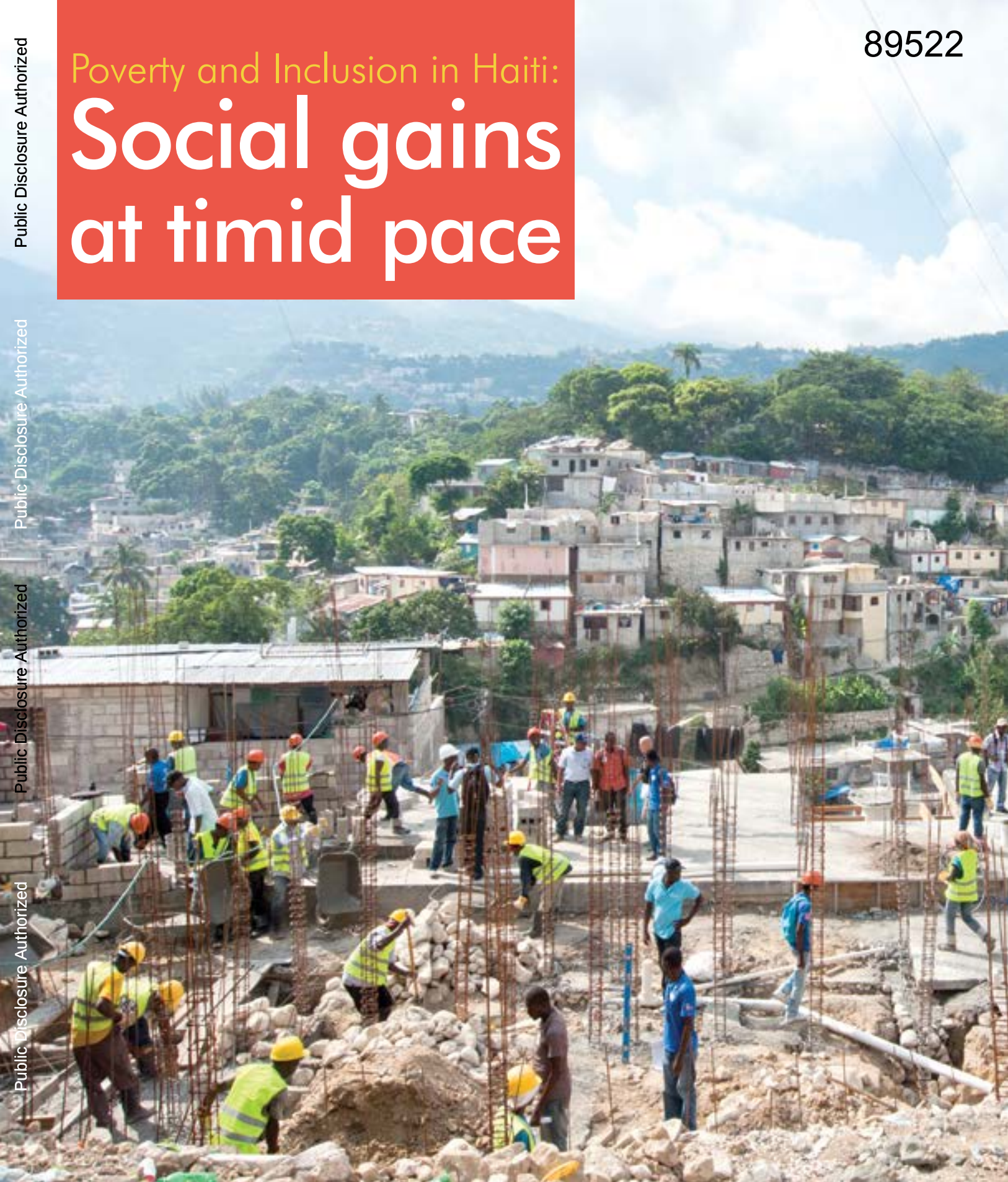


Poverty and Inclusion in Haiti:

Social gains at timid pace





Two years after the earthquake, monetary and multidimensional poverty remains starkly high in Haiti, particularly in rural areas. In 2012, almost 60 percent of the population was poor, and one person in four was living below the extreme poverty line. Nearly half the households in Haiti are considered chronically poor because they are living below the moderate poverty line and lack at least three of the seven basic dimensions defining nonmonetary well-being. In rural areas, these numbers rise even higher: three-quarters of all households are monetarily poor, and two-thirds are considered to be living in chronic poverty.

Compared with 2000, there is evidence that both monetary and multidimensional poverty have improved slightly. Extreme poverty declined from 31 to 24 percent between 2000 and 2012, and there have been some gains in access to education and sanitation, although access to reliable energy and tap water experienced only modest improvements. Income inequality is the highest in the region, at a Gini coefficient of 0.61, and has been constant since 2001. Urban areas have fared better than rural areas, reflecting larger private transfers, more nonagricultural employment opportunities, narrowing inequality, and more access to critical goods and services.

Continued progress in reducing extreme and moderate poverty will require greater, more broadbased growth, but also a concerted focus on improving access to basic opportunities in rural areas, where more than half the population resides, extreme poverty has stagnated, and income inequality is increasing.

