



# Program Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 08-Jun-2020 | Report No: PIDA28318



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Project ID	Project Name	Parent Project ID (if any)
Haiti	P171474	Haiti COVID-19 Response and Resilience Development Policy Operation (P171474)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
LATIN AMERICA AND CARIBBEAN	29-Jun-2020	Urban, Resilience and Land	Development Policy Financing
Borrower(s)	Implementing Agency		
Ministry of Economy and Finance	Ministry of Economy and Finance		

**Proposed Development Objective(s)**

The development objective of this DPO is to support the GoH in mitigating the impacts of the current COVID-19 outbreak and enhancing resilience to natural hazards and health-related shocks.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	20.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	20.00
World Bank Lending	20.00

**Decision**

The review did authorize the team to appraise and negotiate



## B. Introduction and Context

### Country Context

1. **As the poorest country in the Western Hemisphere with high inequality, Haiti's overall economic and social performance remains weak given recurrent episodes of political and social instability.** Since March 2019, Haiti has been experiencing a protracted political crisis and civil unrest that has at times shut down most economic activity in the country even before COVID-19. These events have negatively impacted its fragile economy, with GDP estimated to have contracted by 1.2 percent in HFY 2019 (the Haitian fiscal year covers the period from October 1 to September 30). The poverty level remained very high at an estimated rate of 57 percent in 2017. Haiti also ranks poorly on the Human Development Index (169 out of 189 countries in 2019), with infant mortality remaining at the high level of 49.5 per 1,000 live births. Out-of-pocket spending for basic services (health, education, water) are a significant burden for the poor. Civil unrest since September 2019 led to school closure in urban areas and disruption of health services. Child malnutrition (stunting) has stagnated at 20 percent of all Haitian children on average, while increasing to 34 percent of the poorest children in 2017, up from 31 percent in 2012.

2. **The COVID-19 outbreak presents further serious challenges to Haiti's fragile health care system.** While the confirmed cases of COVID-19 (2,640 as of June 2, 2020, including 50 deaths) remain relatively low compared to other countries in the region, daily cases data suggest that the outbreak is accelerating. Given the limited laboratory testing capacity, the actual incidence of COVID-19 is likely much higher. Lack of testing, poor service delivery at health facilities, limited water and sanitation access, and limited surveillance and response capacity make Haiti highly vulnerable to the pandemic. The country has an estimated capacity of only 143 beds to address complex COVID-19 cases, and infection prevention control means are limited both at the community level and in health facilities. Furthermore, 64 percent of the population lives in urban areas, more than half of which are in high-density clusters dominated by informal and crowded housing, making the implementation of social distancing measures difficult.

3. **COVID-19 is expected to lead to significant economic losses and reversal of the limited gains in poverty reduction.** The pandemic will push growth further downward after the HFY2019 contraction, as the service sector contracts due to social distance measures and supply chains remain disrupted. Remittances, which make up nearly 40 percent of Haiti's GDP, are expected to fall sharply as a result of the global economic recession caused by COVID-19. GDP growth in Haiti is now expected to be negative 4 percent in HFY2020. Poverty rates reduced only marginally from 58.5 percent in 2012 to 57 percent in 2017, but this slight improvement is expected to be reversed as a result of lower employment due to COVID-19 response measures, such as social distancing, that shut down of large portions of the economy, as well as falling remittances. Moreover, inflation is projected to reach over 20 percent during 2020, affecting the purchasing power of families and make them fall back into poverty. It is estimated that a 20 percent price increase would lead to an increase of extreme poverty from 23.8 percent to 31 percent<sup>1</sup>. Most Haitian households also face the risk of shocks: In 2012, nearly 75 percent of all households, and 95 percent of the extreme poor, were economically impacted by at least one shock. In the absence of a national shock-responsive social safety net to provide cushions, vulnerable households rely on humanitarian programs to mitigate these shocks. The COVID-19 crisis has underlined the weakness of the current social registry SIMAST with insufficient coverage of vulnerable populations and outdated information, limiting the capacity of the Government to quickly identify and reach targeted household.

