HAITI: THE IMPACT OF COVID-19 AND PRELIMINARY POLICY IMPLICATIONS

Interim report

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BACKGROUND

The country is facing a damaging combination of political, economic, social, and health crises, playing out amidst extreme uncertainty. The current situation is to a large extent the continuation of a very complex political and social history. The more recent period opened after the ousting of the dictator Jean-Claude Duvalier (known as Baby Doc) in 1986 and a sequence of military governments, when in 1990 Haiti had the first free election in modern history. The democratically elected president, Jean-Bertrand Aristide, was then driven from office by yet another military coup in 1991 but, after UN sanctions, free elections were again held in 1995. Concerns about security and the limitations of the fragile government to keep peace led to the establishment of the United Nations Mission in Haiti (UNMIH), a peace-keeping operation carried out between September 1993 and June 1996. The Mission was reestablished (MINUSTAH) in April 2004, after a rebellion took over most of Haiti and President Bertrand Aristide resigned. MINUSTAH ended in 2017, when it was replaced by a new UN compact (see below).

Since 1995 there have been a sequence of free elections, but not without controversies and violence. In addition, the country suffered a series of very damaging natural disasters during this period, particularly the lethal earthquake of 2010 (from which Haiti has never fully recovered), but also a series of tropical storms and hurricanes (tropical storm Jeanne in 2004; hurricane Dennis in 2005; further tropical storms in 2008; hurricane Sandy in 2012; and hurricane Matthew in 2016, the strongest in decades¹). Recently, Haiti also experienced drought conditions that affected agricultural production. Furthermore, at the end of 2010 a cholera outbreak was reported, which ended up killing thousands of people, and whose source was a camp of UN peace-keeping soldiers.²

More recently, the UN replaced the military peace-keeping mission with the United Nations Integrated Office in Haiti (BINUH), a special political mission established by the Security Council by Resolution 2476 of 25 June 2019. The objectives were a) strengthening political stability and good governance, including the rule of law; b) advancing a peaceful and stable environment, including through supporting an inclusive inter-Haitian national dialogue; and c) protecting and promoting human rights. The office integrated the work of the 19 agencies, funds and programs of the United Nations.

In July 2018, a series of violent protests started against president Jovenel Moise, which had initiated its mandate in 2017, after a debated election in 2016. Those riots, based on a series of social, political, and economic grievances (related to the deterioration of living conditions and suspicions of corruption linked to PetroCaribe and others), led to a crippling shutdown of activities in the whole country, in what was called “Peyi Lock”. This period of protests started in mid-2018, went through most of 2019, and

¹ The devastation that hurricane Matthew brought was enormous— it affected over 1 million people and recovery has been slow. There still people living in homes with tarp rooves. In terms of agriculture it was a serious blow – major fruit trees were destroyed and whole fields of crops were flattened.

² <https://www.nytimes.com/2016/08/18/world/americas/united-nations-haiti-cholera.html>

continued into 2020 period. Some of the complaints were also related to the failure of proceeding with the legislative and local elections that should have been held in October 2019, as constitutionally mandated. Such failure to organize the elections was related to political disagreements among the many political parties and groups. Since January 13, 2020 the president started to govern by decree, because the mandate for the previous parliament expired. This led to further protests in early 2020, which only started to abate when COVID-19 hit, and lockdown measures went into effect.

The pandemic also delayed the needed steps that international organizations were supporting to normalize political conditions and to contain criminal activities by gangs.

Protests have restarted more recently, once the pandemic-related measures were phased out. There were also political assassinations as well as increases in gang-related killings, kidnappings, and violence, with Haitian police not being able to establish order in parts of different regions and cities. Those political crimes are under official investigation, but with not much results yet, which led to new protests calling for justice. Those crimes and the lack of, or very slow, advance in the normalization of political conditions have created a very fragile political and security situation.

In this complex context, the COVID-19 pandemic has hit Haiti as another negative shock in addition to the political turmoil and natural disasters that have greatly affected the country in the last several years. In that regard, it is difficult to disentangle the damaging impact of the pandemic from the other harmful developments, with the latter arguably being equally or even more relevant to account for the current economic contraction and the very difficult social conditions. Still, this report will focus mainly on the pandemic, recognizing the country remains very vulnerable to its evolution.

This brief note covers the following topics until early November 2020. First, it shows the evolution of the COVID-19 pandemic, using different indicators. Second, it summarizes the main policy responses and costs and financing. Third, it shows some actual impacts with available data up to the time of this writing. Fourth, the modeling framework for the simulations is briefly presented. Fifth, the document presents simulations of different scenarios for the evolution of Haiti's economy until year 2022. A final section discusses some preliminary policy considerations.

Subsequent reports will update the information of this document and expand on the policy conclusions.

EVOLUTION OF THE PANDEMIC

Haiti suffered the first two cases of COVID-19 on March 20, and the first death on April 7. By early November, there were 9054 cases and 232 deaths confirmed.

Chart 1 shows the daily evolution of cases (top panel) and of deaths (lower panel) (note the difference in scale of the right axis).

CHART 1. DAILY EVOLUTION OF CASES AND DEATHS RELATED TO COVID-19

Source: WHO, 2020. <https://covid19.who.int/region/amro/country/ht>

Chart 2 shows the same variables but with the daily values accumulated.

CHART 2. CUMULATIVE VALUE OF CASES AND DEATH RELATED TO COVID-19

Source: WHO, 2020. <https://covid19.who.int/region/amro/country/ht>

While the chart of cases shows a peak of the pandemics around June, the chart with deaths displays further waves in July, August and September, aligned with some changes in lockdown conditions, as discussed below.