Haiti is one of the largest and most densely populated nations in the Caribbean, as well as one of the richest in both challenges and opportunities. With a population of 10.4 million people, Haiti is one of the most densely populated countries in Latin America.¹ While 22 percent of the total population lives in Port-au-Prince, the capital, slightly over half (52 percent) lives in rural areas; the rest reside in other urban areas outside the capital.² Haiti's strategic position in the middle of the Caribbean Sea, its proximity to the United States, its young labor force, and its rich cultural heritage offer a wide range of economic and geopolitical opportunities. Despite this, the wealth generated in the country is largely inadequate to meet the needs of the people: today, Haiti is the poorest country in Latin America and among the poorest in the world in terms of per capita gross domestic product (GDP) (\$1,575 purchasing power parity [PPP] in 2013) and human development (Haiti ranks 161 among 186 countries in the Human Development Index of the United Nations Development Programme) (figure 1).³

A. Introduction

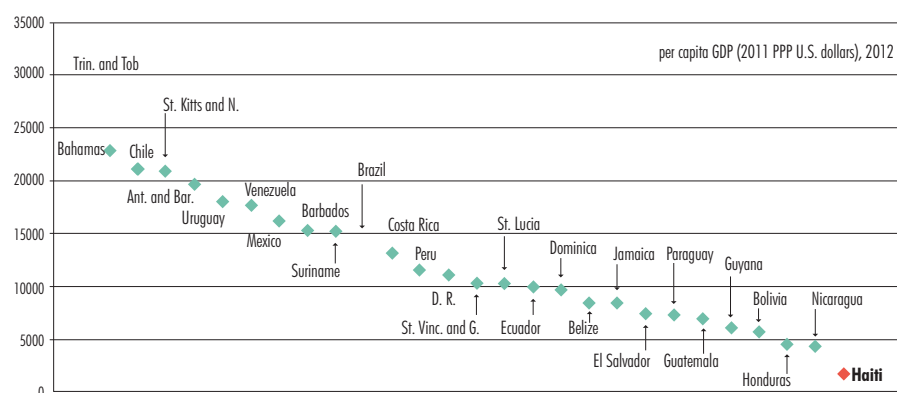


Figure 1. Haiti is the poorest country in Latin America

Poverty is widespread in Haiti; in 2012, the overall poverty headcount was 58.7 percent, and the extreme poverty rate was 23.9 percent. Almost 6.3 million Haitians cannot meet their basic needs, and 2.5 million are living below the extreme poverty line, meaning that they cannot even cover their food needs.⁴ The incidence of poverty is considerably higher in rural areas and in the North.⁵ More than 80 percent of the extreme poor live in rural areas, where 38 percent of the population is not able to satisfy its nutritional needs, compared with 12 percent in urban areas and 5 percent in the Metropolitan Area (figure 2). The poor are also geographically concentrated in the North, where the Nord-Est and Nord-Ouest departments have an extreme poverty rate exceeding 40 percent (representing 20 percent of the extreme poor), compared with 4.9 percent in metropolitan Port-au-Prince (representing only 5 percent of the extreme poor). The incidence of poverty among man- and woman-headed households is the same, at about 59 percent, and 43 percent of the Haitian population is living in a woman-headed household.⁶

In Haiti, 60 percent of households are considered multidimensionally poor in that they lack access to at least three of seven basic components of welfare (education, improved sanitation, clean water, reliable energy, housing constructed with nonhazardous materials, and food security).⁷ Households that are below the poverty line and lack access to basic goods and services are considered chronically

B. Significant monetary and multidimensional poverty and vulnerability characterized Haiti in 2012

¹ Based on available population projections of the Haitian Institute of Statistics and Informatics (IHSI), 2012.

² All data in this briefing are from ECVMAS 2012 (IHSI) unless otherwise indicated.

³ <https://data.un.org/dataset/Human-Development-Index-HDI-value/8ruz-shxu>.

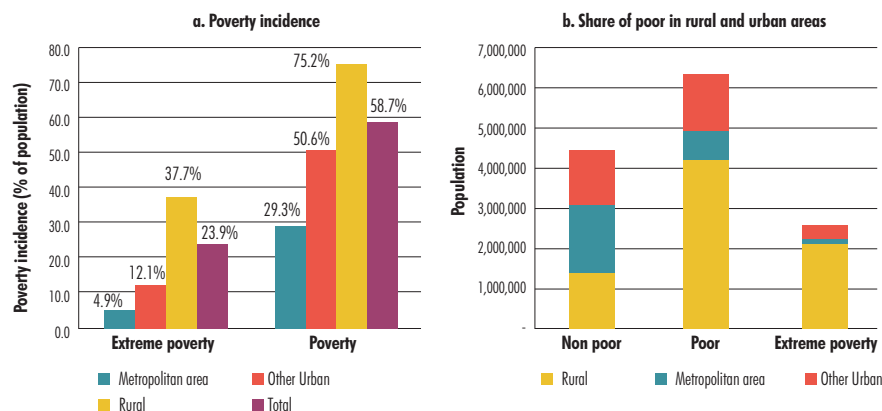
⁴ These rates are based on per capita consumption and were calculated using the 2012 official moderate and extreme poverty lines of G 82.2 per capita per day (\$2.42 PPP of 2005) and G 41.7 per capita per day (\$1.23 PPP of 2005), respectively.

