

**ROBERT M. PERITO**

E-mail: rperito@usip.org

Phone: 202.429.4173

CASIE COPELAND

Haiti: A Forward Look

Summary

- Five months after Haiti's January 12th earthquake, the situation on the ground remains critical. With the arrival of hurricane season, the failure to provide adequate shelter and instill hope for a better future threatens stability.
- Donor pledges of more than \$5 billion for assistance have not translated into visible progress, fueling discontent and raising growing concern among Haitians about their government's effectiveness.
- Haiti's government has tried to exert leadership in recovery operations despite the destruction of government buildings, the death of nearly 25 percent of the civil service personnel and the massive dislocations caused by the earthquake.
- The Haitian government has also begun preparations for presidential and parliamentary elections in November 2010. The combination of faltering recovery at a time of national elections could provoke unrest.

“Success will require luck given the possibilities of natural disasters, and will require determination to resolve political differences and maintain security. Despite the considerable challenges, Haiti, with the international community's support, is in a position to build back a country better than before.”

Five months after Haiti's January 12th earthquake, the situation on the ground remains critical. Most of the 1.2 million displaced persons remain in camps, unable to move to permanent homes. Many of the displaced live in makeshift dwellings, with a lack of sanitation facilities, food, and physical security in face of widespread sexual violence against women and children. The international attention and outpouring of donations that followed the earthquake created high expectations amongst Haitians that their desperate needs would be met and that life in the camps would be temporary. As aid distributions dribble in and the camps take on a more permanent character, these expectations are turning to anger and despair. Aid distribution has become the most pressing political issue as the Haitian government is blamed for the slow pace of aid deliveries. With the arrival of the hurricane season, the Haitian government's failure to provide adequate shelter and instill hope for a better future could provoke instability.

Post-Earthquake Aid Distribution

At the March 31st United Nations Donors' Conference, the international community pledged \$5.3 billion over the next two years to finance the Haitian government's "Action Plan for National Recovery and Development of Haiti." The reconstruction plan calls for a Haitian-led reconstruction based on principles of the deconcentration of population and resources; inclusivity of assistance programs; and transparency and accountability for aid delivery. Two new mechanisms for implementing the reconstruction plan came out of the conference. The first is a joint Interim Haitian Reconstruction Commission co-chaired by U.N. Special Envoy President Bill Clinton and Haitian

Prime Minister Jean-Max Bellerive. The commission was endorsed by Haiti's parliament and has an 18-month tenure that began in June 2010. The commission's membership includes representatives from various branches of the Haitian government, Haitian unions, the private sector, and donors who have given at least \$100 million or committed to \$200 million in debt relief. Non-voting members of the Haitian diaspora and civil society are also represented. The commission is charged with approving development projects, and coordinating, monitoring, and continually refining the international community's efforts to implement reconstruction programs.

Projects approved by the commission will be funded by a World Bank-administered Multi-Donor Trust Fund. The fund is modeled after the successful fund established in the aftermath of the 2004 Asian tsunami. This fund will support projects approved by the commission and is designed to ensure donor coordination by consolidating the pledges, processes, and funding procedures. Thus far, the World Bank and Brazil are the fund's only contributors, together depositing a total of \$155 million. The commission and the fund's operating procedures are not yet public and it remains to be seen how effectively the commission, which includes an anti-corruption office (though it cannot mandate donor compliance), will be able to coordinate the activities of the donor community, international nongovernmental organizations (NGOs), the private sector, and Haitian government.

Despite the overwhelming rhetorical support for donor coordination at the U.N. conference, it is already apparent that only a fraction of the billions of dollars pledged by the international community will be managed by the commission and processed through the fund. Donor countries and U.N. agencies will use their traditional channels for distributing bilateral aid; individual NGOs like the Red Cross, which received millions of dollars in direct contributions for Haiti, will make their own decisions. With the commission and the fund playing a limited role, the Haitian government will have to ensure the necessary level coordination, transparency, and accountability— if Haiti is to benefit from a truly effective international response.

The Absorptive Capacity of the Haitian Government

Unfortunately, the earthquake reduced Haiti's limited absorptive capacity to receive and distribute foreign assistance. The destruction of all but one government ministry in Port-au-Prince and the death of nearly 25 percent of civil service personnel exacerbated the chronic problems of adequate human resources and widespread corruption. Historically, donors avoided the government and channeled their funding through NGOs. As a result, Haiti was called the "Republic of NGOs," a place where largely foreign, private agencies provided healthcare, education, and other basic services that normally come from the public sector. Donors now face the difficult choice of channeling funds through NGOs with the experience and capacity to provide services quickly and with limited corruption -- or through an inefficient and sometimes corrupt Haitian government that needs extensive investment in infrastructure and capacity building to reach even its limited pre-earthquake level of capacity.

Beyond chronic problems and quake-related destruction, the Haitian government's capacity to coordinate and utilize assistance is further hampered by a shortfall in government revenue and the need for international direct budget support. Prior to the earthquake, the Haitian government's revenues were around 10 percent of gross domestic product (GDP) compared to between 20–30 percent of GDP in most developed countries. Post-earthquake revenue collection will probably only reach 7–8 percent of GDP while government expenditures for reconstruction and meeting displaced people's basic needs will be around 27 percent of GDP. This gap will need to be filled by direct contributions to the government from the international community. Attracting such support will be difficult, as donors are leery of the government's reputation for corruption and

ineptitude. Donors have committed publicly to channeling funding through the Haitian government, but capacity-building is a lengthy process and there are enormous immediate needs to be met. Creating a balance between utilizing NGOs to provide immediate and necessary aid while working to develop the Haitian government's capacity will be one of the international community's major challenges.

