

Breaking Open the Black Box: Increasing Aid Transparency and Accountability in Haiti

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Introduction

In January of 2010, the Republic of Haiti was struck by a devastating earthquake that killed hundreds of thousands and laid waste to countless homes and other buildings, resulting in an estimated \$7.8 billion in damages.¹ The tragic scenes of destruction and human suffering generated an unprecedented wave of international support, culminating in a March 2010 donor conference. The U.S. government pledged \$1.15 billion for relief and reconstruction projects, and overall donors pledged over \$6 billion for the first three years of the response.² Key U.S. actors, like the State Department's Cheryl Mills, acknowledged a "unique opportunity to 'build back better'" and "an obligation to ensure that aid is actually effective."³

That same year the United States Agency for International Development (USAID) launched a far-reaching set of reforms called "USAID Forward," which aims to "change the way the Agency does business." The reforms include plans for "strengthening evaluation and transparency" and "increased investment directly to partner governments and local organizations."⁴ The large amount of new U.S. government funding allocated to Haiti assistance appeared to provide a timely opportunity to put the reforms into action and to indeed "build back better."

Over three years have passed since Haiti's earthquake and, despite USAID's stated commitment to greater transparency and accountability, the question "where has the money gone?" echoes throughout the country. It remains unclear how exactly the billions of dollars that the U.S. has spent on assistance to Haiti have been used and whether this funding has had a sustainable impact. With few exceptions, Haitians and U.S. taxpayers are unable to verify how U.S. aid funds are being used on the ground in Haiti. USAID and its implementing partners have generally failed to make public the basic data identifying where funds go and how they are spent.⁵

In the following issue brief we take a look at the effectiveness of U.S. assistance to Haiti: what we know about how it is being administered, to what extent U.S. assistance in Haiti is adhering to the USAID Forward reform agenda and what steps can be taken to ensure more effective and transparent delivery of aid to Haiti.

Is U.S. Assistance to Haiti Working?

Since the earthquake, the U.S. has obligated \$3.6 billion for assistance to Haiti, of which \$2.5 billion had been disbursed as of September 2012, primarily through USAID.⁶ The few audits and evaluations of USAID's programs in Haiti since the earthquake present a troubling picture of the manner in which U.S. relief and reconstruction efforts have been conducted so far. Lack of effective oversight and a failure to meet, or even apply, basic benchmarks are among frequently noted problems:

1 PDNA (2010).

2 OSE (2012).

3 Romano (2010).

4 USAID (2013).

5 For more information see Walz and Ramachandran (2013 and 2013b).

6 U.S. Department of State (2013).

In December 2010, USAID's Office of Inspector General (OIG) issued a report on Cash-for-Work programs, which found that:

- Contractors hired just 8,000 Haitians per day, compared to a planned 25,000.
- There was a lack of community involvement in beneficiary selection.
- USAID had not performed internal financial reviews of the contractors despite "expending millions of dollars rapidly."⁷

In May of 2011, the OIG found significant problems with the provision of housing, including:

- Grantees completed just 6 percent of planned transitional shelters by the onset of the 2010 hurricane season.
- The bidding process excluded Haitian businesses.
- There was inadequate supervision of grantees.⁸

In November of 2011, the Government Accountability Office issued a report on U.S. government funded reconstruction efforts, finding:

- Significant delays in USAID-funded infrastructure projects, with only \$3 million spent out of \$412 million obligated.
- Lack of on-the-ground staff, and no mechanism to expand staff contributed to the delays.⁹

In September 2012, the OIG issued a report on the Haiti Recovery Initiative, a program implemented by Chemonics, the largest single recipient of post-quake funds from USAID. The audit found that:

- The contractor was "not on track" to meet program objectives.
- Performance indicators were not well defined, making it difficult for the OIG to evaluate the program's impact.
- There was a lack of community involvement so as to ensure sustainability.¹⁰

These OIG and GAO reports only look at a small fraction of the activities that USAID funds in Haiti, yet clearly demonstrate that significant problems persist with the provision of aid to the country. They also suggest that basic data required to monitor and evaluate projects is often lacking. An independent general evaluation of the U.S. government response in Haiti, conducted by a large USAID contractor, came to the conclusion that "a disquieting lack of data on baselines against which to measure progress or even impact" prevented an evaluation of the quality or impact of U.S. government aid.¹¹