⁵ Geographically, Haiti is divided into five regions: the North, the South, the Transversal (the Center), the Metropolitan Area, and the West.

⁶ Based on a linear regression on poverty correlates, the sex of household heads is not correlated with poverty in any location of residence.

⁷ The chronic poor are living below the poverty line and lack access to a basic set of services: education (the household head is literate; all school-age children are in school); health (the food security index); water (access to an improved source of drinking water, including treated water); sanitation (access to improved sanitation); energy (access to a sustainable energy source); and habitat (a home constructed of nonhazardous materials). Households deprived in at least three of these dimensions are considered multidimensionally poor (López-Calva 2013).

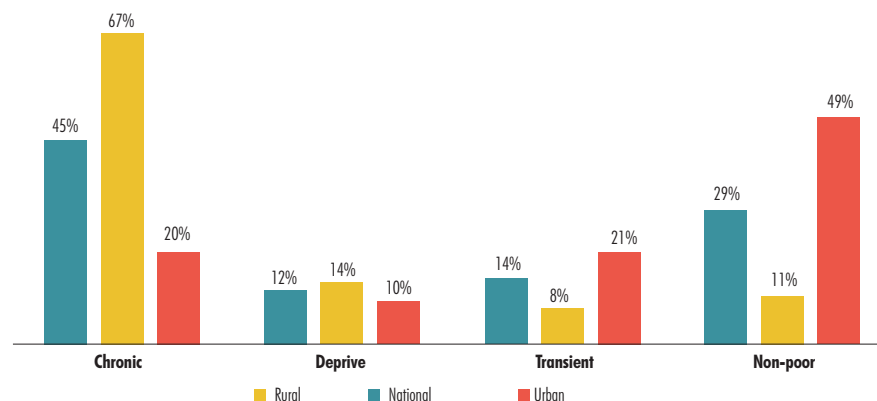
Figure 2. Poverty and extreme poverty in Haiti are significant, particularly in rural areas



Source: Official poverty rates, ECVMAS 2012.

poor: they face particularly difficult challenges in emerging from poverty compared with the transient poor, who may lack monetary resources, but have access to basic services. Nearly half the households in Haiti are chronically poor (figure 3). Almost 70 percent of rural households are considered chronically poor, compared with 20 percent in urban areas, highlighting the particularly narrow opportunities to emerge from poverty in rural Haiti. Nationwide, only 14 percent of households are transiently poor in that they lack monetary resources, but have access to basic services and are more likely to be able to move above the poverty line. Finally, 12 percent reside above the poverty line, but are deprived in access to basic services, suggesting that they lack the assets to significantly improve their wellbeing and stay out of poverty. The large share of chronic poverty is unusual in Latin America and highlights the structural challenges of poverty reduction in Haiti.

Figure 3. Nearly half of Haitians are chronically poor: they exhibit both monetary and multidimensional deprivations, 2012



Sources: ECVMAS 2012; World Bank calculations.

Vulnerability is extensive in Haiti. One million people live slightly above the poverty line and could be pushed below the line by a shock; almost 70 percent of the population is either poor or vulnerable to falling into poverty (figure 4).⁸ The consumption level of only 2 percent of the population exceeds \$10 a day, which is the region's income threshold for joining the middle class. A typical Haitian household faces multiple shocks annually, and nearly 75 percent of households were economically impacted by at least one shock in 2012. The extreme poor are more vulnerable to shocks and the consequences of shocks: 95 percent experienced at least one economically damaging shock in 2012. Natural disasters, in particular, have a great disruptive potential partly because they so heavily affect agriculture, which represents the main source of livelihood for most of the poor, especially in rural areas.

⁸ In the absence of panel or synthetic panel data, the vulnerable are defined as individuals living on a budget representing 120 percent of the poverty line or, in other words, 20% higher than the poverty line. An alternative definition of vulnerability used by the World Bank for Latin America is tied to economic stability and a low probability of falling into poverty. The threshold corresponding to this probability is \$10 PPP a day, which is therefore used to identify the middle class in the region, while the vulnerable are defined as individuals living on between \$4 and \$10 PPP a day.