Chart 3 uses two indicators, death per 100,000 population and the percentage of fatality to cases, to compare the conditions in Haiti to the world and LAC.³

CHART 3: DEATHS PER 100,000 POPULATION

Source: Johns Hopkins University <https://coronavirus.jhu.edu/data/mortality>

Considering the indicator of deaths per 100,000 population, Haiti is well below the world and LAC average and median. However, in the rate of fatalities per cases, Haiti is above the world median and about the same level as the LAC median.

The low level of deaths per population may be due to a weak health and statistical systems that are not recording the cases properly. A reason for this under counting that have been mentioned (but it is not clear whether it has had a major impact) is that people diagnosed with COVID-19 apparently have been attacked physically or verbally, which may have kept away from health centers (UN report).⁴

But it may also be attributed to other factors (such as that Haiti has a low average age, with about 54% of the population under 25 year, it is also very rural, and, perhaps, as some suggested, but without clinical studies backing the assertion, the sequence of health problems, including the 2010 cholera pandemics, may have increased antiviral resistance in the population). At the same time, given that the Dominican Republic has a death ratio per 100,000 population of about 19 (i.e. more than 9 times higher than Haiti) and the large number of movement of people between the two countries (about 640,000 persons crossed the border between mid-March and Mid-October),⁵ it can be argued that the cases and

³ It should be noted that these numbers change almost daily, with new information being collected.

⁴ The same UN report mentions that even unrelated pediatric vaccinations are down because of unfounded rumors that Haitians are being used as test subjects to find a COVID-19 cure.

⁵ See the UN Migration Office https://displacement.iom.int/system/tdf/reports/IOM_Flow%20Monitoring_COVID-19_Bi-Monthly%20SitRep%20No.%2025.pdf?file=1&type=node&id=10070

deaths should be higher than reported. Still, there is not yet firm evidence one way or the other to explain the low case and death incidence in Haiti related to COVID-19.

POLICY RESPONSES

The Government of Haiti took a series of measures to confront the pandemic. Here they are organized in four groups:

1. The general legal and organizational framework to confront the pandemics
2. Policies and interventions that address the health emergency
3. Policies and interventions that sustain incomes and demand through social safety nets
4. Policies and interventions that operate on the supply side, focusing on production and employment

They are briefly discussed in what follows.

a) General legal framework and governance

A basic requisite to confront the pandemic is to have a general legal framework for the needed policies and interventions to be defined, and a coordinating mechanism for decision making and implementation.

Following the discovery of two cases of COVID-19 in March a state of health emergency was declared, by presidential decree in April. The Government prepared a national COVID-19 preparedness and response plan, with support from international organizations.

The accelerated procedures of articles 6 and 7 of the Decree of April 15, 2010 were utilized to facilitate the release of funds, and the acts, activities, and expenses necessary for the fight against COVID-19.

The Multisectoral Commission for the Management of the Pandemic (CMGP) was created to lead the health response to the pandemic.

The February 2020 Humanitarian Response Plan was revised in May 2020, based on the additional humanitarian needs generated by COVID-19, and its budget was increased from about US\$ 250 million to US\$ 472 million.

The initial measures (discussed below) were subsequently partially eased in subsequent phases, and finally the state of emergency was lifted by the end of July.

b) Policy responses related to health aspects

Health-related policies to combat the pandemic can be separated into three main categories: 1) those designed to prevent or reduce contagions; 2) those designed to track and isolate existing cases; and 3) those designed to treat the sick.

b1) Policies to prevent or reduce contagions.

The initial measures, common in many countries, were oriented to minimize the spread of the disease, including: closure of schools, universities, factories, industrial parks, and places of worship; closure of borders, airports and ports to passengers (but not goods); banning of meetings of more than 10 people; a nationwide curfew between 8pm and 5am; and requests for following social distancing and wearing masks.

Other measures included: 50% rotation of staff within the public administration and the private sector to ensure continuity of services; encouragement of remote work; decongestion of prison centers by the immediate application of procedures relating to the fight against prolonged preventive detention; and prohibition of visits to prisons.

The Government also set up a Permanent Information Center on the Coronavirus (CIPC) to implement awareness-raising actions and disseminate health recommendations, and there were campaigns to educate the population about COVID-19 and the use of effective prevention measures, using community health workers trained by PAHO/WHO with the Ministry of Public Health and Population.

Some of these restrictions were lifted or modified subsequently. For instance, the Government authorized textile factories to gradually resume their activities since April 20th, provided they operated following some health measures (operating at less than full capacity to maintain social distancing, checking temperature of the workers, wearing masks, and so on).

The international airport in Port-au-Prince was open to regular commercial passenger flights since June 30. The land border with the Dominican Republic was open to pedestrian and vehicular traffic as of early July.

Finally, the state of health emergency was lifted on July 20, which among other things led to the official resumption of business operations and religious services (which may not have been fully closed, except for some time in April). Public sector workers were still working on a rotational basis, and remote working was encouraged.

The curfew was reduced from 12 midnight to 4 A.M.

There have never been restrictions on intercity or inter-departmental travel, and public transportation has been operating, even though non-essential travel was discouraged. Formally, wearing a mask remains mandatory in public spaces and public transportation; and gatherings on public roads of more

than 50 people are prohibited. In practice however, these regulations do not seem to be widely respected or enforced (in the street, nobody wears a mask and protests do not respect limits on the size of gathering).⁶

However, it is not clear what would be the sanctions for violation of COVID-19 mitigation measures.

