities, export industries, and tourism. A special management unit for public-private partnership has been established within the MEF to ensure a steady implementation of those partnerships. In addition to putting in place the institutional framework to attract such investments, the Ministry of Commerce and Industry is also preparing a range of measures to reduce the cost and alleviate the burden of doing business. One of the key objectives is the creation of a "Guichet Unique Electronique" aimed at reducing the process of registration for new firms to a 10-day period through a simplification of procedures.

24. Another key area of action is the energy sector. We will vigorously implement the current plan seeking to stabilize and gradually upgrade the electricity company's technical, commercial and financial functions. We have already strengthened the management team and enhanced the legal and institutional framework. The next step is to adopt a comprehensive plan to enhance production and distribution of electricity to cover the needs of the country. In the interim, we will closely monitor the activities of the independent power producers to rationalize the budgetary transfers and increase access as well as the quality of electricity services through EDH and other supply chains. New investments are planned, including for the rehabilitation of Peligre dam and plant and the construction of a new water electricity plant in the southern region.

25. Strengthening the country's resilience to natural shocks is critical to protect growth and overcome poverty. We will work closely with the World Bank and other international partners to further strengthen our national risk and disaster management system (NRDMS).

Financial sector development

26. We will continue to improve financial intermediation in support of the growth agenda. With the credit-to-GDP ratio remaining low by regional standards, we anticipate credit to the private sector to grow faster than the economy in the coming years. While the banking sector is relatively sound and quite profitable, we will further strengthen its resilience through an update of the financial legislation on regulation and supervision. We are also exploring ways to increase lending to SMEs and to regulate the fast growing microfinance industry. Furthermore, the expected passage by Parliament of an insurance law and the setting up of a regulatory authority will provide the impetus for economic growth, trade and consumption. In relation to the latter, we are taking steps to create a private credit bureau. A continued strengthening of the operations of the Partial Credit Guarantee Fund will at the same time contribute to expand financial intermediation. In this connection, we welcome the selection of the country as a pilot case for enhanced surveillance of financial systems of LICs, as called for by the Executive Board of the IMF. This will help us outline a reform agenda to further develop Haiti's financial sector.

External debt management

27. We will continue our debt management reform agenda in 2013. Action will be taken on both the legal and institutional sides**.** The expected adoption in 2013 by Parliament of the law related to the administrative reorganization of the Ministry of Economy and Finance will open the way for the creation of a Directorate General of Treasury that will have authority over the new debt unit that will take over the authority of the current Directorate of Debt with fully operational middle and back office functions. On the legal side, we have completed the work on the draft public debt law which we intend to submit to Parliament when it reconvenes in January 2013. We will also complete work on a medium-term debt strategy. In the interim, we will continue exercising caution in the use of PetroCaribe resources to limit them to growth-enhancing investment projects and resort only to concessional financing to maintain debt sustainability.

Safeguard assessments and AML/CFT

28. We will continue to implement the recommendations of the January 2010 Safeguards assessment follow-up mission. Work is under way to (i) adopt the IFRS, including the establishment of a special committee to monitor its implementation and (ii) reconstitute the Investment Committee as an independent oversight body and appointing a compliance officer to monitor observation of investment guidelines.

29. We are committed to ensure compliance of our AML/CFT legal framework with FATF standards. We have submitted a revised draft law to Parliament for adoption. This law enhances compliance with the Caribbean Financial Action Task Force (CFATF) standards. We have also made headway in the implementation of critical aspects of the AML/CFT framework, particularly in the context of combating corruption, countering tax evasion, preventing financial sector abuse, and improving identification of citizens. These measures include the publication by the Central Bank of two decisions and guidelines that will establish mechanisms and procedures that are in line with the new law on banks and other financial institutions (passed by Parliament on May 14th, 2012), and help financial institutions (i) properly identify their customers and fund beneficiaries and (ii) prevent money laundering and the financing of terrorism.

Social policies

30. The government is continuing to make progress in strengthening its social policies and protection mechanisms of the vulnerable segments of the population. In the aftermath of recent ad hoc initiatives launched recently in the education and health sectors and in addition to the cash program to help women with children, we are now working on a comprehensive and a coherent institutional framework to protect the most vulnerable segments of the population and combat extreme poverty. This work will benefit from the ongoing social and demographic surveys, including two household surveys, a survey on living standards, a joint demographic and health survey, and a multi-indicator cluster survey. The completion of these surveys is expected for the first quarter of 2013, and this will pave the way for producing a comprehensive strategy by mid-2013. A census, supported by donors, is expected to be launched by IHSI.