<sup>1</sup> Haiti: Analytics for a new challenging environment (2020) – World Bank (Poverty GP), forthcoming May 2020.



4. **The hurricane season that just started on June 1<sup>st</sup> presents yet another major risk for Haiti.** Haiti is highly exposed to hurricanes, earthquakes, flooding, landslide, and other natural hazards. The 2010 earthquake resulted in the death of about 220,000 people and destroyed the equivalent of 120 percent of GDP. In 2016, Hurricane Matthew affected over 2 million people, resulted in over 500 deaths, displaced 175,000 people and caused damages and losses equivalent to around 32 percent of GDP. Between 1976 and 2012, damages and losses from hydro-meteorological events alone amounted to, on average, the equivalent of almost two percent of annual GDP. Climate change is increasing hazards with more frequent and intensive hydro-meteorological events such as hurricanes and flooding. Across Haiti, more than 70 percent of households live in vulnerable dwellings, leaving them highly exposed to adverse effects of shocks. The consequences of torrential rain are already affecting some regions of the country amid the COVID-19 crisis. With the ongoing stress placed on its health system together with food insecurity, public insecurity, exhaustion of limited emergency response resources, and financial strain, the hurricanes season could be extremely challenging and could further complicate the GoH's efforts to respond to COVID-19. Over the long term, climate change will exacerbate the risks of both natural disasters and health emergencies, as rising temperatures and precipitation create conditions for proliferation of infectious diseases.

5. **The COVID-19 crisis will negatively affect GoH's already fragile fiscal position.** GoH's deficit of the non-financial public sector (NFPS) in HFY2019 rose to an estimated 3.6 percent of GDP against 2.9 percent of GDP in HFY2018, largely due to a 22 percent drop in revenues in real terms, an increase in fuel subsidies to maintain fixed prices in gourdes, and losses incurred by the electricity company. To contain the deficit, the government slashed domestically financed capital spending by almost 70 percent and drastically cut social spending which dropped to 2.5 percent of GDP from 3.3 percent of GDP in 2018. As a result of currency depreciation and arrears accumulation, public debt jumped by 7 percentage points to 47 percent of GDP at end-September 2019. About 58 percent of public debt is external and subject to exchange rate valuation effects. The debt sustainability analysis nonetheless shows that public debt is still sustainable, but risk of debt distress is high because of institutional fragilities and exceptional vulnerability to natural hazards. Government's COVID-19 response measures for actions taken between March 25 and April 15, 2020 is estimated to cause spending increase by 1.6 percent of GDP. The fiscal deficit for HFY2020 is expected to widen to 6.2 percent of GDP, as revenues fall and operational expenses rise in part to tackle the pandemic.

#### Relationship to CPF

6. **The Program is aligned with the World Bank Group's Country Partnership Framework (CPF) for the Republic of Haiti for FY16-FY19.** The CPF emphasizes: (i) supporting poverty reduction through investments in human capital, including health; and (ii) building resilience. It is also aligned with the WBG's support for national plans and global commitments to strengthen pandemic preparedness by (i) promoting adherence to International Health Regulations through the adoption of the Joint External Evaluation recommendations; and (ii) developing health-informed DRM plans in key sectors and emergency plans at all administrative levels. The proposed operation is also aligned with ongoing World Bank financing for investment operations in Haiti in the health, disaster risk management, urban development and social protection.

### C. Proposed Development Objective(s)

7. The development objective of this DPO is to support the GoH in mitigating the impacts of the current COVID-19 outbreak and enhancing resilience to natural hazards and health-related shocks.