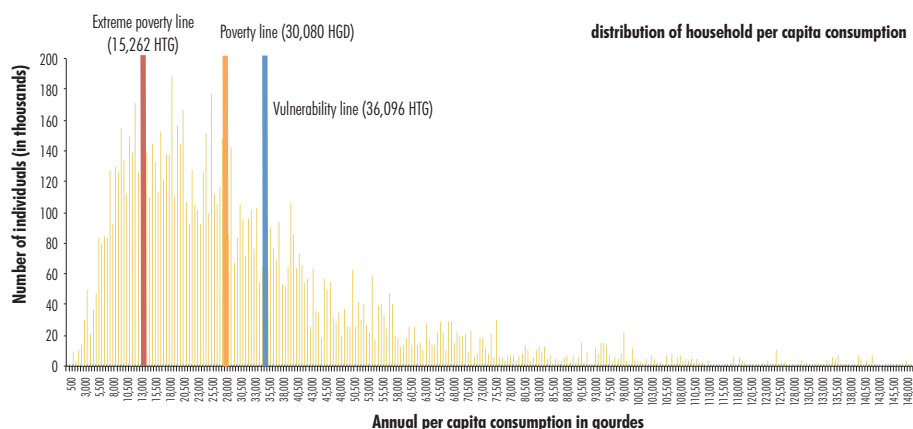


Figure 4. Vulnerability is extensive in Haiti: most households are close to the poverty line

Sources: ECVMAS 2012 and official poverty lines; World Bank calculations.

Indeed, the evidence shows that the most common covariate shocks are weather or climate related, while the most important idiosyncratic shocks are health related⁹.

The first decade of the 21st century was fraught with significant economic, political, and natural shocks in Haiti, which had important impacts on well-being. The available data on poverty provide snapshots of welfare at the beginning of the 21st century and in 2012 and do not allow a disaggregated analysis of how each of these shocks affected households. However, a comparison of these two points in time suggests that welfare did improve despite the repeated shocks. In particular, at the national level, the extreme poverty rate declined from 31 to 24 percent between 2000 and 2012 (figure 5).¹⁰ Improvements in urban areas were behind this decline because the extreme poverty rate fell from 21 to 12 percent in urban areas and from 20 to 5 percent in the Metropolitan Area, but stagnated in rural areas at 38 percent. While data are not available to assess the relevant trends, moderate consumption poverty is also estimated to have modestly improved in the last decade.¹¹

C. Modest improvements in monetary and multidimensional poverty since 2000, but challenges ahead

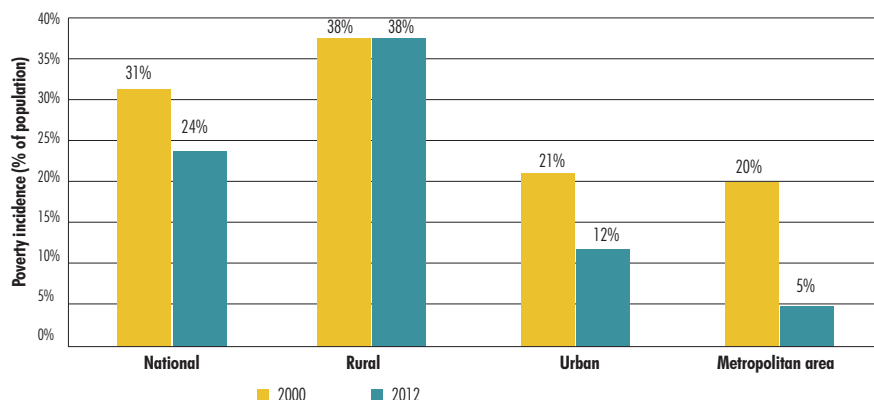


Figure 5. Extreme poverty has declined, reflecting gains in urban areas

Sources: EBC 1999/2000, as in FAO (2001), and official poverty rates from ECVMAS (2012)

Nonmonetary welfare has also improved in Haiti since 2001 in both urban and rural areas (table 1). The biggest gains were in education, where participation rates among school-age children rose from 78 to 90 percent. Furthermore, the quality of service delivery is a concern: because of a combination of late starts, dropouts,

⁹ Covariate shocks affect large shares of the population/ community (such as natural disasters or epidemics), while idiosyncratic shocks affect individuals (such as sickness, death, or job losses).

¹⁰ The 2000 poverty rates are from the FAO Institute for Applied International Studies (2001), based on the IHSI *Enquête Budget et Consommation des Ménages* EBCM 1999/2000 (IHSI) (household income and expenditure survey). The consumption poverty indicators for 2000 were calculated based on a national food poverty line estimated in a slightly different manner than the official 2012 methodology. The consumption aggregate in 2000 was developed using over 50 items in the food basket, while the 2012 aggregate was based on a food basket of 26 items, which reflects 85 percent of the value of the food consumed among the reference population in all regions of Haiti (deciles 2–6). Furthermore, the aggregate for 2000 does not include imputed rents, while the aggregate for 2012 does. Simulations show that, even excluding imputed rents from the 2012 aggregate, the declining trend in extreme poverty holds.