In order to form a more complete assessment of how aid is being administered in Haiti and whether U.S. government funds are being used effectively and in accordance with set objectives, some basic

7 OIG (2010).

8 OIG (2011).

9 GAO (2011).

10 OIG (2012).

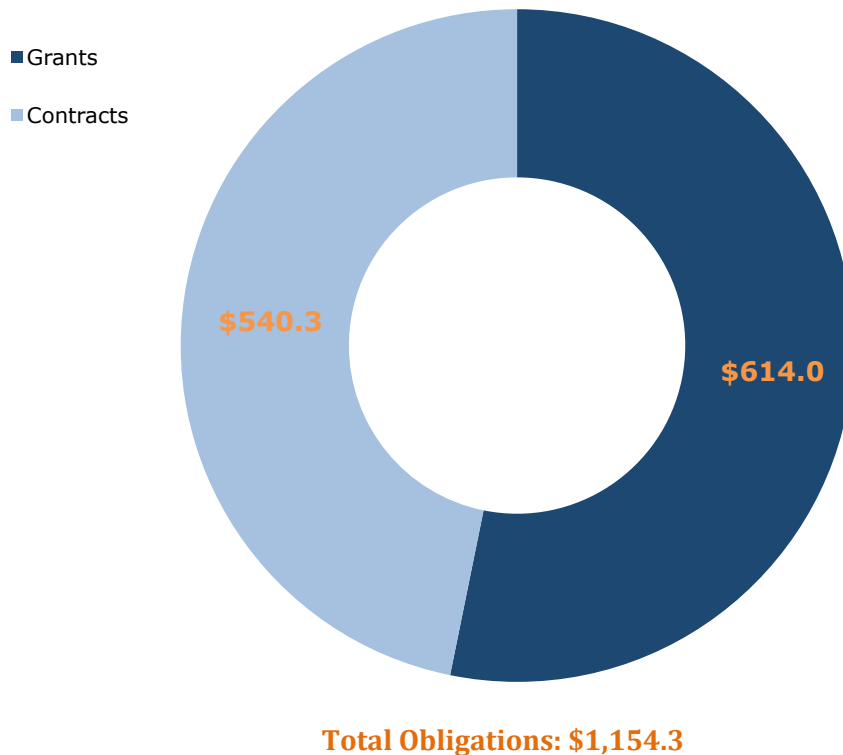
11 Walz and Ramachandran (2012).

information is required. For instance, it's important to know what the various projects are that USAID is funding, how much funding each of these projects are receiving, what are the project goals and benchmarks and what implementing partners are tasked with executing the projects. As we'll see in the next section, we may have a broad idea of where most USAID funding to Haiti is initially channeled, but it's not currently possible to track where and how it is being spent at the project level.

What We Know and Don't Know About U.S. Assistance to Haiti

Based on an analysis of publicly available records in the Federal Procurement Database System and from USASpending.gov, and as can be seen in **Figure 1**, USAID has awarded \$1.15 billion in contracts and grants since the earthquake of 2010.

FIGURE 1
Haiti: Total USAID Obligations in Millions of USD



Source: USASpending.gov, FPDS, Authors' Calculations

These figures only include funds awarded by USAID to service providers or for the direct procurement of goods -they do not include administrative expenses and other costs borne directly

by USAID. As can be seen above, \$607.8 million was obligated in the form of grants, while \$540.3 million was in the form of contracts. Typically grants are awarded to non-governmental organizations (NGOs) and international organizations, while contracts encompass awards to private contractors.

Over half of the \$1,148.1 million went to the top ten recipients of USAID awards, as can be seen in **Figure 2**. The largest, by far, is Chemonics International Inc., a for-profit international development company based in Washington D.C. Outside of the World Bank and United Nations, Chemonics is the single largest recipient of USAID funds worldwide¹², having received over \$680 million in fiscal year 2012 alone. In Haiti, since 2010, Chemonics has received more than the next three largest recipients combined.