## Key Results

8. **The proposed DPO will support the efforts of the Government of Haiti (GoH) to mitigate the impacts of the current COVID-19 outbreak, while enhancing the country's resilience to natural hazards and health-related shocks.** The COVID-19 pandemic and its global economic impact are presenting a major challenge for Haiti, the poorest and the only FCV country in Latin America and Caribbean barely emerging from two years of socio-political instability and economic hardship. With weak economic conditions, a fragile healthcare system and fiscal distress before the pandemic, Haiti has limited resources to respond to the COVID-19 outbreak. The pandemic is rapidly worsening an already weak economic outlook for Haiti, and the situation is expected to further deteriorate as more cases are revealed by improving testing capacity and a global recession further affects Haiti's economy. Coordinated and timely support by the international community will be crucial for Haiti to confront the multiple risks that it faces. This operation, together with other IDA-financed investment lending projects, forms part of international support to Haiti to cope with the ongoing crisis and ease the impact on the population, especially the poor and vulnerable. The operation also supports actions to strengthen the institutional framework for Haiti's long-term resilience.

### D. Program Description

9. **As the COVID-19 crisis has manifested the urgency for Haiti to strengthen its resilience to natural hazards and health shocks, the GoH is undertaking important actions in the areas of preparedness for pandemics, social protection, disaster risk management and disaster risk financing.** For preparedness to epidemics, Haiti completed a Joint External Evaluation (JEE) of capacities for the implementation of the International Health Regulations in July 2019<sup>2</sup> in partnership with the World Health Organization (WHO), which provides critical recommendations to improve GoH's preparedness to future public health emergencies. In social protection, the proposed National Social Protection and Promotion Policy (NSPPP) adopts an inclusive and comprehensive approach and presents a good starting point to prepare a home-grown, more effective social safety net. The new DRM law will solidify the progress made since the 2010 earthquake in managing disaster risks by institutionalizing proven approaches that have saved lives and reduced damages, while the implementation of the new National DRM Plan (PNGRD) will facilitate planning and mitigation actions by sectoral agencies, decentralized institutions and communities. This DPO supports these critical policy actions that will have long-term impact on Haiti's resilience.

10. **This DPO will support the GoH in mitigating the impacts of the current COVID-19 outbreak and enhancing resilience to natural hazards and health-related shocks.** The policy reforms included in this DPO are aimed at containing the spread of the COVID-19 pandemic while reducing the economic and social impacts with a particular focus on the poor and vulnerable populations. The reforms also aim to prevent and reduce vulnerability to natural hazards and health related risks, increasing long-term resilience and ability to recover from shocks. Through the proposed policy reforms, the GoH will strengthen its legal and institutional framework and enhance its capacity to plan and better manage the costs of shocks, ensuring timely access to resources. Also, through the development of a Disaster Risk Financing Strategy, the GoH will enhance its capacity to identify, understand and quantify the economic and budgetary impact to which the country is exposed, and implement cost-efficient way to combine risk retention and risk transfer financing instruments considering time dimension, as well as the frequency and severity of events.

11. **Specifically the proposed operation will support:** (i) the strengthening of health emergency preparedness and response capacity through the implementation of the JEE recommendations; (ii) the adoption of the National Policy for

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<sup>2</sup> The JEE is a tool developed by WHO as part of measuring country status for the International Health Regulations (IHR); it helps identify critical gaps in country human and animal health systems, to prioritize opportunities for enhanced preparedness and response.



Protection and Social Advancement and update/expansion of the Social Registry to include beneficiaries that have received support during COVID-19 pandemic but are not part of the registry; (iii) the operationalization of the SNGRD and the new Civil Protection General Directorate (DGPC); (iv) the development of DRM and health-informed sectoral plans in key sectors; and (v) the development of a Disaster Risk Financing Strategy.

12. **This operation complements the IDA support for the health sector response through a recently approved US\$20 million grant for the Haiti COVID-19 Response Project.** This project aims to respond to the threat posed by COVID-19 limiting the transmission of COVID-19 in Haiti through detection, infection control in health facilities, and access to best care possible for people who become ill. This includes enhancing testing, minimizing spread through contact tracing of confirmed cases, and providing needed laboratory and protective equipment for healthcare staff to ensure quality of care as pressure on the medical system increases. The project will also support communications activities to help community members understand what they can do to prevent spread and counter misinformation. The project supports the COVID-19 Preparedness and Response Plan developed by the MSPP.