Schools were reopened during early August for more than 4 million children.

A summary of restrictions can be seen in Table 1.

TABLE 1. GOVERNMENT RESTRICTIONS AND EFFECTS

Sector	Government restrictions	Direct effects on economic activities
Agriculture	Social distancing and PPE	Low
Manufacturing	Closed initially, then reopened gradually, with social distancing, and PPE	Initially high but now low
Utilities	Regulated operations, with social distancing, and PPE	Initially medium but now low
Construction	Closed initially, then reopened gradually, with social distancing, and PPE	Initially high but now low
Wholesale & retail trade services	Special hours, social distancing, and PPE	Initially high but now low
Transportation, storage & cargo	Restricted initially, then allowed to restart gradually, with social distancing, and PPE	Initially high but now low
Hotels & food services	Closed initially, except for take-out-food, then reopened gradually, with social distancing, and PPE	Initially high and now medium
Banking, finance & insurance	Special hours, social distancing, and PPE	Initially medium but now low
Professional & business services	Social distancing and PPE, with telework	Initially medium but now low
Public admin & law enforcement	Closed initially for non-essential workers, then reopened gradually, with social distancing, and PPE. Law enforcement and essential workers excluded from restrictions	Initially medium but now low
Education services	Schools and education centers closed	Initially high but now low
Health services	Social distancing and PPE	Low
Sports & entertainment	Sports & entertainment activities banned	High to medium

⁶ According to sources in Haiti, the only places where individuals wear masks are at government or NGO meetings or the staff at restaurants/hotels/supermarkets in higher income areas (but clients are not forced to wear a mask).

Other services	Religious services and large gatherings banned initially, then gradually allowed	Initially high but now low
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Source: authors

The cycle of initial controls and subsequent easing out can be appreciated from the data on mobility in Chart 4.

CHART 4. CHANGES IN MOBILITY (PERCENTAGE FROM BASELINE)

Source: Google COVID-19 Community Mobility Reports <https://www.google.com/covid19/mobility/>

The data tracks mobility trends for six categories of activities “Retail and recreation” (places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters); “Grocery and pharmacy” (places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies); “Parks” (places like national parks, public beaches, marinas, dog parks, plazas, and public gardens); “Transit stations” (places like public transport hubs such as subway, bus, and train stations); “Workplaces” (mobility trends for places of work); and “Residential” (mobility trends in the vicinity of places of residence) (see details in <https://support.google.com/covid19-mobility/answer/9825414?hl=en>).

The data is presented as deviations from previous trends: i.e. a negative (positive) value indicates that the mobility for that category is below (above) the prior conditions.

Chart 4 shows the daily values of those deviations for the different categories of activities as provided in the database, starting with February 2020 and ending with the last data reported at the time of writing this report.

There was some impact of restrictions to movement in the country during April-May, but since June mobility has been approaching more normal levels, particularly regarding the categories of “retail and recreation,” “grocery and pharmacy,” and “transit stations.” The still lower levels of mobility shown in Chart 4 may be also related to other problems, such as the deterioration of security and increases in violence, and not only to factors related to Covid-19. This explanation seems to be confirmed by a new mobility reduction that can be noticed towards the end of the year, despite the absence of new restrictions.

b2) Policies designed to track and isolate existing cases.

The Coronavirus Pandemic Preparedness and Response Plan of March 2020 called for strengthening the surveillance system in order to detect cases early and contain their spread.

Regarding international travel, since early July there is an option on entry to the country to either present a negative PCR result or to provide contact details and commit to 14-day self-isolation. However, there are not the resources to ensure people respect the isolation period.

The COVID-19 test is free of charge in a reduced number of public and private health institutions in five departments of Haiti (West, South, Center, Artibonite, and North). Also, the Health Ministry received from the Pan American Health Organization (PAHO / WHO) materials and inputs to diagnose the virus.

The CMGP also announced on August 17, 2020, the organization of a national seroprevalence survey to determine whether a second wave of infection could be expected in Haiti (but it does not seem to have been implemented yet).

As part of the plan, the Government established call center and data analysis teams in all the Departments of the country (10). Also, teams for contact tracing and investigation were created.

With the help of the United Nations, the government distributed masks and other material to vulnerable groups.

b3) Policies designed to treat the sick.

The Government, as part of the preparedness and response plan to the Coronavirus, has acquired additional equipment (21 oxygen generators, 20 digital mobile radiography devices); 41 care sites were also provided with equipment and trained personnel; 34 sampling sites and 7 rapid test laboratories were created; and 84 mobile investigation teams and 299 mobile community response teams were organized.

The Ministry of Public Health and Population set up triage spaces for suspected cases in 147 non-COVID-19 health centers.

c) Policy responses related to safety nets

In March the government announced a one-off cash transfer to 1.5 million vulnerable families, and food vouchers and in-kind transfers to 1 million families, through the Economic and Social Assistance Fund (FAES) for the social protection of the most vulnerable (IMF COVID-19 policy tracker).

The multi-use cash transfers (i.e. not only food) were supposed to be made in three installments per household, of about US\$ 65 per installment. But at the same time, estimates of the cash transfers and food support per household based on actual execution of the programs were an average of about 3,000 gourdes (or almost US\$ 45).

d) Policy responses related to production and employment

Monetary policy and banking regulations.

The Central Bank reduced the refinance and reference rates, lowered reserve requirements on domestic currency deposits, eased loan repayment obligations for three months, and suspended fees in the interbank payment system (IMF Covid-19 policy tracker).