FIGURE 2
Haiti: Top Ten USAID Awardees (in Millions of USD)



Source: USASpending.gov, FPDS, Author’s Calculations

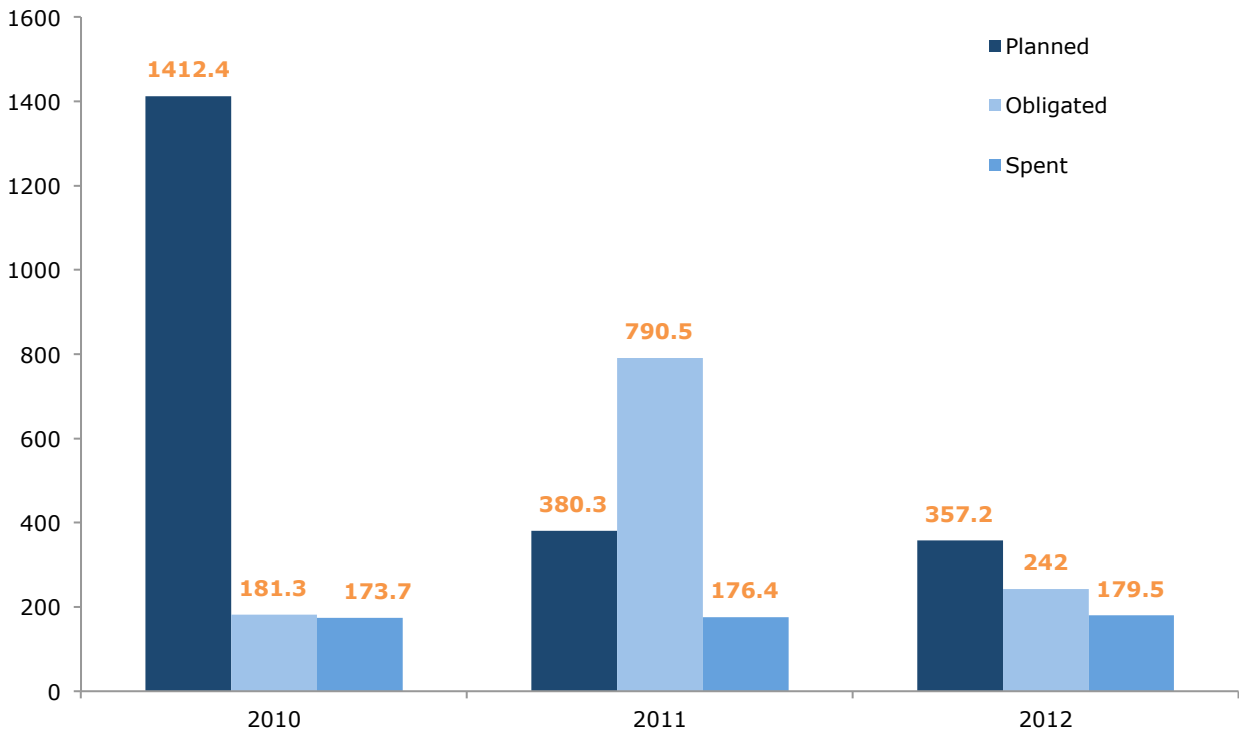
As nearly all of USAID’s funding for Haiti assistance is channeled to private contractors and grantees it is important to know what this funding is for and how it is being administered by these private entities. Are these implementing partners achieving the goals that have been set and are they meeting benchmarks within appropriate time frames?

Clearly, as can be seen above in Figure 2, it is possible to track who the primary recipients of USAID funds are, yet on what are these NGOs and contractors spending the money? What percent goes to overhead, to staff, vehicles, housing, etc.? What percent has actually been spent on the ground in Haiti?

12 USAID (2013b).

At the moment, very little of this information is made available to the public, creating the impression that U.S. foreign assistance goes into a “black box” where it becomes nearly impossible to tell what happens afterwards. In response to congressional and civil society pressure, USAID has produced some reports on their projects in Haiti, but these tend to contain vague descriptions¹³ and little detailed data.¹⁴ The only financial information these reports provide are total annual obligations and expenditures. In addition, the Foreign Assistance Dashboard shows overall USAID/Department of State figures for planned spending, obligations and actual spending, as can be seen in **Figure 3**.

