

N°3 POLICY NOTES

A NEW APPROACH TO UNDP SOCIAL PROTECTION AND PROMOTION IN HAITI¹

UNDP Haiti

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Introduction

In this document we attempt to broadly define the social protection policy that the United Nations Development Program (UNDP) should try to promote in Haiti. To do this, we recall the country's main socio-economic indicators, with emphasis on the situation of extreme poverty under which a considerable portion of the Haitian population lives. We then develop our proposals. Taking into account other existing programs supported by multilateral agencies that are present in Haiti, particularly relating to conditional transfer policies, our proposals, which are intended to complement the existing supply, will mainly focus on the organization of the country's health sector.



1 This document was written simultaneously with Order No. 102 of this year by the PNPPS. However, it should be noted that the approach adopted in this document is relatively different from that taken by Order No. 102. While Order No. 102 draws up a set of proposals that develop the social protection scheme in Haiti, this document focuses more on the healthcare system. On the other hand, it takes more into account the aspects of supply than those of demand. Therefore, we believe that this document will provide useful insights for Haitian policy makers.

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The main messages of this policy note are:

- » **Healthcare provision must be a priority:** We suggest that the Haitian government should not seek to extend social insurance coverage until it has developed and consolidated its healthcare sector. In other words, resources must be primarily directed towards the healthcare sector and to the implementation of health programs. With this in mind, an articulation between urban and rural areas must be implemented.
- » **An Essential aid package should be considered:** To prevent issues related to access to care, we suggest introducing an aid package at no cost to users. If this package is offered by a private body, the Ministry of Social Affairs and Labor (MAST) will be in charge of regulating the tariffs paid in order to limit the rents obtained by the private sector.
- » **Education policy must be ambitious:** Currently, the level/quality of education in Haiti is clearly insufficient and does not promote the qualification of the country's workforce in order to push their productivity towards the achievement of satisfactory levels of remuneration that in turn may help them overcome vulnerability to poverty.
- » **Early childhood should be central:** Social programs must prioritize early childhood if they intend to eliminate many poverty traps that manifest themselves in later stages of life.
- » **A structural tax reform** is imperative in order to formalize the different actors of the labor market. No social protection system can be sustainably funded with the rates of informality that currently characterize the Haitian labor market.
- » **An industrial policy** must be implemented in order to favor certain sectors. This would allow workers in these sectors to escape poverty and integrate Haitian products into international trade value chains.
- » **A social and administrative database** that covers the entire population. Without this data, it is very difficult to properly establish a social policy focused on the neediest.



losses amounted to 120% of the GDP of that same year, while Hurricane Matthew generated losses which reached approximately a quarter of the GDP for 2016. Despite the magnitude of these natural disasters and their consequences on the productive apparatus of the Haitian economy, national production did not catch up during the years that followed. This phenomenon clearly reveals a profound weakness of the country's institutions.

Proposal for a Social Protection and Promotion Policy in Haiti

Labor market informality is so high in Haiti that it is unrealistic to create social insurance for informal workers, or more generally, for all those who do not contribute to a social insurance fund. In addition, tax revenues generated by income tax are far too low and too concentrated on a minority of individuals. Thus, financing social protection through income tax would lead to greater tax evasion. In other words, financing social protection through a mechanism of social contributions or income tax would mainly reinforce informality in the labor market. The introduction of social insurance could reinforce an already extreme poverty trap effect if we recall that less than 5% of Haitians work in a formal setting. Furthermore, social insurance may be exposed to the risk of a “virtualization” of social protection, meaning that beneficiaries would have an insurance card which would not necessarily guarantee real access to healthcare. Considering the long tradition of social programs in Haiti which present objectives that are completely disconnected from reality and therefore quite unachievable, it is preferable to have ambitions that are much more reasonable, and which can materialize gradually.

The creation of a social insurance system would make sense if there was a relatively well-structured health system, especially in terms of hospitals and town medical centers. Indeed, the rationality behind introducing an

The Health and Social Situation in Haiti

Haiti is the poorest country in the Western Hemisphere, with a gross domestic product (GDP) per capita of \$ 870 in 2018 and a corresponding Human Development Index that ranks it at 169 out of 189 countries. According to the Human Capital Index, children born today in Haiti reach only 45% of their potential at adulthood that they could have benefited from full education and health. More than 6 million Haitians live below the poverty line on less than \$ 2.41 a day, and over 2.5 million have fallen below the extreme poverty line on less than \$ 1.23 a day.

Due to the low level of national production, the Haitian economy largely depends on remittances sent by the country's diaspora. The amount of these transfers is estimated between 27% (MAST) and 40% of Haitian GDP (Intelligence Unit). Regardless of the percentage considered, it represents the country's primary source of foreign exchange, well ahead of net merchandise exports.

Poverty in Haiti is tightly linked to income inequality. It is indeed one of the most unequal countries in the world with a Gini coefficient estimated at 0.61. Moreover, 41.3% of the population has an average deprivation score of 48% while severe multidimensional poverty affects 18.5% of its inhabitants.

These numbers go hand in hand with a great deal of informality in the labor market, which must be taken into account when choosing between different types of social protection mechanisms. According to a study conducted by the World Bank in 2012, 80.4% of workers could be considered as informal while 73% of those who are employed could be considered as self-employed, which is equivalent to saying they are not enrolled in any social protection scheme. Rural areas, and therefore the agricultural sector, are subject to even more acute informality compared to the rest of the country.