Payment by bank transfer was prioritized instead of issuing checks.

Employment and transportation.

The government instituted a payment to workers in the textile sector at half of their monthly salary. There were also subsidies for the payment of private sector teachers; a special payment for nursing staff and law enforcement officials; and a subsidy to the transport sector. It is not clear whether these subsidies and payments are being implemented.

Tax and customs measures

Some of the measures taken have been as follows:

*Postponement of the payment date of Income Tax (ISR) for companies and individuals for three months;

* Cancellation of fines and penalties due to late payment until June 30, 2020;

* Three-month moratorium on the application of the fine of 25,000 gourdes (US\$ 350) to be paid by all companies that have not submitted their financial statements on time;

*Three-month extension of the validity of the tax clearance for companies from the expiration date;

*Establishment of simplified procedures to facilitate customs clearance of medical and other equipment and materials in one day;

*Reactivation of the process leading to the online payment of tax and customs obligations.

Other

There were some judicial measures, such as the temporary suspension of foreclosures, expiration of proceedings and any situation of forfeiture related to delays in the judicial system;

COSTS AND FINANCING

Table 2 shows the IMF estimates of fiscal and monetary measures, calculated as percentage of the GDP. It is estimated that Haiti has increased public expenditures by about 1.6% of GDP, of which about 0.5% would be for health care interventions and 1.1% of GDP on different measures to protect vulnerable populations and maintain employment. Those expenditures are below the values of pandemic-related fiscal policies in LAC and globally. The authorities have committed to report monthly on COVID-related expenditures and implement financial and operational audits when the pandemic is over.

TABLE 2. FISCAL AND MONETARY MEASURES

		Fiscal measures (% GDP)					Liquidity support (% GDP)			
		Additional spending or foregone revenues			Accelerated spending/deferred revenue		Equity injections, loans, asset purchase or debt assumptions.	Contingent liabilities		
		Subtotal	Health sector	Non-health sector		Subtotal		Guarantees	Quasi-fiscal operations	
Haiti		1.6	0.5	1.1						
LAC		3.0	0.7	2.6	1.0	3.9	1.0	4.0	2.3	
Global		5.9	0.6	5.1	1.0	6.0	0.5	4.1	1.4	

Source: IMF

Compared to other countries, the IMF does not report liquidity support (i.e. monetary measures that expand liquidity) in Haiti, either in the form of additional liquidity or guarantees and other measures leading to contingent liabilities. However, the Central Bank has informed that it increased money financing of the fiscal deficit. Other additional funding has come from international organizations and bilateral donors (IMF about US\$ 112 million, IADB US\$ 50 million, and World Bank, at least US\$ 40 million in two operations, one to help address the health emergency and another as budget support). There was also some reprogramming of other operations from the banks and bilateral aid to focus resources on the pandemic.

INTERNATIONAL CONDITIONS AND SHORT-TERM IMPACTS

Chart 5 shows the annual change in the global index of the economic activity indicator (ICAE) calculated by Haiti's statistical agency (see BULLETIN DE L'ICAE-HAITI INDICATEUR CONJONCTUREL

D'ACTIVITE ECONOMIQUE. TROISIEME TRIMESTRE 2019-2020. (BASE 100 EN 2007-2008)). The data shows the annual change between the third quarter of 2019 and the same period in 2020.

CHART 5: ECONOMIC ACTIVITY INDEX

Source: Bulletin de L'ICAE-Haiti Indicateur Conjoncturel D'activite Economique. Troisieme Trimestre 2019-2020. (Base 100 En 2007-2008).

Overall, the ICAE shows decrease of 6.1% year-on-year. The ICAE for the agricultural sector declined by 6.5% year-on-year. Overall, the sectors more affected have been Electricity and Water (-29.5%), Restaurant and Hotels (-15.9%), Manufacturing (-10.3%), and Commerce (-7.3%). On the other hand, Financial Services, Other Market Services, and Non-market services (which includes the public sector) did not decline. Tourism, that had declined sharply in 2018-2019 due to the political instability and social unrest, was further affected by the pandemic, driving the decline in restaurant and hotels, while the initial closures in the textile industry and maquila activities are reflected in the drop in manufacturing activities. Agriculture, on the other hand (as surveys by the IADB, and others suggest) appears to be suffering from climatic events (against a backdrop of traditional structural constraints) more than because of the impact of the pandemic. Overall, it is expected that an important economic impact from COVID-19 will be generated by the drop in remittances, related to the income shock in the United States, Europe and other countries where Haitian migrants reside.

Chart 6 shows the annual accumulated inflation (measured by the consumer price index, from October 2019 to October 2020).

CHART 6: CONSUMER PRICE INDEX

Source: Institut Haitien de Statistique et D'Informatique (IHSI) <http://www.rgph-haiti.ht/lienstatistique//>

The largest jumps have been in health and food items, which is concerning.

Looking specifically to food items, the last bulletin by the CNSA/MARNDR (“Panier alimentaire et conditions de sécurité alimentaire Octobre 2020), shows that, on an annual basis, the largest increases (up to the month of September) in 2020 happened mainly in local products, in particular: black beans (61%) and red beans (53%), local rice (34%), and local corn (30%) (see Chart 7). This was due to losses related to climatic conditions.

CHART 7: FOOD PRICES

Source: CNSA/MARNDR

Chart 8 shows monthly inflation (percentage change from the previous month of the consumer price index).