Program monitoring

31. Our program will be monitored using the definitions, data sources, and frequency of monitoring set out in the accompanying revised TMU. The government will make available to Fund staff all data appropriately reconciled and on a timely basis, as specified in the TMU. Table 1 shows the quantitative performance criteria for monitoring program execution in 2011/12 and 2012/2013. Structural benchmarks, with corresponding dates and status of implementation are identified in Tables 2a and 2b. Structural conditionality for the remainder of the program, including new dates for the implementation of the four benchmarks outstanding are in Table 2c. It is proposed to reschedule to end-March 2013 (from End-March 2012) the two benchmarks on (i) strengthening the debt unit with fully operational middle and back offices functions; and (ii) submission to Parliament of a public debt law. The sixth review under the ECF arrangement, assessing end-March 2013 performance criteria, is expected to be completed by mid-July 2013.

Table 1. Haiti: Indicative Targets and Quantitative Performance Criteria, September 2011 - September 2013

(In millions of gourdes, unless otherwise indicated)

	Actual stock at end- Sept. 09	Cumulative Flows from September 2009												
		Sept. 2011	Dec. 2011		Mar. 2012		June 2012	June 2012	Sept. 2012		Dec. 2012	Mar. 2013	June 2013	Sept. 2013
		Actual 1/	Indicative target (EBS/12/22)	Actual	PC (EBS/12/22)	Actual	Indicative target	Actual	PC	Actual	Indicative target (EBS/12/93)	PC (EBS/12/93)	Indicative target (EBS/12/93)	Indicative target (EBS/12/93)
I. Quantitative performance criteria														
Net central bank credit to the non-financial public sector - ceiling	21,549	-16,273	-8,525	-17,318	-7,309	-19,578	-15,926	-20,281	-12,090	-17,864	-13,776	-13,163	-12,551	-11,938
Central Government 2/	23,118	-13,652	-7,291	-14,127	-6,076	-15,786	-13,434	-16,206	-7,742	-13,883	-11,904	-11,375	-10,846	-10,317
Rest of non-financial public sector	-1,569	-2,621	-1,233	-3,191	-1,233	-3,792	-2,697	-4,074	-1,954	-3,981	-1,871	-1,788	-1,704	-1,621
Net domestic assets of the central bank - ceiling 3/	14,448	-18,314	-15,784	-17,441	-17,448	-20,405	-11,488	-22,276	-5,383	-24,874	-13,251	-10,323	-7,395	-4,467
Net international reserves of central bank (in millions of U.S. dollars) - floor	416	762	370	786	384	772	683	760	563	886	764	723	682	641
II. Continuous performance criteria														
Domestic arrears accumulation of the central government	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New contracting or guaranteeing by the public sector of nonconcessional external or foreign currency debt (In millions of U.S. dollars) 4/	0	33	33	33	33	33	33	33	33	33	33	33	33	33
Up to and including one year	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Over one-year maturity	0	33	33	33	33	33	33	33	33	33	33	33	33	33
Public sector external arrears accumulation (in millions of U.S. dollars)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
III. Indicative targets														
Change in base money - ceiling	31,080	12,156	21,352	14,005	20,027	10,481	15,843	8,111	17,128	10,561	17,328	18,609	19,890	21,171
Net domestic credit to the central government - ceiling 5/	19,540	-19,863	-6,067	-21,954	-6,585	-26,985	-11,361	-29,122	-6,710	-22,532	-22,221	-21,615	-21,010	-20,404
Poverty reducing expenditures - floor 6/		17,794	23,689	17,915	26,808	22,309	20,258	20,407	24,313	24,506	31,175	36,446	41,717	46,988
Memorandum items														
Change in currency in circulation	13,448	4,953	12,117	8,254	9,728	6,221	6,626	6,217	7,161	6,784	7,921	8,494	9,067	9,640
Net domestic credit to the rest of the non-financial public sector	-1,641	-2,688	-17,582	-2,619	-20,539	-4,014	-2,775	-4,290	-2,032	-4,254	-1,948	-1,865	-1,782	-1,698
Government total revenue, excluding grants	29,881	70,319	78,402	81,201	89,649	92,377	104,203	102,047	117,269	112,289	127,253	139,283	151,969	166,245
Government total expenditure, excluding externally-financed investment	42,096	97,390	117,637	109,588	134,584	121,072	167,343	134,252	162,735	155,263	171,677	188,152	207,199	226,645

Sources: Ministry of Finance, Bank of the Republic of Haiti, and Fund staff estimates.

1/ For performance under the program prior to September 2011, please see the previous staff report (EBS/12/22).

2/ Excluding spending of resources freed by IMF PCDR debt relief.