¹¹ Income-based measures suggest that moderate poverty declined from 77 percent in 2001 (ECVH 2001) to 72 percent in 2012 (ECVMAS 2012). Consumption-based poverty measures are considered the most accurate in capturing welfare levels, especially in countries with high rates of rural poverty and significant income volatility; the new, official Haitian poverty measure is consumption based.

and repetitions, only one-third of all children aged 14 years are in the appropriate grade for age. The open defecation rate decreased from 63 to 33 percent at the national level between 2000 and 2012, reflecting gains in both urban and rural areas. However, the quality of sanitation access remains low: only 31 percent had access in 2012 to improved sanitation at the national level, and fewer than 16 percent had access in rural areas.¹² Access to improved sources of drinking water is similar in urban and rural areas, at 55 and 52 percent, respectively. However, most of the remainder of the urban population (36 percent) purchases safe water directly from vendors; the rest (9 percent) use unimproved sources of drinking water. Meanwhile, the remainder of the rural population (44 percent) does not have this option and uses unimproved water sources (river water or unprotected wells) with a high probability of contamination. Access to energy (electricity, solar, or generators) expanded only slightly because of gains in urban areas, accompanied by stagnating levels in rural areas, which held at 11 percent.

Table 1. Access to basic services remains a core challenge, especially in rural areas

coverage rates, %

Indicator	National		Urban		Rural	
	2001	2012	2001	2012	2001	2012
School-age children in school	78	90	84	93	74	87
Access to improved drinking water sources						
WHO definition ^a	—	53	—	55	—	52
Access to tap water (in house)	7	11	13	18	3	5
Expanded definition ^b	—	73	—	91	—	56
Treated water (purchased)	—	20	—	36	—	4
Access to energy ^c	32	36	62	63	11	11
Rate of open defecation	63	33	44	11	76	53
Access to improved sanitation ^d	—	31	—	48	—	16
Habitat, nonhazardous building materials	48	60	71	81	33	41

Sources: ECVH 2001; ECVMAS 2012; World Bank calculations.

Note: — = not available. WHO = World Health Organization.

a. According to the international definition (WHO), access to improved drinking water is the proportion of people using improved drinking water sources: household connection, public standpipe, borehole, protected dug well, protected spring, rainwater.

b. The expanded definition includes the international definition (WHO), plus treated water (purchased).

c. Includes electricity, solar, and generators.

d. Improved sanitation is access to a flush toilet or an improved public or private latrine.



Over the same period, income inequality stagnated: the Gini coefficient was static at 0.61 at the national level beginning in 2001.¹³ Such a high level of inequality means that the richest 20 percent holds more than 64 percent of the total income of the country, against the barely 1 percent held by the poorest 20 percent. However, this hides opposing trends in urban and rural areas, where inequality decreased (from 0.64 to 0.59) and increased (from 0.49 to 0.56), respectively. As expected, consumption inequality was lower, at 0.41, because the gap tends to be smaller in consumption than in income.¹⁴ These levels of inequality mean that Haiti is the most unequal country in Latin America and one of the most unequal countries in the world (figure 6).

Despite improvements in outcomes, the poor face significantly larger barriers in the accumulation of human capital. In 2012, 87 percent of 6- to 14-year-olds in poor households were in school, compared with 96 percent of children in nonpoor households. In the same year, child mortality in the highest welfare quintile was 62 per 1,000 live births, while it was 104 in the lowest income quintile. Similarly, the number of stunted children was four times greater in the lowest quintile relative to the highest.¹⁵ Finally, maternal mortality is extremely high, at 380 deaths per 100,000 live births in 2010, more than five times higher than the regional average of 63.¹⁶ Fewer than 1 in 10 women benefits from assisted delivery

12 Improved sanitation includes flush toilets as well as improved latrines. According to WHO and the United Nations Children's Fund, an improved sanitation latrine is one that hygienically separates human excreta from human contact.

13 Calculated using the income aggregate for 2001 and 2012, comprising household per capita labor income (including production for own consumption), non-labor income and imputed rent. The aggregate was built using the methodology of the Socio-Economic Database for Latin America and the Caribbean, as illustrated in "A Guide to the SEDLAC Socio-Economic Database for Latin America and the Caribbean," Center for Distributive, Labor, and Social Studies, Universidad Nacional de la Plata, La Plata, Argentina; World Bank, Washington, DC, March 2012, <http://sedlac.econo.unlp.edu.ar/eng/methodology.php>.

14 It is not possible to compare trends in consumption inequality because the 2000 estimate did not exclude outliers, which strongly affect inequality estimates.