In addition to this panorama of poverty, Haitians are commonly exposed to covariate shocks, including natural disasters. During the earthquake of 2010, the material



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insurance scheme is to be able to regulate and ration the supply of care by controlling the rents that can be obtained by healthcare providers in a situation of oligopoly or monopolistic competition. The Haitian health system is not yet at this stage, so it would be premature to implement health insurance schemes before having sufficiently developed and consolidated the provision of healthcare in the country.

The intermediation of insurance brokers or social insurance funds systematically generates management costs, generally between 5-15% of the resources allocated, depending on the country. In line with the previous point, investing these resources in the intermediation and management of health risk will make sense when the health sector itself and its associated services will be sufficiently developed. As this is not currently the case, it is preferable to "save" these resources and allocate them directly to investments in infrastructure or health services for the Haitian population.

Given the little information MAST has about the Haitian population, it would be illusory to achieve universal coverage. Paradoxically, this difficulty may be further increased if social insurance coverage is established in a focalized and gradual manner. Indeed, focalizing requires more detailed information that is not currently available to MAST. On the contrary, it is easier to expand and distribute healthcare provision in the country based on more aggregated demographic data and modern geo-referencing strategies. In other words, under current conditions, it is much easier to achieve universal access to healthcare by focusing on expanding its supply.

To accomplish this, it is important to start by establishing a precise diagnosis on the current state of healthcare provision. Hence, precise information on the healthcare provision must be readily available, especially for town healthcare centers and hospitals in each of the country's departments. This information should also contain the transport times involved in accessing healthcare within rural areas. Likewise, the diagnosis should take into account all the healthcare structures currently managed by NGOs, while specifying whether these structures are temporary or permanent.

Once the diagnosis is established, measures must be taken to extend provision of healthcare services. With the help of international cooperation (and associated funding), the Haitian State must initiate significant investments in infrastructure in the health sector. The location of these facilities should complement the existing network while considering the minimization of transport costs for residents, since these costs often constitute a first barrier in the access to healthcare, especially in rural areas.

This diagnosis will also be useful to implement promotion and information campaigns and chose the location of health centers.

As is also proposed in the document produced by MAST, it seems desirable to us that healthcare teams go to rural areas with the aim of preventing health risks, screening for certain diseases and sending those in sensitive condition to health centers or hospitals in urban areas (these benefiting from more equipment) in a timely manner. These healthcare teams must be able to rely on a local team of nurses who can provide first aid and who have a sufficient level of involvement with their respective communities.

In order to compensate for the virtual absence of coverage against health expenditure associated risks, it seems important to us that the Haitian State defines an essential healthcare aid package, large enough to minimize the problems related to access. For healthcare services offered by private structures, MAST must set up a regulated pricing system in order to control the market power of these structures. MAST must also articulate its public provision of services in close connection to the private alternatives. In the absence of a health insurance system extended to the entire population, the free provision of such an aid package is an alternative way of guaranteeing universal access to main healthcare services.

Given the precarity of land infrastructure in many areas of the country (and the insecurity that characterizes some routes), we believe that the Haitian State should promote the adoption of disruptive technologies to transport certain health materials in rural areas. In the same vein, telemedicine programs could be set up to take into account the difficulties of traveling throughout the country.

As the MAST document proposes, it is crucial to redouble efforts aimed at the protection of infants and children. This is essential because it is customary for health prevention and promotion policies to be circulated within the school environment. A public provision of preschool-education and education must ensure that any family, regardless of income, is able to educate their children. Teachers must follow a training program to improve their teaching standards.

The recommendations made by the MAST document clearly point towards the right direction with regard to programs that combat malnutrition. Indeed, many studies identify a link between the problems of malnutrition which

arose in childhood and the deficiencies in the productivity of workers. At this level, there are doubts concerning the capacity of the Haitian State to carry out a properly focalized social policy given the little administrative information it currently has. Social programs that focus on infancy and childhood can provide an effective support to ensure a balanced diet for young people, and therefore prevent health problems in adulthood.

It is crucial for MAST to improve and complement the administrative data of SIMAST. In relation to the aforementioned proposals, we suggest that the programmed census be the opportunity to complete the SIMAST database. In the meantime, georeferencing policies could be employed to determine the locations of health centers and hospitals that should complement the existing public supply.

Public hospitals and health centers to be set up in rural areas should be subject to co-governance between MAST officials and representatives of local communities. This co-governance is a relatively effective way to prevent corruption strategies on the part of local actors or MAST officials.

The document prepared by MAST offers interesting proposals for a social assistance policy that is contingent on the occurrence of natural disasters. Nevertheless, it would be necessary for the Haitian State to make explicit a real risk management policy, including the disposition of financial reserves which are exclusively intended for social assistance initiatives in the event of natural disasters. In order to protect the destination and proper use of these reserves, the parameters on what constitutes a natural disaster must be mandated by international community guidelines.

Finally, given the cost of any social protection policy, it is important for the Haitian State to consolidate its the productive layout. First of all, it seems important to us to remember that no social protection mechanism will be balanced on a budget with the level of informality that characterizes the Haitian economy. It is therefore essential that the Haitian government proposes a structural tax reform that encourages existing informal businesses towards formalization. Moreover, the Haitian State must imperatively increase the capacities of its productive apparatus if it wants to be able to sustainably finance a system of protection and social assistance that responds to the challenges in terms of poverty reduction. Without an industrial policy that promotes and protects certain sectors from unfair competition from outside, the Haitian economy will always be dependent on international aid and remittances sent by the diaspora. Currently, remittances sent by the diaspora are almost exclusively intended for assistance and do not finance productive activities in Haiti. In this regard, it would be interesting for the international community to try to create the appropriate financial structures that would give guarantees to the diaspora in order to direct the capital sent to productive sectors.

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