FIGURE 3
2010-2012 USAID Funds for Haiti: Planned, Obligated, Spent (in millions of USD)



Source: U.S. Foreign Assistance Dashboard

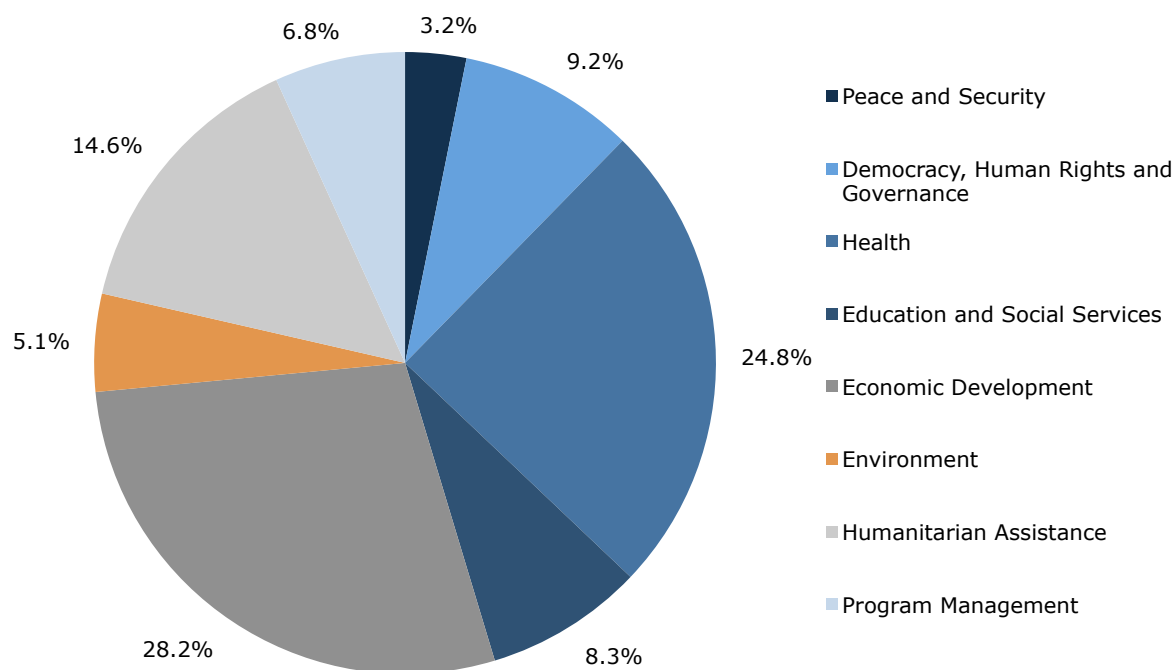
As can be seen above, from FY2010 to FY2012, USAID/State had planned spending of 2.15 billion, had obligated 56 percent of these funds and had actually spent just 25 percent. The Foreign Assistance Dashboard also shows a sectorial breakdown, as can be seen below.

While the publication of this data is a relatively recent development and a small step in the right direction, it remains impossible to determine how much is being spent on individual projects and how awardees are administering U.S. taxpayer funds. The USASpending.gov database provides a brief description of the work for which an awardee is given funds, but this is generally vague and provides no specifics on an awardee’s budget breakdown, expenditure timeline, or benchmarks.

13 Haiti: Relief and Reconstruction Watch (2013).

14 Haiti: Relief and Reconstruction Watch (2012).

FIGURE 4
Sectorial Breakdown of USAID Spending in Haiti, 2010-2012



Source: U.S. Foreign Assistance Dashboard

In response to inquiries, USAID has generally blocked any further disclosure. Freedom of Information Act (FOIA) requests for financial information have resulted in the release of heavily redacted documents, which exempt disclosure of any financial information as “proprietary.”¹⁵ An Associated Press investigation into USAID spending encountered many of the same problems, reporting that “U.S. contractors, from pollsters to private development firms, told the AP that USAID had asked them not to provide any information, and referred to publicly released descriptions of their projects.” The AP asked FHI 360,¹⁶ who as shown in Figure 2 has received over \$40 million from USAID, for a budget breakdown. Liza Morris, a spokeswoman for the organization told the AP that, “We were pulling that for you but were told that it was proprietary by our funder.” The funder, of course, was USAID.¹⁷

¹⁵ Johnston, 2012.