3/ For program monitoring purposes, NDA is defined as monetary base minus program NIR in gourde terms. Program exchange rate of G40.0 per U.S. dollar for the period June 2010 - September 2013.

4/ Excludes guarantees granted to the electricity sector in the form of credit/guarantee letters.

5/This includes central bank, commercial bank, and non-bank financing to the government. It includes net T-bill issuance for government financing.

6/ Poverty reducing expenditures consist of domestically-financed spending in health, education, and agriculture.

Table 2a. Haiti: Status of Implementation of Structural Reform Measures in 2010

Macro-criticality	Objective		Structural Benchmarks	Status
Prior Actions				
Safeguards assessment	Improve reliability of program data		Completion of the audit of foreign reserves to confirm the levels of end-September 2009 and end-September 2010 level of unencumbered reserves.	Completed
End-September 2010				
1-Improve the tracking of poverty-reducing expenditures	Publish regular reports on poverty-reducing spending on the MEF website.	1a	Continue publishing quarterly reports on poverty-reducing expenditures on the MEF website, including domestically-financed health, education and agriculture spending.	Met
2-Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Strengthen the transparency of expenditure policy.	2a	Start publishing central government monthly transfers to investment project accounts, project by project, including PetroCaribe projects.	Met with delay
		2b	Start publishing central government monthly transfers by beneficiary entity.	Met
	Improve control of budget execution and fiscal reporting.	2c	Start preparing monthly consolidated Treasury balances (TMU ¶38).	Met with delay
	Improve cash management.	2d	Prepare an inventory of all government and donor accounts at the BRH and BNC (TMU ¶39).	Met with delay
3-Raise government revenue	Strengthen operation of tax and customs administrations.	3a	Prepare quarterly reports with monthly data on the performances of the tax system and the tax administration, including the cost of exemptions and revenue collected in the provinces (TMU ¶40).	Met
	Enhance the transparency of the tax exemption policy.	3b	Start publishing a quarterly report that identifies all fiscal expenditure by beneficiary sectors.	Met
	Introduce a new tax code that would increase revenue and rationalize the tax system.	3c	Set up a working group that would be tasked to prepare a study to simplify the tax system, increase revenue, improve tax productivity, custom and fiscal administration, establish a work program with specific deadlines (TMU ¶37).	Met with delay
4-Improve the monetary policy framework and its effectiveness	Improve timeliness of external audits of the BRH; enforce rotation of external auditors.	4a	Completion and publication of externally audited financial statements for 2008/09.	Met

Table 2b.Haiti: Status of Implementation of Structural Reform Measures in 2011

Macro-criticality	Objective		Structural Benchmarks	Timing	Status
Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 3a, 3b	End-March 2011	Met
Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Improve cash management.	2f	Start preparing and publishing monthly cash plans including PetroCaribe spending and financing needs.	End-March 2011	Met
	Improve the tracking of investment spending and improve ability to make multi-year investment projections.	2g	Start producing quarterly reports with monthly data of investment expenditure based on SYSGEP and publish them on the MEF website.	End-March 2011	Met.
Improve the monetary policy framework and its effectiveness	Enforce rotation of external auditors to audit BRH accounts.		Select an international firm to conduct ISA compliant external audit for the FY 2011 audit, for a period of 3 to 6 years.	End-July 2011	Met with delay
	Strengthen foreign exchange reserves management.		Adoption of a global reserves management policy by the investment committee, covering all foreign exchange reserves.	End-June 2011	Met
Strengthen fiscal discipline and transparency by improving budget preparation, expenditure control and cash management	Improve the transparency of government transfers to the energy sector	2h	Identify and consolidate all sources of transfers to EDH in regular monthly reports.	End-June 2011	Met
	Enhance the quality of spending of investment projects, including those financed with PetroCaribe resources and PCDR debt relief.	2i	Launch the bids for the selection and hiring of the international consulting agency that will assist UCP and other project implementation units in the government	End-June 2011	Met.
		2j	Prepare a plan of action / operational manual describing: a. Modalities to recruit staff with project management skills and responsibility for ordering payments for project work orders. b. A defined set of information, project lists and accounts to be regularly published online to ensure full transparency on project execution and planning. c. Clear practices to ensure the coordination between the UCP, the Procurement Commission (CNMP) and the Ministry of External Cooperation and Planning (MPCE), in full compliance with national budget execution rules.	End-September 2011	Met with delay.
Continued benchmarks			Continue publishing reports listed under 1a, 2a, 2b, 2c, 2h, 3a, 3b	End-September 2011	Met

Table 2c. Haiti: Status of Structural Conditionality through end-March 2012 and Proposed Measures Through End-March 2013