15 Welfare quintiles are based on a household asset index, not on household consumption (DHS/EMMUS, 2012).

16 WHO (2010).

a. Gini inequality coefficient, Latin America

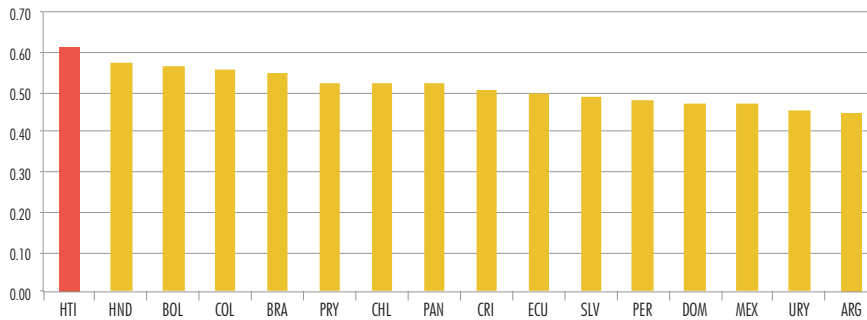
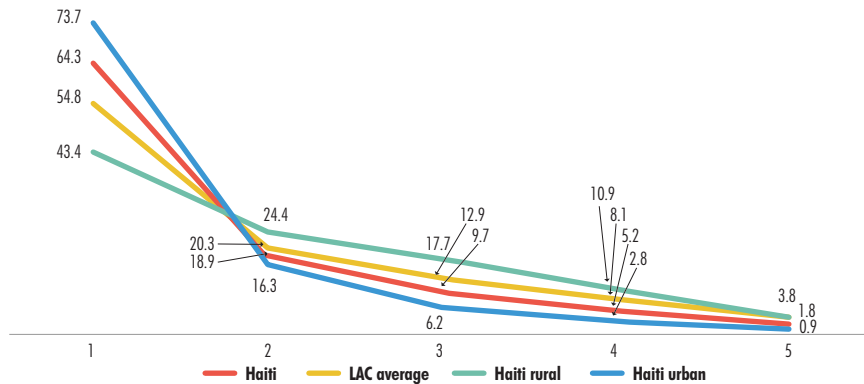


Figure 6. Haiti is the most unequal country in Latin America

b. Income share, income quintiles, Haiti



Sources: ECVIAS 2012; PovStats 2014; data of the Center for Distributive, Labor, and Social Studies (CEDLAS).
Note: Average inequality in Latin America is based on income aggregates. The same methodology has been used to measure inequality in Haiti. However, comparability is not perfect because of differences in the questionnaires used to capture income.

in the lowest quintile, against 7 in 10 among the more well off, suggesting that the poorest have limited access to maternal health services and are more likely to die during delivery.¹⁷ These facts suggest that poverty is an important barrier to both school enrollment and health service utilization: in 83 and 49 percent of cases, respectively, cost is the main reason for keeping children out of school or not consulting a doctor when they are sick.¹⁸ Households bear most of the burden of education costs (10 percent of their total budgets). In contrast, household health expenditures are relatively limited (less than 3 percent of total household budgets). These obstacles to investment in human capital are greater in rural areas, where poverty is more extensive and the supply of services more limited.

Despite extreme levels of poverty and vulnerability, social protection system in Haiti remains extremely fragmented and coverage of programs is low in comparison to the population needs. In the face of the high incidence and vulnerability to idiosyncratic or covariate shocks, the poor and vulnerable have limited access to public support. Most assistance continues to come in the form of remittances or support from churches, other non-governmental institutions and donors. In 2012, as few as 11 percent of the extreme poor received some public social assistance, such as scholarships, food aid, or other transfers¹⁹. Despite recent efforts to expand social assistance provision, under the EDE PEP framework, the majority of the poor continues to lack access to formal safety nets, which could allow them to smooth their consumption over time and prevent irreversible losses of human capital, as well as avoid destitution.

¹⁷ In 2012, the coverage of deliveries within institutions was 8.4 times greater among the highest welfare quintile (76 percent) than among the lowest welfare quintile (9 percent). Welfare quintiles are based on a household asset indicator, not household consumption (DHS/EMMUS V, 2012).

¹⁸ According to the 2012 Demographic and Health Survey (DHS/EMMUS V), 7 in 10 women aged 15–49 years do not seek medical support for lack of money, while 43 percent do not do so for lack of transport. Reference: health chapter.

¹⁹ This coverage rate does not capture a number of larger programs available such as school feeding and tuition fee waivers or new programs introduced in recent years under the Government's EDE PEP, or 'help the people' in Creole, platform

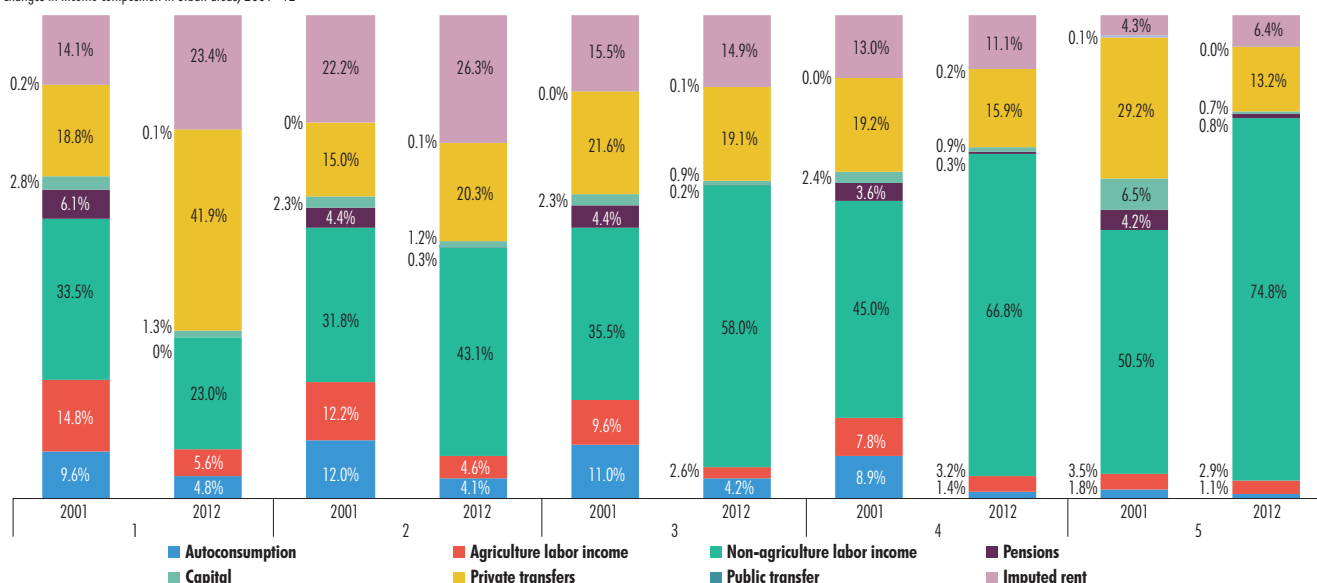
D. Poverty reduction: the importance of transfers and nonagricultural income