¹⁶ Family Health International took over the portfolio of the Academy for Educational Development (AED) in 2011, becoming FHI 360. AED had been one of USAID’s largest contractors until being suspended in late 2010 for “serious corporate misconduct, mismanagement, and a lack of internal controls.”

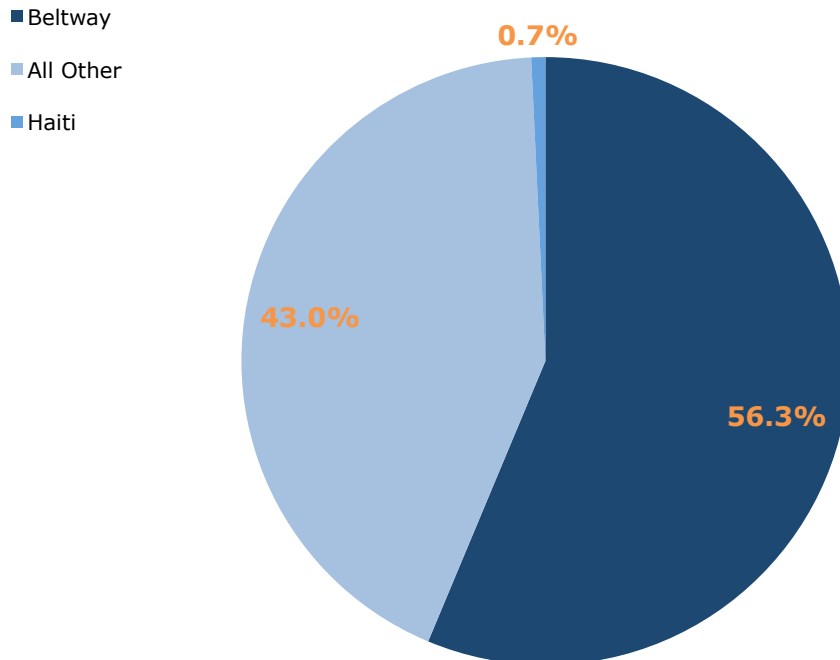
¹⁷ Mendoza and Daniel (2012).

Moving USAID Forward in Haiti

As was discussed previously, USAID has launched an ambitious reform agenda named USAID Forward. Many of the problems identified by the OIG, GAO and civil society organizations focus on issues which the reform agenda aims to improve: increasing use of local organizations, improving oversight and conducting rigorous evaluations. While the Forward reforms are intended to be applied to aid programs globally, in Haiti, they have failed to take shape or to lead to significant changes in how USAID funds are administered.

As can be seen in **Figure 5**, the vast majority of USAID funds awarded for post-quake Haiti relief and development have gone to NGOs and contractors not in Haiti, but from the United States and specifically from inside the beltway, in Washington D.C., southern Maryland and northern Virginia.