Macro-criticality	Objective	Structural Benchmarks	Timing	Status
Debt management	Complete the setting-up of the debt unit at the MEF and build capacity to prepare a medium-term debt strategy.	Strengthen the debt unit with fully operational middle and back office functions; Preparation of annual debt sustainability analyses.	Reprogrammed to End-March 2013 from End-March 2012	In progress
	Strengthen the legal framework for debt management.	Submit to Parliament a public debt law that would establish a sound legal and institutional framework for public debt management.	Reprogrammed to End-March 2013 from End-March 2012	In progress
Tax policy and revenue administration	Increase revenue	Increase the excise tax on cigarettes and alcohol	End-March 2012	Met
	Improve revenue collection	Put in place within the Directorate General of Taxes a unit in charge of medium & large enterprises	End-September 2012	Met
Macro fiscal management	Improve overall macroeconomic management	Put in place the fiscal policy unit within the MEF	End-September 2012	Met
Cash management	Improve cash management and enhance transparency in spending	Close all dormant accounts of the central government at the central bank or commercial banks andestablish the list of accounts used by public entities	End-June2012	Met
Accounting	Improve accounting procedures and enhance transparency	Reduce the number of domestically-funded imprest accounts to three by ministry or institutions (for revenue collection, capital spending, and other transactions) and deploy the network of public accounting offices at the line ministries level and gradually grant signature authority on these accounts to public accountants appointed by the Ministry of Economy and Finance	End-March 2013	In progress
	Enhance accounting for expenditure management	Roll out in all ministries the GL-software and start to record projects and imprest accounts expenditure when they are effectively paid, and no longer when the replenishment of the account is made.	End-March 2013	In progress
Continued benchmark	Improve coordination between fiscal and monetary policy	Start publishing on the BRH website reports 10R, 20R and 610R on a monthly basis	End-March 2012	Met
Exchange rate management	Improve the functioning of foreign exchange market	Establish unconstrained single price foreign exchange auctions	End-September 2012	Not met. The authorities intend to expand and modernize the foreign exchange market, taking into account local market specificities and constraints, before establishing the single price foreign exchange auctions.

TECHNICAL MEMORANDUM OF UNDERSTANDING–UPDATE

1. Haiti's performance under the program supported by the Extended Credit Facility (ECF) will be assessed on the basis of the observance of quantitative performance criteria as well as compliance with structural benchmarks. This Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria, specification of certain structural benchmarks, and indicative targets for the period September, 2010-September, 2013, specified in Tables 1 and 2 of the Memorandum on Economic and Financial Policies (MEFP). It also lays down the monitoring and reporting requirements.

Institutional Definitions

2. Central government. The central government comprises the presidency, prime minister's office, parliament, national courts, treasury, line ministries and "organismes déconcentrés." It includes expenditures financed directly by foreign donors through ministerial accounts (comptes courants).

3. Non-financial public sector. The non-financial public sector includes the central government plus non-budgetary autonomous organizations, local governments and public sector enterprises (enterprises and agencies in which the government holds a controlling stake of more than 50 percent of the shares).

4. Total public sector. The total public sector comprises the non-financial public sector and the central bank, the Bank of the Republic of Haiti (BRH).

Quantitative targets

Net BRH Credit to the Non-Financial Public Sector

5. Net BRH credit to the non-financial public sector equals net central bank credit to the central government plus net central bank credit to the rest of the non-financial public sector.

6. The change in net BRH credit to the central government is defined as, and will be measured using:

- Change in net domestic credit to the central government from the BRH according to Table 10R of the BRH.

- Change in the stock of project accounts ("Comptes de projets") included in Table 10R of the BRH will be excluded from the change in net domestic credit to the central government as defined above.

- Change in the stock of Special Accounts ("Comptes spéciaux") and seized values ("Valeurs saisies UCREF") included in Table 10R of the BRH will be excluded from the change in net domestic credit to the central government as defined above.[3]

7. The change in net central bank credit to the rest of the non-financial public sector, is defined as, and will be measured using:

a. Change in "créances nettes sur le secteur public" (i.e, net credit to the non-financial public sector) minus the change in "créances nettes sur l'état" (i.e. net credit to the central government), according to table 10R of the BRH.

8. The changes will be measured on a cumulative basis from the stock at end September 2009.

A. Net Domestic Financing to the Central Government

9. Net domestic financing to the central government will comprise the change in net banking sector credit to the central government (defined below) plus the change in nonbank financing which includes amortization, counterpart funds,4 and the net issuance of Treasury bills and other government securities by the central government to non-banks. Net domestic banking sector credit to the central government is defined as, and will be measured, using:

a. The change in the stock of net domestic credit to the central government from the BRH according to Table 10R of the BRH, plus, the change in the stock of net domestic credit of the central government from domestic banks according to Table 20R of the BRH, which will include the net issuance of treasury bills and other government securities by the central government for government financing purposes. Securities issued for the recapitalization of the BRH are excluded from this definition.

b. The change in the stock of project accounts ("Comptes de projets"), as defined in 6.b above, will be excluded from the change in net domestic banking sector credit to the Central Government.