The key driver behind the modest poverty gains in urban Haiti was increased access to nonagricultural income. The share of nonagricultural income rose among all households in urban areas except for the first quintile, the extreme poor (figure 7). The shift toward nonagricultural employment in urban areas likely reflects a transition toward higher-quality employment in construction, transport, and telecommunications, sectors that experienced positive value added growth during the period. The average hourly labor income is two to four times higher in the formal and informal sectors than in the agricultural sector.²⁰ In contrast, households in the first quintile saw their share of nonagricultural and agricultural income fall, while the contribution of private transfers (domestic and international remittances) in their income rose.

Income generation opportunities in urban areas are limited by a two-sided problem: the scarcity of jobs and the prevalence of low-quality employment. Unemployment affects 40 percent of the urban workforce, and almost 50 percent of the female workforce. Youth face unemployment rates that are higher than 60 percent, which triggers not only economic, but also social concerns. The steep challenge of finding a job ends up producing high levels of discouragement. Haiti has the lowest rate of labor force participation in the region: only 60 percent of working-age individuals participate in the labor market, compared, for example, with 70 percent in neighboring Dominican Republic. Among those that find a job, 60 percent have earnings below the minimum wage, and women earn, on average, 32 percent less than men.²¹

Figure 7. Labor income becomes more important except for the extreme poor (first quintile) changes in income composition in urban areas, 2001–12

Changes in income composition in urban areas, 2001–12



Sources: ECVIAS 2012; World Bank calculations.

Education plays a critical role in improving welfare in urban areas: labor income is, on average, 28 percent higher among individuals who have completed primary education than among uneducated individuals. In this context, the urban poor resort to self-employment or two-person businesses as a coping mechanism. Overall, almost 60 percent of the poor are in this type of occupation, and 75 percent of the poor are active in sectors such as trade, construction, and low-skilled services.

The stagnation in rural poverty reflects an increasing reliance on a low-performing agricultural sector and production for home consumption. Over the decade, agricultural income grew in importance, accounting for 50 percent or more of the incomes among the first three quintiles (figure 8). Rural livelihoods

²⁰ The informal sector is defined by the International Labour Organization as unincorporated enterprises (household businesses) that are not registered, do not keep formal accounts, and are not in the primary sector (agriculture).

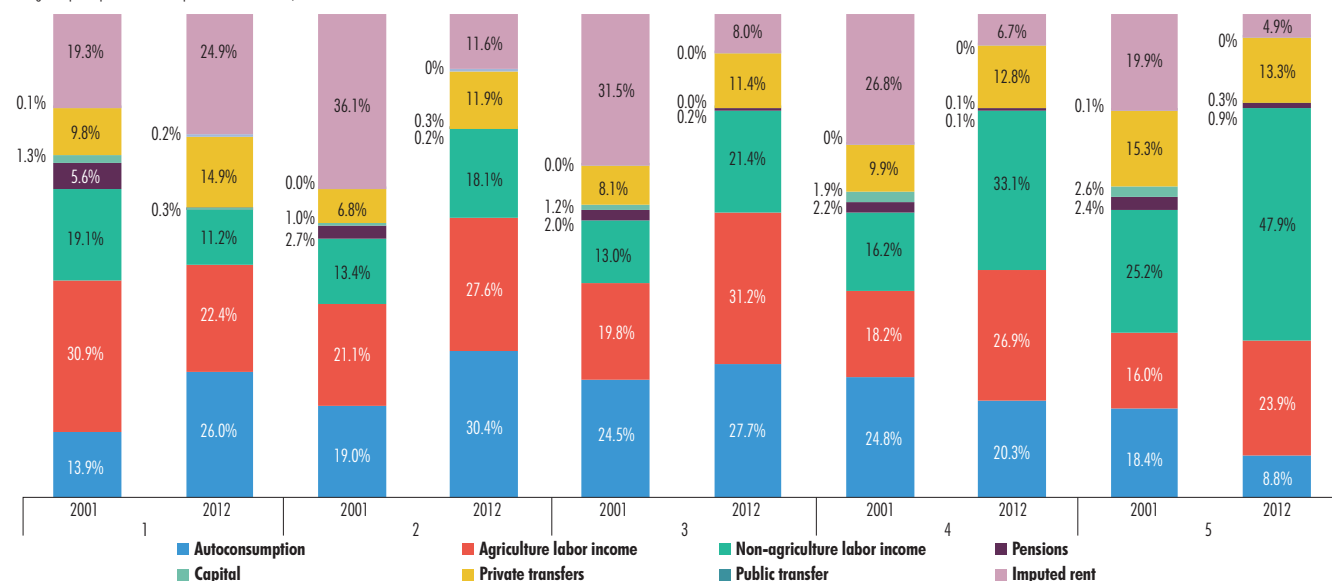
²¹ This is so after one controls for age, education, experience, household size, number of young children in the household, urban location, and sector of activity.