CHART 8: INFLATION

Source: Institut Haitien de Statistique et D'Informatique (IHSI)

It shows that the monthly inflation rate (which was already relatively high, at 1.6-1.8% per month at the end of 2019 and early 2020), accelerated since the pandemic, peaking in August 2020 at 3.3% per month. Since then, inflation has turned negative (September, -0.5% and October, -1.2%), in line with an extraordinary appreciation of the gourde, as shown in Chart 9.

Chart 9: EXCHANGE RATE

Source: Banque de la République d’Haïti, Service Portefeuille et Change

While the previous depreciation of the gourde contributed to the acceleration of inflation since April (which in the case of local food items was also affected by climatic events, as mentioned), the recent appreciation of Haitian currency pushed down the CPI in general, including the component of food and non-alcoholic beverages: the latter declined by almost 1% both in September and October, moderating the increases of previous months.

Chart 10, also from the CNSA/MARNDR (“Panier alimentaire et conditions de sécurité alimentaire Octobre 2020), shows the correlation of the cost of a basic consumption food basket and the exchange rate (until September).

CHART 10: COST OF FOOD BASKET AND EXCHANGE RATE

Source: CNSA/MARNDR Bulletin, Panier alimentaire et conditions de sécurité alimentaire Octobre 2020

The food basket cannot be considered a nutrition-adequate diet: it consists of only of 6 basic products (rice, wheat flour, corn, beans, sugar and vegetable oil), representing 1,870 kilocalories consumed per person per day. The limited components of the food basket are due to the lack of information on other products, in particular fruits, vegetables, roots and tubers. But it helps to monitor the cost of a basic basket over time and geographically. The CNSA/MARNDR estimated in about 2.128 gourde the cost that food basket in September 2020, compared to 1,608 gourdes in September 2019, an annual increase of 25%. On a year-over-year basis, the geographical increase in the value of the food basket has not been homogeneous, with some regions showing increases of 33-35% while others stayed around 21-23%.

The average cost of the food basket dropped 12% on a monthly basis in September 2020, due to the appreciation of the gourde and the fall in the price of rice in the international market, which moderated the accumulated annual increase that in August had reached about 40%.

However, such a strong appreciation, although moderating inflation, makes Haiti extremely uncompetitive in international markets, and reduces the domestic purchasing power of flows of foreign aid and remittances. This appreciation appears to have been a policy decision but is unsustainable and it will have to be corrected soon if Haiti wants to be able to increase exports and tourism.

Since the emergence of the pandemic there were several surveys about agricultural and food production and consumption conditions (for instance, the analysis of the the impact of COVID-19 (SAMEPA-2020) carried out by the CNSA; two rounds of surveys by the IADB, about large firms and then SMEs.)

On the production side the main issues seem to have been low rainfall and the impact of an active hurricane season, complicating an already difficult situation due to long-standing infrastructural and market weaknesses and the consequences of the political demonstrations that closed the country in 2019 (“Peyi Lok”). The disruptions related to COVID-19 appear to have been additional factors, but when asked about the problems experienced by farmers they appeared only after other top concerns, such as the drought and lack of seeds and implements. Still, 60% of households interviewed indicated that the health crisis affected agricultural activities in the spring 2020 campaign, with the reasons cited in descending order of importance: high price of seeds; lack of labor manpower (but only in some regions this was attributed to social distancing measures); marketing difficulties, weak demand, and restrictions to reach markets.

Regarding market assessment, most traders mentioned an average availability of imported products in the different markets (imported rice, corn, wheat flour, and oil), but low availability or even an unavailability of local products (local rice, ground corn, local black beans). They noted the difficulties related to inflation of food and transport, as well as weakening of demand due to the negative impacts of the pandemic on employment and income.

Overall, the analysis of the Integrated Food Security Classification Framework (IPC) carried out in August 2020 which covered 87% of the population (or about 9.5 million people), concluded that the levels of food insecurity acute and intermediate (IPC 4 and 3) would move from about 41% of the population in August 2020 to about 46% of the population in March 2021 (or somewhat less than 4.4 million of people, compared to about 4 million in the previous estimate).

The Inter-American Development Bank (IDB) organized “focus groups” with the most representative companies of the main sectors of the economy in February and April 2020. The first “focus group” was large companies from agro-industry, beverages, import-export, tourism, construction, subcontracting, manufacturing and telecommunications. It appears that safety in the workplace as well as difficulties in the movement of goods and personnel were the most important constraints encountered; the subcontracting and hotel sector were the most affected by the energy shortage. All companies reported decreases in sales (amounting to about 0.2% of the GDP). But these losses resulted not only from the pandemic, but, again from a combination of causes, including prominently the disruptions related to “Peyi Lok.” Something similar resulted from the second focus group conducted in April 2020, with SMEs representative of the same economic sectors.

Another related aspect is the impact of the pandemic on migratory movements, particularly cross-border movements between the Dominican Republic and Haiti. A household survey conducted in July 2020 by the UNDP and CNSA found that 41% of households have at least one family member who has migrated due to COVID-19, of which about 70% did it within the country and 14% to the Dominican Republic.