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[3] Special Accounts ("Comptes Spéciaux") refer to U.S. dollar-denominated central government sight deposits at the BRH. The balance of these accounts increases with the proceeds of the sales of in-kind aid (in the form of wheat, maize, rice, etc.) received by the Haitian government; these proceeds are earmarked to finance specific projects and cannot be used by the Central Government without the explicit authorization of respective donors.

[4] Counterpart funds are proceeds from sales of grants received in kind.

c. The change in the total stock of Special Accounts ("Comptes Spéciaux") and seized values ("Valeurs Saisies UCREF"), as defined in 6.c above, will be excluded from the change in net domestic banking sector credit to the Central Government.

10. The changes will be measured on a cumulative basis from the stock at end-September 2009.

B. Net International Reserves

11. The change in net international reserves will be measured using:

a. Change in net foreign assets ("Réserves de change nettes" of the BRH Table 10R);[5]

b. Minus the change in foreign currency deposits of commercial banks at the BRH ("Dépôts à vue en dollars U.S. et en Euros des BCM à la BRH", and the "CAM transfer" of the BRH Table 10R).

c. Minus the change in the stock of project accounts ("Comptes de projets") as defined in 6.b above.

d. Minus the change in the stock of Special Accounts ("Comptes Spéciaux") in dollars and Euros (and excluding gourdes), and seized values ("Valeurs Saisies UCREF"), the latter as defined in 6.c above.

e. Plus the change in the stock of the Special Drawing Rights (SDR) allocation ("Allocations DTS") from the BRH Table 10R.

12. Data will be expressed in U.S. dollar terms and valued at the corresponding end-period market exchange rate from the BRH Table 10R.

13. For definition purposes, net international reserves (NIR) are the difference between the BRH's gross foreign assets (comprising monetary gold, all claims on nonresidents, SDR holdings, and BRH claims in foreign currency on domestic financial institutions) and reserve liabilities (including liabilities to nonresidents of one-year maturity or less, use of Fund credit, and excluding the full SDR allocation, and trust funds). Swaps in foreign currency with domestic financial institutions and pledged or otherwise encumbered reserve assets are excluded from NIR.

14. The changes will be measured on a cumulative basis from the stock at end-September 2009.

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[5] Letters of credit and guarantee ("Lettres de crédit" and "Lettres de garantie") are reported in Table 10R as part of BRH foreign liabilities ("Engagements extérieurs"), and therefore are already netted out of NIR.

C. Net Domestic Assets of the BRH

15. The change in net domestic assets of the BRH is defined as, and will be measured using:

a. The change in base money (program definition according to Section I. below);

b. Minus the change in the U.S. dollar amount of net international reserves (program definition according to section C above), converted into gourdes at the program exchange rate.

16. The program definition of net domestic assets of the BRH will use a program exchange rate of G 40.0 per U.S. dollar for the period June 2010- March 2013.

17. The changes will be measured on a cumulative basis from the stock at end-September 2009.

D. PetroCaribe-Related Funds

18. As of October 2012, the outstanding balance of Petro Caribe funds totaled 334 million dollars held at the BNC state bank.

19. The authorities are planning to channel new PetroCaribe/ALBA-related inflows through a binational Venezuela-Haiti corporation, the creation of which is well advanced.6 Until the statutes of the new societé mixte are published in the "Journal Officiel" (Le Moniteur), PetroCaribe-related inflows will continue to constitute direct external debt of the central government. These resources are under the direct control of the central government, and, for program purposes, will be fully reflected in the fiscal tables underpinning the program. They will be treated as budget support loans, whose proceeds are partly or entirely deposited in government accounts in the banking system (PetroCaribe deposits). Spending from PetroCaribe resources (up to US$400 million in FY 2012), financed with a drawdown of PetroCaribe deposits in the banking system, will also be fully reflected in program tables.

20. Following ratification of the societé mixte, the annual budgets of the company will be published on the MEF website before the beginning of the fiscal year. Audited annual financial statements will be published within six months of the end of each financial year.