The international community is poised to provide massive financial assistance to Haiti, but experience shows that not all aid is beneficial and too much money can be counterproductive. Donors will need to avoid aid's pitfalls and be diligent about putting aid to productive use. The distorting economic impact of foreign assistance should be tempered by the macroeconomic stability the Haitian government restored after the earthquake. With the exception of the budgetary shortfall for current expenses, Haiti remains fiscally stable. The Haitian government and the World Bank are working to avoid inflation or the "Dutch Disease" as a result of the influx of aid. The private sector will need assistance in mobilizing revenues and credit in support of productive and sustainable economic activity. Increased access to credit, especially in the housing sector and microfinance, should be key economic policy priorities. Haiti's major donors embrace the Paris Principles on Aid Accountability, however, mechanisms to ensure accountability and transparency are not yet developed. If aid is not managed effectively to address poverty and inequality, the tension within Haiti is likely to increase and threaten stability.

Challenges to Stability and Security

Haiti is extremely vulnerable to hurricanes. In 2008, hurricanes killed almost 800 people, destroyed nearly 60 percent of the country's harvest, and caused nearly a billion dollars in damage. At the onset of what is forecast as the worst hurricane season in decades, Haiti's massive population of displaced persons is at extreme risk, while efforts to create permanent housing and relocate people to safe areas are moving at a glacial pace. Port-au-Prince remains clogged with rubble. Even where houses have been judged by government engineers to be structurally sound, people have refused to return home for fear of future shocks, inadequate security and access in the camps to food, water and healthcare. Haiti has no indigenous capacity for emergency response to natural disasters. Should a hurricane strike Haiti, it will fall to the underequipped U.N. peacekeeping force and U.S. military forces in the region to provide rescue and relief services. Louisiana National Guard members are currently working in Haiti to increase hurricane preparedness in vulnerable areas outside of Port-au-Prince hosting displaced persons.

Upcoming elections and the Haitian presidential transition also present challenges to security and stability. Parliamentary elections scheduled for February 2010 were postponed because of the earthquake. Parliament's constitutional mandate expired in May and Haiti will operate without a national legislature until presidential and parliamentary elections are held in November 2010. The Organization of American States and U.N. believe that November elections are technically feasible and have pledged to provide a range of support. However, a number of difficult issues need to be resolved: (1) recreation of voter registration lists that were lost in the earthquake; (2) new identification cards for the hundreds of thousands who lost their identification in the earthquake and the new voters who have come of age since the last election; (3) determining where and how the displaced will vote; (4) registering political parties; and a host of other election related questions.

The challenge of holding elections and the difficult and politically-charged decisions about how to proceed in the face of daunting obstacles may threaten stability. Holding free and fair elections in the context of heightened frustration with the current government will require deft leadership. Haiti's history of political disruptions and violence remains a concern along with the opportunity

ABOUT THIS BRIEF

This report is based on views expressed during a June 3, 2010 meeting the U.S. Institute of Peace's Haiti Working Group on "Haiti: a Forward Look."

The meeting featured presentations by Lt. General P.K. Keen, deputy commander, U.S. Southern Command; Auguste Kouame, lead economist for Caribbean Countries, World Bank; Monika Varma, Robert F. Kennedy Center for Justice and Human Rights; and Rene Aubourg, assistant professor, School of Public Affairs, American University. Robert Maguire, professor at Trinity Washington University and chairman of USIP's Haiti Working Group, served as moderator. Robert M. Perito, director of the USIP Haiti Project, and Cassie Copeland, research assistant in the Center for Post-Conflict Peace and Stability Operations, authored the report.

that political unrest provides criminal elements to organize and become a serious security threat. In light of these concerns, the U.N. increased the authorized strength of the U.N. police force in Haiti to 3,771. The additional U.N. police will be working with the Haitian National Police in a capacity-building role and will be providing additional security in the camps. The security situation that has remained stable since the earthquake will be tested and the Haitian government and international community must take proactive and preventive action to ensure that the situation remains under control.

Conclusion

The international community and Haitian government have taken the first steps towards the long-term goal of a strong and capable Haitian state. The international community appears committed to learning from the past and working with the Haitian government as a partner. Economic recovery will depend on effective use of aid, careful avoidance of the hazards associated with large aid influxes, and an emphasis on private sector growth. Success will require luck given the possibilities of natural disasters, and will require determination to resolve political differences and maintain security. Despite the considerable challenges, Haiti, with the international community's support, is in a position to build back a country better than before.



UNITED STATES
INSTITUTE OF PEACE

1200 17th Street NW
Washington, DC 20036
202.457.1700

www.usip.org

USIP provides the analysis, training and tools that prevent and end conflicts, promotes stability and professionalizes the field of peacebuilding.

For media inquiries, contact the office of Public Affairs and Communications, 202.429.4725