METHODOLOGY AND SIMULATIONS⁷

The simulations start with year 2020 and extend to 2021 and 2022. There are three global reference scenarios and they are compared to the counterfactual of no Covid-19. Those three potential scenarios are related to the speed of recovery represented by different shapes of the upturn. A first scenario is **V-shaped**. It assumes quick control of the outbreak, financial stimulus for investors, central bank support and continued demand from national, regional and international markets. The second global scenario is **U-shaped**. It includes financial stimulus and central bank support, but the control of the outbreak is slower and/or the recovery of demand from national, regional and international markets is also sluggish. The third global scenario is **W-shaped**, with a slow recovery of demand that stays below pre-outbreak levels, followed by countries prioritizing national/regional markets over international markets, which would force a change in investment strategies and reallocation of capital across countries/regions. This scenario is not reported in what follows, considering that the results are largely in-between the other two..

The implications of the economic slowdown for poverty and food insecurity depend on the assumptions made about the duration of the pandemic and the transmission mechanisms.

The analysis was done focusing on a COVID-19 scenario for 2020 and under a range of assumptions of short-term impacts of the pandemic for the next two years. The factors underlying the socio-economic effects of COVID-19, such as health impacts, and the mitigation strategies the countries impose, including social distancing measures, restrictions on labor mobility and on international transport, define the design of the scenarios. Then, using IFPRI's MIRAGRODEP model, this paper analyzes the impact of the pandemic on economic growth, incomes, employment, consumption, prices, trade, and poverty.⁸

The direction of causality in the model is shown in Chart 11.

⁷ This section is based on David Laborde, Will Martin, and Rob Vos (2020)

⁸ GTAP 10 database serves as MIRAGRODEP's main source to determine values of variables and parameters. The disaggregated database includes 141 regions/countries and 65 products and productive sectors. In addition, the database is complemented by, and harmonized with, additional datasets on land use, agricultural production, food balance sheets, agricultural domestic support (Ag-Incentives Consortium, WTO notifications) and trade policies (HS6 tariff and trade data). For this specific study, the model is run with 23 sectors, of which 13 are related to agri-food activities (primary production and downstream activity) and 12 regions/countries. It is important to note that this database has Haiti as part of a region with several countries (mostly far smaller than Haiti, except for Cuba; but the sizes of their agricultural sector value added are similar). The results should be interpreted accordingly. The analysis of poverty is based on data specific from Haiti.

CHART 11. MODELING FRAMEWORK

Source: Laborde, Martin, and Vos, 2020.

The methodology builds on David Laborde, Will Martin, and Rob Vos (2020) but differs in the epidemiological assumptions, which are based on the scenarios run by the London School of Hygiene and Tropical Medicine (LSHTM) (Pearson, Van Zandvoort, Jarvis, Davies, Thompson, Checchi, Jit, and Eggo. 2020).

RESULTS

The results are presented in Chart 12, for the optimistic and pessimistic scenarios, starting in 2019 (which is normalized to 100 to serve as comparison).

CHART 12. GDP LEVELS

Source: authors based on MIRAGRODEP

The year 2020 is the same in both scenarios (because it has played out almost completely), with an estimated decline in GDP of about 4% from 2019 (-4%).

For 2021, the optimistic scenario considers a stronger rebound (more than 5%) while the pessimistic scenario considers a stagnant economy (growth of about 2%, which compared with a population growth rate of about 1.3%, suggests a very low increase for GDP per capita in this scenario). In the optimistic scenario total GDP in 2022 would only be about 2% above the 2019 level, while in the pessimistic scenario total GDP in 2022 would be almost the same as in 2019.

In both scenarios, total GDP in 2021 and 2022 would still be below what would have been the baseline growth without COVID-19.

Chart 13 presents annual growth rates for the three main sectors of the economy: agri-food, industry (other than the food industry included in the previous sector) and services. Now the comparison is against the baseline of no-COVID.

CHART 13. SECTORAL GDP (Changes from baseline %)

Source: authors based on MIRAGRODEP.

Obviously, the pessimistic scenario shows declines of all three sectors against the baseline, but more for industry and services in 2021. In 2022 they are still below the counterfactual of no COVID, but less than 2021. Services continues to be the sector more affected. In the optimistic scenario, although still below the counterfactual, industry appears to recover faster than either the agri-food sector and services.

Chart 14 repeats the values for the disaggregates the agri-food sector and then shows the three main components: crops, livestock and processed food.

CHART 14. AGRI FOOD GROWTH RATES (changes from baseline %)

Source: authors based on MIRAGRODEP.

Basically, all components (crops, livestock and processed food) are below the counterfactual of no pandemic in the optimistic and pessimistic scenarios, and for both 2021 and 2022 (although the differences are relatively small).

Chart 15 shows changes in consumption of food. They are measured against the baseline without COVID-19. The products considered are dairy; meat; fruits, vegetables and pulses (v_f); rice; other grains; sugar; vegetable oils; and processed food.

CHART 15. FOOD CONSUMPTION (changes from baseline %)

Source: authors based on MIRAGRODEP

Consumption in 2021 and 2022 are below the counterfactual without the pandemic, even under the optimistic scenario. Considering that the nutritional situation in Haiti was already precarious before COVID-19 hit the country, these results should suggest a reinforcement of all the work to improve food security in the country.

Chart 16 shows the estimated evolution of poverty and Table 3 presents the changes in the number of poor and the related percentages of prevalence of poverty.