E. Non Concessional Public Sector External and Foreign-Currency Denominated Debt

21. The definition of debt comprises all forms of debt, including loans, suppliers' credits, and leases, that constitute current, i.e. not contingent liabilities, which are created under a contractual arrangement through the provision of value in the form of assets (including currency) or services,

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[6] ALBA refers to "Alternativa Boliviarana de las Americas".

and which require the obligor to make one or more payments in the form of assets (including currency) or services, at some point in the future, as set forth in point 9 of IMF Executive Board Decision No. 6230-(79/140), as amended by Executive Board Decision No. 14416-(09/91) of August 31, 2009.

22. A ceiling applies to the contracting and guaranteeing by the public sector of new non concessional debt in foreign currency with original maturities of one year of more. The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received. This covers private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector.

23. For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

24. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt.7 The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt, based on the currency specific commercial interest reference rates (CIRRs) as laid out by the Organization for Economic Cooperation and Development (OECD).8 For a debt with a maturity of at least 15 years, the ten-year-average CIRR will be used to calculate the PV of debt and hence, its grant element. For debt with maturity of less than 15 years, the six-month average CIRR will be used. To both the ten-year and six-month averages, the same margin for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

25. Excluded from the ceiling are short-term import-related credits, rescheduling arrangements, borrowing from the Fund, non-resident purchases of treasury bills, and guarantees for the electricity sector in the form of letters of credit.

26. The ceilings for contracting and guaranteeing of non concessional debt by the total public sector (as defined in paragraph 4) will be set at US$ thirty-three million continuously throughout the program period.

F. Arrears of the Central Government

[7] The grant element calculator can be found at http://www.imf.org/external/np/pdr/conc/calculator/default.aspx.

[8] The grant element calculations will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

27. External payment arrears are defined as overdue payments (principal and interest) to non-residents on debt contracted and guaranteed by the central government, and will be defined according to the terms of indebtedness of each creditor. The criterion of zero accumulation of external arrears will be monitored on a continuous basis.

28. Domestic arrears of the central government are defined to include: (i) any bill that has been received by a spending ministry from a supplier for goods and services delivered (and verified) and for which payment has not been made within 90 days after the due date of payment; (ii) wage, salary, and other payment to government employees, including direct and indirect allowances, that were due to be paid in a given month but remained unpaid on the 30th of the following month; and (iii) interest or principal obligations which remain unpaid 30 days after the due date of payment. This definition excludes changes in the stock of arrears on account of interest, penalties and valuation changes.

G. Base Money

29. The change in base money is defined as, and will be measured using:

a. The change in the stock of currency in circulation from Table 10R of the BRH.

b. The change in the stock of reserve deposits of commercial banks at the BRH, from Table 10R, using gourde sight deposits of commercial banks (dépôts a vue en gourdes des BCM a la BRH) and cash-in-vault of commercial banks (encaisses des BCM).

30. The changes will be measured on a cumulative basis from the stock at end-September 2009.

H. Poverty-Reducing Expenditures

31. The growth in poverty reducing expenditure will be measured as the sum of domestically-financed spending for the Ministries in charge of agriculture, health, and education. This will be a flow measured on a cumulative basis from end-September 2009.

Quarterly Adjustments

32. The quarterly performance criteria and indicative targets will be adjusted as indicated below:

I. Adjustment for Domestic Arrears Accumulation

33. The ceilings for net BRH credit to the central government and the net domestic banking sector credit to the central government will be adjusted downwards for the amount of outstanding domestic arrears accumulation.

J. Adjustment for PetroCaribe-related Inflows

34. Until the bi-national company expected to administer PetroCaribe-related funds is legally established, any drawdown of PetroCaribe-related deposits will be considered as central government spending for program purposes.

35. The ceiling for net domestic credit to the central government will include movements in PetroCaribe accounts in the banking system and will be adjusted for the difference between the actual stock of PetroCaribe deposits in the banking system and programmed stock of these deposits in the banking system. The ceilings for net BRH credit to the central government, on BRH net domestic assets, and the floor for NIR will also include movements in PetroCaribe accounts at the BRH. They will be adjusted for the difference between the actual stock of PetroCaribe deposits at the BRH and the programmed stock of these deposits at the BRH. The adjustor will be calculated on a cumulative basis from October 1, 2009.

K. Adjustment for Budgetary Cash Grants in Second Half of FY2012

36. The performance criteria ceilings on BRH net credit to the central government, net domestic financing to the government, and on BRH net domestic assets, and the floor on NIR reflect expected budgetary donor grants of the equivalent of G4.7 billion (about $114 million) during FY2012 (USA, $13 million, France $22 million, Spain $22 million, World Bank $27 million, and IDB $25 million). For FY2013, expected budgetary donor grants total $80 million, including IDB $30 million, IDA$20 million, France $13 million, and Spain $7 million. If actual grant inflows are lower (higher) than programmed, these performance criteria ceilings will be adjusted upward (downward), and the performance criterion floor will be adjusted downward (upward), by the amount of the difference between actual and programmed inflows.

