Background

- A devastating earthquake struck Haiti’s capital and neighboring cities on January 12, 2010. Over 225,000 people were killed and 300,000 injured. The damages and losses were estimated at US$8 billion or 120 percent of 2009 GDP, and state and government institutions were badly damaged.

IMF immediate response

- In response, just two weeks after the earthquake, the IMF provided more than US$110 million in initial emergency funds. The IMF was the first donor to disburse much-needed cash quickly to support economic activity, and finance urgent imports.
- As part of a coordinated international effort on the part of Haiti’s major creditors, the IMF also committed to cancel all of Haiti’s remaining debts to the Fund of US$268 million (on top of US$1.2 billion already received by Haiti from multilateral institutions in June 2009 in the context of the HIPC/MDRI Initiative).
- Emergency technical assistance was provided to restore essential state functions. Successive IMF technical assistance missions helped restore basic treasury and revenue administration functions and provided advice on maintaining financial sector stability.

IMF support to Haiti’s medium-term reconstruction and development plan

- In July 2010, the IMF Board approved a new Extended Credit Facility of US$60 million, which aims at strengthening macroeconomic policies and boosting economic growth in the context of the government’s action plan for reconstruction and development. The program provides a coherent macroeconomic framework to help anchor donor support. It also provides limited financial resources that would help the central bank mitigate excessive exchange rate and reserves movements in the context of large and volatile aid inflows.
- The full cancellation of Haiti’s outstanding liabilities to the Fund (US$268 million or 4 percent of GDP) under the newly-created Post-Catastrophe Debt Relief Trust Fund became effective on July 22, 2010. The authorities have set aside the debt relief proceeds in a special budgetary allocation for infrastructure projects and support to the Haitian financial sector.
- The IMF program is supported by a comprehensive medium-term technical assistance (TA) strategy focused on strengthening state institutions. In the fiscal area, Fund TA covers tax policy and revenue administration, budget preparation and planning, fiscal reporting, and Treasury management. The IMF is also assisting in financial sector issues with the establishment of a Partial Credit Guarantee scheme (PCG Fund) in collaboration with the World Bank, the IDB, and the U.S. Treasury; the development of a domestic Treasury bill market; and the design of a framework for insurance regulation.

Macroeconomic situation one year after the earthquake

- The earthquake was a major economic setback as it hit Haiti at a time when growth had been positive for four consecutive years. In 2009, the Haitian economy grew by almost 3 percent.
- Thanks to the authorities’ efforts to quickly restore state institutions and prudent macroeconomic management, supported by donors, the macroeconomic situation has improved faster than anticipated.
- In fiscal year 2010 (Oct. 2009-Sept. 2010), growth declined by 5 percent compared with initial estimates in the range of 7 to 8.5 percent. In spite of a slow start in reconstruction activities, the growth decline was mitigated by resilient manufacturing and agricultural production. Inflation has remained low, reaching about 5 percent at end-December 2010 (year-on-year), and the gourde is stable at about G 40 per U.S. dollar.
- In spite of the heavy physical and human losses suffered by the tax administration, domestic revenue increased slightly compared to FY 2009, and the fiscal deficit remained contained at 2 percent of GDP.
- Growth in FY 2011 is expected to be boosted by the implementation of large public investment and reconstruction projects, and could reach 9 percent.