CHART 16: EXTREME POVERTY

Source: authors based on MIRAGRODEP and POVANA

TABLE 3: NUMBER OF POOR AND PREVALENCE RATE

Extreme Poverty	Number of People		Prevalence Rate (%)	
	Change with respect to No COVID			
	U Shape	V Shape	U Shape	V Shape
2020	1.19	1.19	36.04	36.04
2021	0.33	0.09	28.31	26.21
2022	0.23	0.07	27.46	25.98

Source: authors based on MIRAGRODEP and POVANA

The simulations suggest an increase in about 1.2 million people in extreme poverty during 2020 compared to the already high levels of 2019, reaching about 36% of the population. In the pessimistic scenario, even with the economic rebound, poverty in 2021 would still be some 330,000 persons above the 2019 levels and about 230,000 persons in 2022. If the economy recovers faster along the lines simulated for the optimistic scenario, the number of people in extreme poverty would still be above the 2019 levels by 90,000 persons (2021) and 70,000 persons (2022).

The simulations suggest that the negative impact on the Haitian extreme poor would then persist in the near future.

SOME PRELIMINARY POLICY CONSIDERATIONS

Overall comments

As noted in the initial section, the discussion of aspects related to COVID-19 must be placed in the broader context of the combination of political, economic, social and health problems preceding the pandemic. COVID-19 is only a factor in a very fragile situation, which has been weakened by a decades-long sequence of natural, health, and political disasters. The possibility of implementing the policies discussed below requires, to a great extent, that political, human rights and security conditions be improved.

All this would call for a strong effort by the international community, in support of Haiti for the political dialogue, developmental programs, defense of human rights, strengthening of police and security work and reinforcement of the judicial system.

Health issues

The simulations by LSHTM estimated the number of deaths under different scenarios after 6, 9, and 12 months, starting with a seeding of 50 cases in early April. In the unmitigated scenario (no measures of any type) the estimated deaths by November would have reached about 28,000 (using the lower bound after 9 months). At the time of this writing the reported number of deaths was less than 300. As noted before, the model estimates, implemented at the beginning of the pandemic, may have overestimated the number of cases and deaths in the unmitigated scenario, and reasons such as low average age, dispersion of rural population, and perhaps a population with more active immune systems due to the previous epidemic of cholera and many other endemic diseases pandemic, may have also helped to reduce the impact. But also, there may have been a substantial undercount of COVID-related deaths in Haiti (considering the stigma and violence suffered by those that were suspected to be affected and the weakness of the public health system). The latter would be in line with the large difference with cases and deaths in the Dominican Republic.

The government, international organizations, and the large number of NGOs operating in the health sector need to coordinate better their activities, and not only those related to the pandemic.

Social protection

Next Table 4 shows different indicators of social programs (from the ASPIRE database of the World Bank).

TABLE 4: Indicators of social programs

	Coverage (%) -All Social Protection and Labor	Poverty Headcount reduction (%) - All Social Protection and Labor - 1st quintile (poorest)	Beneficiary incidence in 1st quintile (poorest) (%) - All Social Assistance	Benefits incidence in 1st quintile (poorest) (%) - All Social Assistance	Adequacy of benefits in 1st quintile (poorest) (%) - All Social Assistance
Haiti	19.5	0.1	22.5	5.8	1.1
Low income	20.2	4.7	17.2	8.6	18.2
LAC	51.0	26.6	35.3	26.3	22.2

Source: ASPIRE World Bank. Data for the aggregates reflect averages 2008-2018; data for Haiti includes also information from 2001.

The indicators definitions are as follow:

*Coverage (%) -All Social Protection and Labor Programs: Percentage of population participating in social protection (which includes social assistance and social protection⁹) and labor programs.

*Poverty Headcount reduction (%) - All Social Protection and Labor -1st quintile (poorest): Simulated change (%) on poverty headcount due to all SPL programs. Poverty headcount ratio is the percentage of the population below the poverty line and it is measured assuming the absence of the programs (pre-transfer welfare distribution).

*Beneficiary incidence in 1st quintile (poorest) (%) - All Social Assistance: Percentage of program beneficiaries of social assistance (which is a subset of all SPL programs) in the poorest quintile relative to the total number of beneficiaries in the population.

*Benefits incidence in 1st quintile (poorest) (%) - All Social Assistance: Percentage of benefits from social assistance (which is a subset of all SPL programs) going to the poorest quintile of the post-transfer welfare distribution relative to the total benefits going to the population.

*Adequacy of benefits in 1st quintile (poorest) (%) - All Social Assistance: The total transfer amount received by all beneficiaries in a quintile as a share of the total income or consumption of beneficiaries in that quintile.

It is clear that Haiti is below the comparator group of Low-Income countries, as well as the average for Latin America and the Caribbean, for all the indicators. The coverage of all SPL programs is low, and therefore their contribution to reducing poverty headcount in the lowest quintile is minimal (the poverty

⁹ Social assistance includes non-contributive programs, while social protection refers to contributive programs.

incidence would be reduced by only 0.1 percentage points, or pps). For the more targeted social assistance programs (those that are supposed to focus on the poor, and be financed with general taxes, not specific contributions of the beneficiaries) the benefits to the lowest quintile (supposedly the most needed of help) represent only 5.8% of all benefits distributed through social programs and therefore, contribute only 1.1 pps to improving income or consumption (last column).

This is in part due to the low levels of public resources devoted to these programs, as well as the fragmentation of governmental programs, with a large number of small interventions. While the lack of coordination and fragmentation within the government appears as a main problem, this is also mirrored in a variety of separate programs by multilateral and bilateral donors, as well as a number of social programs carried by churches, NGOs, and other private development organizations. This public and private institutional fragmentations is one of the more noticeable characteristics of operation of economic and social development arrangements in Haiti.

The large participation of programs carried by international and national civil society groups also make more difficult to quantify the level of support that the poor and vulnerable population is getting. Although uncoordinated, these programs may help segments of the population, but may also contribute to something like a “development assistance” Dutch disease.