37. The adjuster will be calculated on a cumulative basis from October 1, 2009.

Clarification of Structural Conditionality

L. Fiscal Sector

38. As specified in Tables 2a and 2b, the publications of the following items related to benchmarks will continue over the program period: 1a, 2a, 2b, 2c, 3a, 3b, and 2h. Publication should occur on the specified regular basis (i.e. monthly or quarterly), with no gaps or unjustified delays.

39. The structural benchmark on raising government revenue will involve designing and implementing monitorable performance indicators for DGI and AGD (by end-December 2011). These should include detailed information by industry (AGD) and taxpayer segment (DGI) and a set of ratios to verify “tax effort” and efficiency, in line with TA recommendations. The reports should be published monthly on the MEF website.

40. The structural benchmark related to the establishment of a fiscal policy unit within the MEF (end-September 2012) will require the creation of a separate service within the MEF tasked exclusively with analyzing fiscal measures and simulating their impact on budget balances and the economy as a whole. The perimeter of this unit should be clearly delimited within the MEF, by appropriate written communication of the Minister or the Director General (to be shared with the IMF) nominating the officer in charge of the unit, its staffing and its duties.

41. The structural benchmark related to putting in place within the Directorate General of Taxes a unit in charge of medium enterprises (end-September 2012) will require an official act (to be shared with the IMF) setting up a separate unit within the DGI tasked with dealing with medium taxpayers, which will follow and streamline the administrative issues related to this segment of taxpayers. Adequate staffing and office space should be provided to this unit and the act establishing the unit should include the nomination of the person in charge of it and its immediate aides.

42. The structural benchmark related to the closing of dormant accounts and the establishing of a list of all account of used by public entities (end-June 2012) entails compiling a census of accounts both at the Central Bank and in commercial banks, and the creation of a permanent set of rules governing the closing of dormant accounts (both list and set of rules to be shared with the IMF). These would include time lags since last activity, threshold on balances and rules on how the sums should be transferred to the Treasury.

43. The structural benchmark on strengthening the debt unit (end-March 2013) will require permanently providing adequate office space and staffing to such unit; nominating the officer in charge of it and setting up its tasks with an official communication from the Minister or the Director General (to be shared with the IMF); the MEF should, by coordination of its services, produce annual debt sustainability analyses and make them available to the Fund, all MEF services, the BRH and the MPCE.

44. The structural benchmark on submitting a public debt law (end-March 2013) will require transmission to Parliament (and sharing with the IMF) of a draft debt law in line with international standards and with the recommendations of development partners' TA.

45. The new structural benchmark on reducing the number of domestically-funded imprest accounts to three by ministry or institutions (one for revenue collection, one for capital spending, one for other transactions, including current spending) and granting signature power on these accounts to public accountants appointed by the MEF (end-March 2013) will imply the identification of all the accounts as well as the names of the officials currently authorized to sign. On this basis, the authorities will reduce the number of accounts as specified in the benchmark and provide signature power to public accountants designated by the ministry of finance.

46. The new structural benchmark on rolling-out, for all ministries, the GL-software in the offices of the government accountants, and starting to record projects and imprest accounts expenditure when they are effectively paid and not any more when the replenishment of the account is made (end-March 2013) requires providing to all ministries a copy of the software and ensuring it is adequately installed. It also requires a follow up on the recording of expenditure at payment level.

M. Monetary Policy and Financial Sector

47. The benchmark on strengthening exchange rate management will involve the development of an exchange rate management strategy also encompassing reform of the foreign exchange market by end September 2012.

Provision of Information

48. To ensure adequate monitoring of the program, the authorities will provide daily, weekly, and monthly monetary and fiscal indicators to IMF staff, details of any loan contract or guarantee to be ratified by a non-financial public sector entity, including public enterprises, before signature, as well as other data upon request.

N. Daily

The exchange rate.

O. Weekly

49. *Monetary Indicators*: (a) Stock of BRH bonds; (b) Deposits at commercial banks (in gourdes and U.S. dollars); (c) Credit to the private sector (in gourdes and U.S. dollars); (d) Credit to central government and the public sector (net); (e) Currency in circulation, (f) base money, (g) details of inflows and outflows of gross foreign exchange reserves, (h) volume of foreign exchange transactions, of which BRH sales and purchases; (i) gross international reserves; and (d) net international reserves (NIR). The NIR data will be reported using the following table format:

Haiti: Net International Reserves BRH, End-December 2012
(In millions of U.S. dollars)

A. Gross Foreign Exchange Reserves	2,185.2
B. Gross Liabilities	275.9
C. Net Foreign Assets (=A-B)	**1,909.3**
D. FX deposits of commercial banks and CAM transfer at the BRH	963.7
E. Project accounts	8.8
F. Special accounts in U.S. dollars and euros	3.1
G. Seized values	0.0
H. SDR allocation (liability)	118.5
J. NIR (=C-D-E-F-G+H)	**1,052.2**

Source: Haitian authorities; and Fund staff estimates.

