

The Bank's support to the Government of Haiti in the context of Rising Food Prices

Food and Energy Price Increases and Policy Options, July 9-10

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Context of Rapid Response Mission

- Dramatic Inflation (16% overall, 20% food)
- February 2008
 - Relatively peaceful demonstrations
 - PM withstands political challenge
- National Food Security Coordination Unit drafts “Plan of Response to Food Insecurity” for April-Sept 2008
 - Employment Generation through labor-intensive public works
 - Agricultural inputs to revitalize production
 - Expansion of food assistance programs (incl. feeding for schoolchildren, mothers & infants)
- Early April, as program gearing up
 - Riots turn violent
 - PM Alexis ousted by Senate (April 12)
 - President commits to stabilize price of rice

Bank Mission

- Find best use of available US\$10 million grant
- Rapid response, multisectoral team, whirlwind schedule
- Plan:
 - Explain drawbacks of subsidies
 - Find quick-disbursing channels (existing programs)
 - Focus on short-term:
 - Safety Net: expand coverage or increase benefits
 - Food Security: agriculture inputs, hedging mechanism
 - Plant seeds for medium-term approach
 - Technical assistance to address structural impediments to food security, including logistics, and to strengthen safety net

Evolution of our plan

- Government response to our response:
 - “We know subsidies are a bad idea”
 - Described urgency of sociopolitical pressures
 - Felt we were offering a “plan gaé” (sp?) – smattering, stew (?)
- Action
 - Need to act quickly, help Government weather this crisis
 - Recognize fiscal pressures and need for additional resources to keep policy reform program on track
 - Supplemental grant on existing policy reform program. (5 weeks Identification to Board, fully disbursed.)
 - Advance disbursements under Education for All Project to increase coverage of school feeding, and to cover summer
- Donors and Government trying to coordinate on
 - Macro
 - Agriculture
 - Social Protection

Reflections / Lessons

Reflections on Attitude

■ Be Pragmatic, not dogmatic

- Recognize socio-political realities facing our clients: they may *need* to do something immediate and visible
- Bank's leverage may be limited, because other donors are also bringing in new funding or advancing budget support.
- In countries where unrest has already erupted into violence, pressures and opportunities will be different than in countries that are not currently unstable

■ Dialogue

- Overcome prejudices that Bank can be ideological. (that's not true, is it?)
- Build trusting relationship to work on improving price stabilization approach, and medium-term reforms

Reflections on Objectives of Rapid Response

- Distinguish among the problems:
 - consequences of the recently soaring food prices vs.
 - long term development challenges
- Short term goal: Buffer transition to new market prices
 - Stabilize sociopolitical turmoil (days not weeks)
 - Prevent increases in poverty
 - Compensate incomes as best you can
 - Prevent negative coping (foregoing health, education; consuming assets)
- In that context, Role of Bank
 - Look for opportunities to advance undisbursed funds.
 - We may get more mileage providing advice on how to make a suboptimal policy slightly better than by insisting on an optimal one
 - Temporary, Transparent, Monitorable
 - Help in short term, but focus on comparative advantage of medium-term
 - Advise against distortions that will only make it harder for people to adjust to the evolving global market

Reflections on Medium Term

- Medium term goals of Social Protection: Poverty Alleviation, Human Capital investment. This means that even in short term, we need to do what we can for:
 - Protection of basic public services
 - Private capacities for maintaining (or increasing) investments in
 - human capital
 - agricultural production
 - market development
- SP response principles
 - Expand coverage &/or increase benefits through existing programs
 - Seize opportunity to strengthen SP systems
- Medium term recommendations haven't really changed
 - Good targeted transfer programs
 - Focus on human capital, esp. nutrition
 - Institutionally and politically feasible, in addition to economically and technically sound
 - Haiti will probably need sustained international support

Reflections on Trade-offs

- Trade-offs:
 - intensifying or expanding support through existing safety net programs as short-term response vs.
 - pushing to lay groundwork for more effective and sustainable social protection programs in the medium term.
- SSN may be fragmented, poorly targeted, and not ideally cost-effective
 - Where SSN is weak, response will be suboptimal
 - Unlikely that a good SSN can be established in very short term
- Tradeoffs are particularly significant when expansion of existing programs suggests a long-term commitment, such as school feeding programs
- Summary approach in balancing trade-offs
 - Communications: Immediate responses should be seen as temporary
 - Look for spare capacity in existing programs, but don't let rush of donors crowd out opportunity to start on medium to long-term
 - Move toward "optimal" over 6-12 (or 24) months

Reflections on our Toolkit

- We don't have a great arsenal of really good programs for short-term response in this kind of crisis (transition)
 - Labor intensive public works are helpful in natural disasters, sudden unemployment, but are a limited response for a transition to higher prices
 - Subsidies for inferior goods? May be complicated to administer, and still suboptimal
 - Unconditional transfer difficult due to weak institutional capacity, no proxy means test
 - How to target, how to register beneficiaries, how to transfer?
 - Conditional transfer – supply constraints, in addition to UCT issues
 - Social Fund: might help and SFs have innovated in past, but be careful about possibly competing short term (transfer) objectives and longer term (local development) objectives

Notes

■ Analysis of subsidy: maybe not as bad as many assume

- 86% of HHs consume rice
- 70% consumed by population <\$2/day (76% of popn)
- Closer to neutral than many subsidies
- Lower errors of exclusion than many safety net programs
- But: major implementation challenges (pass-through, re-export)
- Inflation has slowed; need to analyze implementation and effect

■ Regional Trade Issues

- Price differentials between neighboring countries may be so significant as to nullify policy actions any single country can take
- But most “emergency missions” will be conducted on a country-by-country basis
- Encourage and support regional and even global work to try to address these cross-border issues; bully pulpit.

Thank you!