13. **This operation also supports efforts from development partners<sup>3</sup> such as United Nations agencies, International Monetary Fund (IMF), Inter-American Development Bank (IADB), and other donors active in strengthening resilience in Haiti have been coordinating and supporting COVID-19 response efforts through various initiatives.** These include support to: (i) balance of payments and creation of fiscal space for essential expenditures resulting from the pandemic under the IMF's Rapid Credit Facility (RCF); (ii) the health sector to provide clinical care and contain outbreaks; (iii) emergency cash transfers, communication on prevention measures and emergency registrations; (iv) agricultural programs to address food security concerns; (v) COVID-19 risk communication campaigns at the national and local levels; and (vi) improvement of key water and sanitation infrastructure. This DPO forms part of this coordinated international support while also backing up the needed reforms to institutions and policies for longer term resilience.

## E. Implementation

### Institutional and Implementation Arrangements

14. **The Ministry of Economy and Finance (MEF) will be the main responsible agency for the monitoring, evaluation and results framework and will coordinate actions across the relevant line ministries and agencies.** The agencies responsible for the implementation of the prior actions supported by the operation include: Ministry of Public Health and Population (MSPP); Ministry of Social Affairs and Labor (MAST); Ministry of Interior and Local Authorities (MICT); Ministry of National Education and Vocational Training (MENFP); Ministry of Planning and External Cooperation (MPCE); and National Center for Geospatial Information (CNIGS). The World Bank will continue with the ongoing dialogue with MEF and the relevant line ministries and will support the monitoring of the implementation of the DPO Program through regular supervision missions.

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<sup>3</sup> United Nations Children's Fund (UNICEF), International Organization for Migration (IOM), World Food Programme (WFP), United States Agency for International Development (USAID), IMF, Canada Cooperation, European Union, Inter-American Development Bank (IADB), Pan American Health Organization (PAHO), United Nations Office for Project Services (UNOPS), among others.



## F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

### Poverty and Social Impacts

15. **Prior Actions under this DPO are expected to have positive poverty and social effects, particularly to offset the impact of the COVID-19 crisis.** Policies supported by this operation such as the measures for mitigating the impacts of the COVID-19 crisis are expected to protect poor and vulnerable populations. The National Social Protection and Promotion Policy lays a critical foundation for a social protection system to help the poor. Providing emergency support to vulnerable populations affected by the pandemic is expected to have a positive impact on the welfare of the poorest by limiting the increase of extreme poverty incidence and the severity of poverty among the extreme poor as a result of the COVID-19 pandemic.

16. **Policies supported under this program are also expected to enhance the country's resilience to shocks and support social and economic development.** Strengthening the institutional framework is expected to have indirect positive effects increasing the GoH capacity to reduce the country's exposure to future shocks, that, in general, affect disproportionately the most vulnerable groups. Actions in this DPO can also indirectly help reduce poverty by having in place an effective response system, that can deploy in a timely manner, to support the affected vulnerable populations after a shock. Measures for increasing efficiency in the mobilization and allocation of public resources are expected to strengthen the fiscal position of the government.

### Environmental, Forests, and Other Natural Resource Aspects

17. **It is anticipated that policy reforms supported through the proposed DPO are unlikely to have any negative significant impact on Haiti's environment and natural resources.** All the actions supported through the Operation are policy-oriented; they do not support direct investment in activities that could generate harmful environmental impacts or involve policy actions with significant environmental consequences. Haiti has a relatively adequate body of legislation in place to ensure sound environmental monitoring and protection, including for disaster risk management and waste management, the main linked areas of the policies enumerated in the Prior Actions. Nonetheless, due largely to institutional capacity and resource constraints, national legislative frameworks are poorly enforced. Donors continue to provide continued capacity support to sectoral ministries for greater governance and enforcement capabilities, in line with enacted frameworks, in both the disaster risk management and healthcare management (including medical waste management) sectors. For disaster risk management, MICT and its constituent DPC have developed strong capacity to manage potential negative environmental impacts resulting from their activities. For healthcare, and specifically medical or hazardous bio-waste management, the institutional framework is more fragmented which in turn has resulted in fragmented monitoring and oversight. The national framework consists of (i) the National Policy for Injections Safety and Medical Waste Management; (ii) Norms and Procedures for Medical Waste Management; (iii) Essential Package of Services (which defines more broadly the organization of health care and includes waste management); (iv) the Strategic Plan for Injections Safety and Medical Waste Management 2009-2014 (still used as the reference framework); and (v) the Program for the Prevention of Infections and Waste Management. The World Bank finance health projects in Haiti have provided medical waste management technical assistance and there is concerted donor action to work with the Directorate for Environmental Protection and Community Health (DPSPE), the oversight agency for medical waste within MSPP, to enhance both the national institutional framework as well as DPSPE enforcement capacity. Preliminary efforts are underway to develop a comprehensive medical waste management strategy with the support of international partners active in the public health sphere.