50. *Fiscal Indicators*: (a) Revenues (internal, external, other) and (b) Expenditures on a cash basis (wages and salaries, goods and services, external debt, current accounts).

51. These data will be reported with a maximum five-day lag for preliminary data (four weeks for final data).

P. Monthly

Monthly data

- Table 10 R and Table 20 R with a maximum 30-day lag for final data.
- Tableau on the comptes courants with a maximum 30-day lag for final data.
- "Project Accounts", by donor, with a maximum 30-day lag for final data
- Tableau de trésorerie de devises with a maximum 30-day lag for final data.
- Tableau des Operations Financières de l'Etat (within 20 days after end of month).
- Table underlying the TOFE which enables the determination of checks in circulation and the balance on investment project accounts (TOFE-extension).
- Set of external debt tables with a maximum 30-day lag for final data.
- Report of revenue collection of the DGI (Rapport d'activités), with a maximum 30-day lag for final data.
- The aide memoire table, which includes monetary policy indicators (foreign exchange interventions, Gourde and foreign currency credit and deposits, monetary financing).
- Tables of revenue collection of AGD (Indicateurs d'activités aux ports, Rapport analytique des perceptions douanières à l'importation), with a maximum 30-day lag for final data.
- Balance of Bureau de Monetization accounts, including spending from "fonds de contrepartie" and those movements related with flows linked to the ALBA-PetroCaribe agreement. Balance of PetroCaribe/ALBA-related deposits at commercial banks and the BRH, with a maximum 30-day lag for final data.

Haiti. PetroCaribe Deposits

	September 2009	December 2009	March 2010	June 2010	September 2010	December 2010	March 2011	June 2011	September 2011	December 2011	March 2012	June 2012	September 2012	December 2012
Total deposits in government accounts in the banking system														
Cumulative flows (G mlns)	...	1804.3	1520.7	2309.4	3204.9	3779.8	3975.9	6144.0	5518.1	6145.6	6773.2	7400.7	8028.3	8373.6
in US dollars (US$ mlns)	...	42.4	43.2	62.4	84.3	99.0	102.1	155.6	137.9	153.0	163.3	180.5	193.1	198.7
Stocks (G mlns)	3713.2	5517.5	5233.9	6022.5	6918.1	7493.0	7689.1	9857.2	9231.3	9858.8	10486.4	11113.9	11741.5	12086.8
in US dollars (US$ mlns)	88.9	131.3	132.1	151.3	173.2	187.9	191.0	244.4	226.8	241.9	252.2	269.4	282.0	287.6
Deposits in government accounts at the BRH														
Cumulative flows (G mlns)	...	-90.3	-93.0	-96.1	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0	-96.0
in US dollars (US$ mlns)	...	-2.2	-2.1	-2.2	-2.2	-2.2	-2.2	-2.2	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Stocks (G mlns)	171.0	80.7	78.0	74.9	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
in US dollars (US$mlns)	4.1	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8
Deposits in government accounts in commercial banks														
Cumulative flows (G mlns)	...	1894.6	1613.7	2405.4	3300.9	3875.8	4071.9	6240.0	5614.1	6241.6	6869.2	7496.7	8124.3	8469.6
in US dollars (US$ mlns)	...	44.6	45.4	64.6	86.5	101.2	104.3	157.8	140.2	155.3	165.6	182.8	195.4	201.0
Stocks (G mlns)	3542.2	5436.8	5155.9	5947.6	6843.1	7418.0	7614.1	9782.1	9156.2	9783.8	10411.3	11038.9	11666.4	12011.8
in US dollars (US$ mlns)	84.8	129.4	130.1	149.4	171.3	186.0	189.1	242.6	224.9	240.1	250.4	267.6	280.2	285.8

Sources: Haitian Authorities and IMF Staff estimates and projections

Q. Quarterly

52. Report on poverty-reducing expenditures, with a maximum 30-day lag for final data.

R. Other Information

53. The authorities will share with staff the by-laws of the new binational (Venezuela-Haiti) entity (as soon as they are enacted), including any and all needed information to assess the nature of such new entity; the authorities will also share with staff the financing terms of any financing received by such entity, including any and all information needed to assess whether any financing flows received by such new entity constitute public debt (direct and/or contingent) of any form.