In terms of public sector interventions, the pandemic has led to the expansion of social assistance (which implied an increase of 1.1% of the GDP; see before), and it would be important to keep up those efforts. The ASPIRE database does not have information about expenditures on social assistance programs in Haiti as percentage of the GDP. As a reference, in LAC social assistance programs pre-pandemic represented 1.7% of the GDP, and for all the emerging and developing countries in the ASPIRE database that number is about 1.6% of the GDP. And, as shown, in Table 2, LAC countries increased those programs by about 2.6% of the GDP (compared to 1.1% in Haiti).

The adoption in June 2020 of the National Policy for Social Protection and Promotion (PNSS) may help to streamline and better coordinate all social programs, which would now focus on four main components: (i) childhood, (ii) work, employment and employability, (iii) social protection of health, old age and disability, and (iv) social protection and promotion responsive to shocks.

As in other countries, Haiti would need three types of adjustments to its social programs: a) better targeting; b) an increase in the level of spending; and c) reconceptualization of the operation of several programs (such as CCTs) to adapt them to rural conditions and to the new disruptions generated by the pandemic.

Nutrition problems, food security and food value chains

As already mentioned, the analysis of the Integrated Food Security Classification Framework (IPC) carried out in August 2020 which covered 87% of the population (or about 9.5 million people), concluded that the levels of food insecurity acute and intermediate (IPC 4 and 3) would move from about 42% of the population in October 2019 to about 46% of the population in August 2020. This was the result of loss of employment and incomes, but also increases in food prices, even though the strong appreciation of the gourde somewhat cushioned the impact by capping increases in the prices of imported food. But this level of appreciation is not sustainable, and once the exchange rate goes back to its trend values food prices will increase even further. Adverse climatic events contributed to depress domestic supply as well.

Therefore, even with the rebound after the worse of the pandemic is over, Haiti will still suffer from a variety of problems of agricultural production, and food and nutrition insecurity. Food availability and access to adequate diets need to be monitored, while expanding food programs in support of vulnerable populations.

As noted for other countries, the combination of lower quality and quantity of diet, along with limitations in nutritional and health services, problems with water and sanitation, and population density in low-income urban areas, could weaken individual immune systems, increasing the vulnerability and chances of dangerous contagion to COVID-19 and other health threats among the poor and vulnerable (Headey and Ruel, 2020).

Macroeconomic policies for the pandemic

The main short term issues appear to be: a) the need to draft a viable budget and to receive adequate support from the international community; b) the harmonization of monetary policies and the exchange rate, which has led to great instability in the value of the gourde, and the recent extreme overvaluation of the currency. Public debt, which was about 48% of the GDP in 2019, is estimated to increase in 2021 but then return to previous levels and remain stable. Although the IMF debt sustainability analysis rates Haiti as having “moderate” risk, the staff of the organization has adjusted that risk to “high” using additional considerations related to Haiti’s institutional fragilities, and vulnerability to natural disasters (IMF, 2020). Among other things, the country will need strong support from the international community to finance the programs needed not only to address the impact of COVID-19 but also confront the social problems that pre-existed the current pandemic. Fiscal, monetary, and exchange rate policies will have to be managed in a consistent manner to ensure a sustainable macroeconomic path going forward (Díaz-Bonilla, 2020).

Agricultural policies for the pandemic and the post-pandemic period

The agricultural and fisheries sectors in Haiti need a series of public policy interventions to mitigate the effect of the several existing obstacles to their growth. The pandemic and post-pandemic period should provide an opportunity to focus the extremely scarce public resources available on a short and clear list of key interventions. In particular, attention should be devoted to the provision of production and conservation technological solutions for small producers, necessary for the creation of rural jobs and for the mitigation of the increasing food insecurity. Other fundamental items of this renewed rural development agenda should be the strengthening of rural infrastructures (in particular, rural roads and irrigation systems) that are sustainable and adapted to the climatic, social, and environmental peculiarities of Haiti.

Thirdly, a series of incentives (including credit) should be designed for medium sized potential investors in the agricultural and fisheries sectors. Finally, but not less importantly, Haitian public authorities should reinforce the provision of two public goods that are needed for the development of the sector: the provision of relevant and updated statistical information on the sector and a strong coordination of, at least, the main international development partners operating in the country.

To make the whole program work, it is paramount the immediate reactivation of the coordinating role of Agricultural Sectoral Table (AST), which would not entail any fiscal expenditure. The AST is a coordination entity to be chaired by the Minister of Agriculture, who should convene it, and it should include all key partners of the Government operating in the agricultural sector. It should include bilateral and multi-lateral international institutions and main NGOs operating in the sector. The Table should be the instrument through which the Ministry coordinates the different actors operating in the country and ensures coherence in their actions, avoiding duplications and expressing the priorities of the Government of Haiti in the agricultural sector. The AST has worked only partially, and it has not been convened since 2016. In its place, there is an Agriculture Sector Group, which only includes the main international partners (chaired by IDB with the collaboration of the FAO).¹⁰

¹⁰ Sector Tables should exist for each sector (such as Education, Health, etc.). Each Sector Table should then report to the United Nations in Haiti, who should be coordinating all cooperation activities in the country. The UN actually keeps track of the work of the active Tables and Sectors, distributing information and calling meetings from time to time, but the coordination is very weak and the governance and decision making processes remain often undefined or not applied in practice. Therefore, although an aid coordination mechanism exists, in practice, only parts of it are actually applied and international actors tend to operate relatively independently from each other.

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