## G. Risks and Mitigation

18. **The overall risk associated with the operation is ‘Substantial’.** The sources of risk are diverse. Most risks have a substantial-to-high probability of occurring and a moderate-to-high anticipated impact on the achievement of the program objectives. While the program’s design incorporates risk-mitigation measures, some risks cannot be fully attenuated. However, given both the critical near-term importance of the budget support provided through the operation and the longer-term implications of the supported reform agenda, management considers the potential benefits of the operation to outweigh the risks.

19. **The operation will aim to mitigate these risks.** The operation mitigates political and governance risks by focusing on a narrow range of impactful but feasible reforms that rely on relatively uncontroversial policy actions. Other mitigation measures include maintaining a close and coordinated dialogue on reform actions among the government, a cross-section of stakeholders, and development partners. The COVID-19 crisis and Haiti’s vulnerability to natural hazards pose serious additional challenges to macro stability and could further reduce fiscal space for a timely response and recovery efforts. This operation seeks to partly mitigate these risks by strengthening the country’s institutional capacity and resilience to shocks, which, in doing so, would indirectly remove pressure on the government’s fiscal position. Also, the two IDA-financed health projects (PROSYS and the COVID response Project) will complement this operation to adapt to the evolving macroeconomic and fiscal impact on the health system, as much as possible. Mitigation measures to reduce the fiduciary risk, which include policy actions taken by the Government as well as the additional Financing to the Haiti Statistical Capacity Building Project (P157531), are expected to mitigate this risk in the medium term only. For the execution of the DPO, the Bank’s FM mitigation measures as appropriate for high fiduciary risk DPOs include the use of designated accounts, specific reporting requirements and an audit of the dedicated accounts.

20. **The operation will also aim to mitigate the COVID-19 risks.** To prevent the risk of COVID-19 spreading in the targeting and distribution of cash transfers, social distancing and crowd limitations will be enforced at distribution sites, in addition to all workers wearing appropriate PPE. Distribution cycles will also be limited to the minimum necessary number, and mobile money will be relied on as much as feasible to avoid physical distributions of cash. MSPP personnel and DPC volunteers will be present on site to enforce the COVID spreading mitigation measures and lead communication on COVID prevention for all beneficiaries. Additionally, an adjusted SIMAST registration methodology is being developed to mitigate COVID spreading, including by relying on phone surveys. To mitigate expected delays in the implementation of the JEE recommendations, due to limited staff mobility and limited financing available, the two IDA-financed health projects (PROSYS and the COVID response Project) will, as much as possible, provide resources to ensure core health system functions are supported as well as the initiatives supported through this operation.



**CONTACT POINT**

**World Bank**

Jose C. Joaquin Toro Landivar, Claudia Ruth Soto Orozco  
Senior Disaster Risk Management Specialist

**Borrower/Client/Recipient**

Ministry of Economy and Finance  
Patrick Boisvert  
Minister of Economy and Finance  
boisvertmp@yahoo.com

**Implementing Agencies**

Ministry of Economy and Finance  
Patrick Boisvert  
Minister of Economy and Finance  
boisvertmp@yahoo.com

**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Jose C. Joaquin Toro Landivar, Claudia Ruth Soto Orozco
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**Approved By**

Country Director:	Anabela Abreu	09-Jun-2020
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