FIGURE 5
Percent Breakdown in Location of USAID Prime Awardees

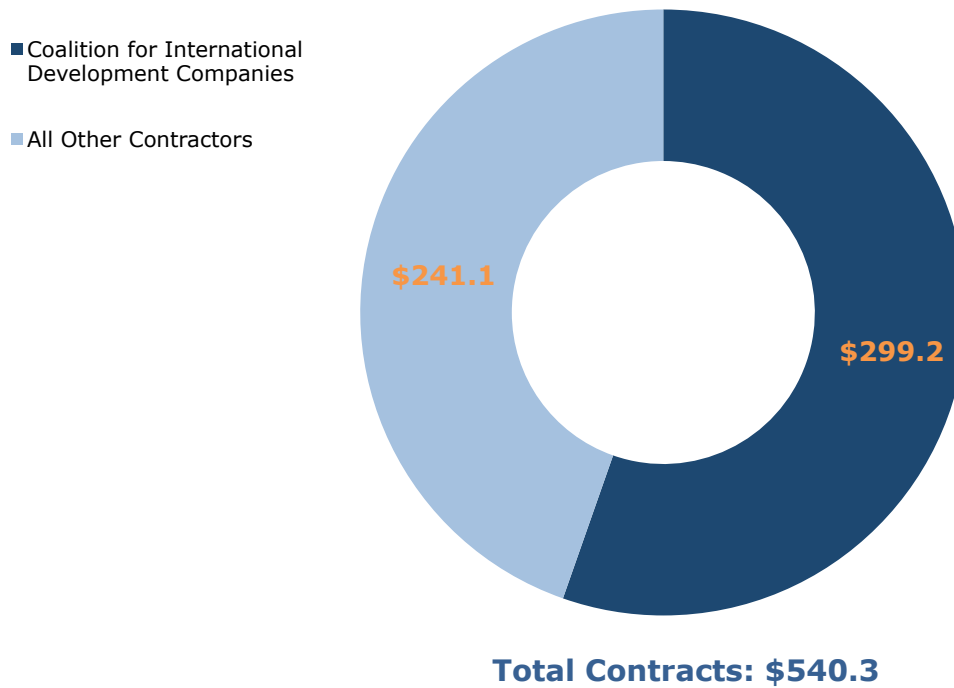


Source: USASpending.gov, FPDS, Author's Calculations

As can be seen above, just 0.7 percent of USAID awards have gone directly to Haitian businesses or organizations. It should be noted that USAID has faced pressure from many of the organizations which have historically received the bulk of USAID funds to slow the pace of reform. The Coalition for International Development Companies (CIDC), a lobbying group of for-profit firms that has been outspoken against increasing the use of local country systems,¹⁸ is composed of firms that have received the bulk of USAID contracts since the earthquake, as can be seen in Figure 6.

¹⁸ Norris (2012).

FIGURE 6
Share of Haiti Contracts that Have Gone to CIDC Firms



Source: USASpending.gov, FPDS, Author's Calculations

To truly assess where USAID funds go, and what percent is spent locally, it is vital to have information on subawards as well as on prime awards. Prime awardees are the contractors and grantees discussed previously that receive funds directly from USAID. They often turn around and give a contract or grant to another entity to carry out some or all of the work; this is known as a subaward. In response to growing criticism of the amount of USAID funding going to U.S.-based organizations, the agency has indicated that a much larger share goes to local organizations through subcontracts.¹⁹ But it isn't possible to confirm to what extent this is true given that USAID has failed to report on what organizations receive funding at the subaward level.

Under the Federal Funding Accountability and Transparency Act, which was passed in 2006, many prime awardees are required to provide data on their subawards. Unfortunately, this information has not been made publicly available to an extent that would allow any sort of detailed analysis.

Of the \$540 million in contracts awarded by USAID, only one of them, MWH Americas, has reported any information on the use of subcontractors to the USASpending.gov database. This company, which received \$4.3 million to perform a feasibility study, subcontracted work out to five other organizations, all of which are U.S. based, for a total of \$1.98 million.²⁰

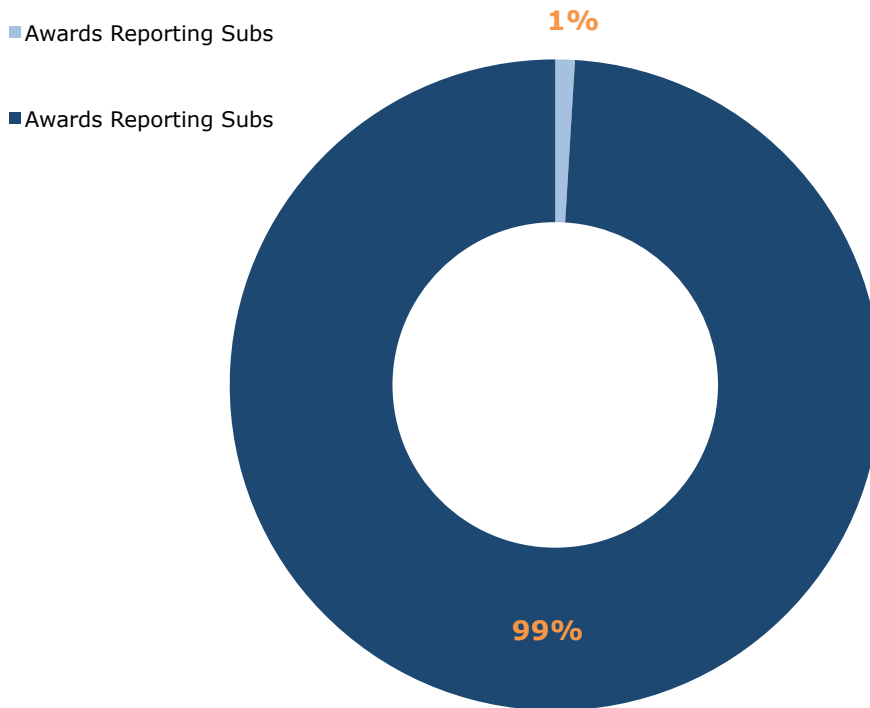
¹⁹ USAID (2013c).