are highly dependent on agriculture: almost 80 percent of households engage in farming. Moreover, among half the households, farming is the sole economic activity. Unfortunately, returns to agriculture are low and unreliable, and the activity resembles a subsistence strategy rather than reliance on a productive economic sector.²² Lessons from more well performing farmers suggest that improving access to inputs and supporting crop diversification are the main channels to elevating productivity. Among the poor, only 20 percent use fertilizer and pesticide. Moreover,

Figure 8. In rural areas, labor reallocation took place only among the more well off, while the poor continued to rely on agriculture

changes in per capita income composition in rural areas, 2001–12



Sources: ECVIAS 2012; World Bank calculations.

²² Since 2000, the sector has performed poorly, contracting by 0.6 percent annually as a consequence of repeated adverse climatic shocks. In 2012, agricultural production contracted by 1.3 percent following a series of droughts, heavy rains, and hurricanes, which generated crop and seasonal income losses of 40 to 80 percent. The drop in production led to a decline in the demand for labor and a rise in the cost of locally produced food. As a result, poor households lost income and faced higher consumption costs (Haiti Food Security Outlook, Famine Early Warning System Network, October 2012–March 2013).

even though the area of cultivated land is only slightly smaller among the poor than among the nonpoor (1.2 hectares versus 1.6 hectares, respectively), the poor spend two to four times less on fertilizer, pesticides, seeds, and labor.

Participation in the nonfarm sector is key to emerging from poverty in rural Haiti. Engaging in the nonfarm sector in rural areas reduces the probability of being poor by 10 percent. The typical nonfarm job in rural areas is a one- or two-person shop engaged in small retail. Still, the returns to this activity surpass those accruing to farming. About 40 percent of nonpoor households participate in the nonfarm sector, a participation rate that is 1.5 times higher than the participation rate among the poor.

External financial flows, including remittances and international aid, have also contributed to the decline in poverty. The share of households receiving private transfers in Haiti increased from 42 to 69 percent between 2001 and 2012²³. Worker transfers from abroad have represented more than a fifth of Haiti's GDP in recent years; they originate mainly from Dominican Republic and the United States. Furthermore, in the aftermath of the 2010 earthquake, the country has catalyzed international solidarity, resulting in unprecedented aid flows in the form of money, goods and services. These external flows also contributed to poverty reduction over the period, especially in urban areas, which attracted most of the assistance.

In conclusion, the levels of poverty, vulnerability, and inequality are substantial in Haiti, and more sustainable drivers are needed to reduce these levels. Any improvements will be closely linked to external financial flows such as aid and remittances rather than dynamic domestic growth or redistribution policies. The rural poor are particularly vulnerable because of rising inequality, heavy reliance on an erratic agricultural sector, more limited access to private transfers, and low levels of access to basic services, as well as lower rates of improvement to basic services compared with urban areas.

A new National Poverty Line for Haiti

Using the new 2012 consumption data, for the first time the Government of Haiti has produced a national poverty line, which becomes the new reference for poverty measurement and monitoring in the country.

Between October 2013 and February 2014, an inter-institutional technical committee led by the National Observatory of Poverty and Social Exclusion (ONPES) and including the Haitian Institute of Statistics and Informatics (IHSI), the Fund for Economic and Social Assistance (FAES), the National Coordination on Food Security (CNSA) and the Ministry for Planning and External Cooperation (MPCE), developed and validated the first official national poverty line for Haiti, with technical assistance from the World Bank. This threshold is inspired by the cost-of-basic-needs approach and has a value of 82.2 HTG (2.42 PPP dollars of 2005) and of 41.7 HTG (1.23 PPP dollars of 2005). The data used to produce the line comes from EVMAS 2012 (IHSI), the first living conditions survey since 2001. The poverty rates for 2012 and associated profiles are therefore based on the new official national poverty lines.

The new methodology developed by the technical agencies of the Government reflects international best practices. Consumption is considered a better measure of wellbeing as it captures more accurately living standards, contrary to income which generally underestimates wellbeing and overestimates poverty.





WORLD BANK GROUP

1818 H Street, N.W.
Washington, DC 20433