²⁰ Author's calculations based on information from USASpending.gov

The story is not much different for grants. Of \$614 million awarded, only five grantees which have been awarded a total of \$16 million, encompassing just 2.7 percent of funds, have reported sub-grant data. Of the \$16 million in grants to U.S.-based organizations, they had subcontracted just \$604,000, or about 3.6 percent of this funding, to local organizations.²¹

As can be seen in Figure 7, slightly less than 1 percent of prime awardees have reported on subawardees, equivalent to only 1.8 percent of the \$1.15 billion in contracts and grants.

FIGURE 7
Percent of USAID Prime Awardees Reporting Subawards



Source: USASpending.gov, Author’s Calculations

While it is clear that the 0.7 percent of prime awards that have gone to local firms underestimates the true extent of the involvement of local systems, it is impossible to determine the true extent of local participation in U.S. assistance programs based on the information that is currently available.

In other parts of the world, the USAID Forward agenda is already advancing. Country missions in 70 countries throughout the world have completed or will complete by 2014 new “Country Development Cooperation Strategies (CDCS),” which outline how USAID will engage with the beneficiary countries. Yet currently there has been no new CDCS completed or even planned for Haiti.²²

²¹ Author’s calculations based on information from USASpending.gov

²² USAID (2013d).

Conclusion and Recommendations

One simple equation is widely accepted today within the international aid community: true accountability can only be achieved through transparency. Though USAID has, in principle, acknowledged this premise in its Forward reform agenda and by signing on to the Aid Transparency Initiative, in practice the agency's activities in Haiti remain as opaque as ever.

The limited audits that have taken place indicate that the implementation of U.S. assistance programs in Haiti leaves much to be desired. Yet the lack of real transparency around U.S. assistance to Haiti makes it much more difficult to identify problems and take corrective measures. This difficulty is not just an issue that concerns U.S. taxpayers and the intended beneficiaries of U.S. aid, but also poses a major challenge for the Haitian government. Without accurate information on what aid agencies are doing in Haiti, it will be impossible for the government of Haiti to lead the country's development effectively. As the Director General of Haiti's Ministry of Finance has stated:

*...We are required to be transparent. We publish the financial information relevant to the execution of our budget. All we ask is for the same transparency from our donor friends, which should help both us and them. This would place the dialogue between the state and the donors on a level that I would say is much better informed, where everyone knows what is happening, what are the interventions that the state is making, what are the interventions led by donors through the projects they fund, and also through non-governmental organizations.*²³

Here are a few recommended policy measures that can help improve transparency, oversight and accountability of U.S. aid projects in Haiti:

- Make subaward data available and ensure awardee compliance with federal regulations and contract requirements.
- Reduce reliance on large, multi-year contracts that favor traditional implementing partners and increase direct contracting to Haitian businesses, organizations and the government.
- Ensure involvement of local populations in project design and implementation, by releasing data at the project level, including objectives, benchmarks, detailed budget data and;
- USAID should make all publicly available information on assistance projects accessible to Haitians with translations to Haitian Creole made available both online and in hard copies distributed by the USAID office in Haiti.
- Strengthen USAID's capacity to carry out effective monitoring and evaluation of assistance programs, and make all evaluations publically available.

There is still time to apply these measures. Over one billion dollars of the funds committed to Haiti's relief and reconstruction since the earthquake have yet to be spent. USAID owes it to both the people and government of Haiti as well as to U.S. taxpayers to increase the transparency and level of monitoring of work that's being carried out to help Haiti "build back better."

²³ OSE (2012).

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