



After the Earthquake: Empowering Haiti to Rebuild Better

Testimony for the Senate Foreign Relations Committee hearing on Haiti

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In the wake of the January 12 quake that killed more than 200,000 people and left over 1 million homeless, an avalanche of humanitarian aid poured into the Haiti to save lives and reduce human suffering.¹ Due to its magnitude and proximity to Haiti's lone urban center and economic hub, Port-au-Prince, this earthquake has demonstrated the extent and scope of vulnerability of the Haitian population, of whom over 80% were below the poverty line before the earthquake.² As the immediate crisis stabilizes, the U.S. must transition its assistance programs in Haiti in order to promote broad-based, long term economic growth and gradually phase out short term humanitarian aid. In March of this year, the Haitian Government unveiled their "*Action Plan for National Recovery and Development of Haiti*," which portrayed this tragic event as "an opportunity to unite Haitians of all classes and origins in a shared project to rebuild the country on new foundations."³ The Government's desire to "reverse the spiral of vulnerability" created by natural disasters seems to focus on the proper target.

This tragedy was not simply a natural disaster; it was a man-made disaster stemming from a failed Haitian state characterized by widespread patrimonialism, corruption, and critically ineffective service delivery. Despite \$5.3 billion in foreign aid invested by bilateral and multilateral donors from 1990 to 2005 (approximately \$1.5 billion of which came from the U.S.), Haiti persists as one of the poorest and worst governed countries in the hemisphere, if not the world.⁴ Much of this US government assistance has been humanitarian rather than nation building assistance, and has kept people alive through repeated political crisis. The Government of Haiti has been characterized as autocratic and unstable. To ensure loyalty within a society that has been riddled with gang violence and plagued by abject poverty for decades, elites have created patronage networks to employ their supporters, provided selective public services to

¹ Reuters: <http://www.reuters.com/article/idUSTRE61703220100208>

² CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/fields/2046.html>

³ Government of Haiti: http://www.haiticonference.org/Haiti_Action_Plan_ENG.pdf

⁴ National Academy of Public Administration: http://www.napawash.org/haiti_final.pdf

them, all funded by rent-seeking and limits on the creation of legitimate institutions which might challenge their monopoly control over the society.

In 2009, Transparency International assigned Haiti the 10th lowest score in the world on its Corruption Perception Index, next to Equatorial Guinea, Burundi, and Iran.⁵ According to an advisor to the organization, Roslyn Hees, co-author of the handbook “*Preventing Corruption in Humanitarian Operations*,” Haiti is the perfect storm for corruption risk due to “shattered institutions, an anemic state, a history of graft and the sudden deluge of aid money.”⁶ Not only does this failed state ensure that the majority of Haitians will remain poor, but it also limits the potential of aid programs that simply provide budgetary support to the Haitian government. The solution must be to focus on improving public policy, establishing the rule of law, and improving governance.

Despite the bleak outlook that exists today, Haiti did experience a promising period of industrialization in the late 1980’s during which time a class of regularly paid workers was developing from an emerging base of assembly plants. However, with the overthrow of Jean-Bertrand Aristide in September 1991, a military regime took control of the country; the violence and repression that followed locked the country into a self-destructive condition that remains to this day. Even though Aristide was brought back to office with international help three years later in 1994, the hope he had represented largely vanished as he brutalized his opponents and drove the emergent working and middle class to Canada and the United States.

Additionally, US and UN Security Council Sanctions in the 1990s contributed to the end of the hope of industrialization and economic growth. These sanctions created a skilled labor shortage as there was an exodus of the Haitian educated, middle class to the US and Canada, a trend that continues to this day. In fact, a recent poll has indicated that 67% of Haitians would emigrate if they could. Two million Haitians already live in the United States, of whom 60% are now American-born, and four-fifths of Haiti’s college-educated citizens live outside of the country. A new Haiti must have substantial educated middle class as a foundation, or it will fail.

The weakness of the Haitian state is clearly evident when this tragic event is juxtaposed with an equivalent earthquake in Chile in February which led to less than 500 casualties and was far less consequential in terms of physical destruction. Unlike Haiti, Chile is one of the best governed countries in Latin America, has a very impressive business community and a vibrant non-profit sector. In Chile, it is apparent that building standards were enforced so buildings did not collapse in the earthquake, emergency response teams were reasonably well-prepared, and the government demonstrated the capacity to help. In Haiti, however, it is very apparent that the situation was the opposite.

⁵ Transparency International: http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

⁶ Washington Post: <http://www.washingtonpost.com/wp-dyn/content/article/2010/03/10/AR2010031003012.html>

In a new book, *Violence and Social Orders*, Nobel Prize winning economist Douglass North, John Wallis and Barry Weingast argue that it is the density of legitimate institutions that distinguishes rich from poor countries. Rich countries have them, and poor countries do not. The United States, for example, is probably more densely packed with institutions per capita than any society in world history which is one of the primary determinants of America's wealth and stability. In fact, there is one non-profit for every 160 people in US and over 85,000 units of government serving US citizens. If measurement was possible, Haiti would probably have the lowest number of legitimate institutions of any country in the western hemisphere, and perhaps the world.

A World Bank study of Haitian governance reports noted that "30% of civil service were phantom employees...One ministry had 10,000 employees, only about half of whom were ever at work." A USAID evaluation of Haitian government institutions reported they are "characterized by lack of trained personnel; no performance based personnel system, no accepted hiring, firing, and promotion procedures; heavy top down management; and a decided lack of direction." In a word, Haiti was already a failed state before the earthquake took place and the poor response after the earthquake was a function of it being a failed state.

International business and capital markets do not invest money in failed states, and without such investment, job creation on the scale necessary to change the dynamics of Haitian society is impossible. Beyond the terrible loss of human life from the earthquake, a much less visible, but nevertheless significant devastation was the destruction of jobs, businesses, and economic activity. So, Haiti now faces the twin economic challenge of mass unemployment from the earthquake and a terrible business climate derived from its failed state status. According to the World Bank's 2010 "Ease of Doing Business" Indicators, which provide an objective measure of business regulations and their enforcement across 183 economies, Haiti ranked 151st, making it very difficult to start a legitimate business.⁷ The Bank's report indicates that, while the average cost of starting a business is 4.7% of income per capita in OECD countries and 36.6% across Latin America, it constitutes 227.9% of income per capita in Haiti. And, while registering property in OECD and Latin American countries takes an average of 25.0 and 70.4 days respectively, it takes over a year in Haiti. According to the Bank's "Protecting Investors – Transparency of Transactions Index," Haiti has scored 2 out of 10, significantly below the average score of 4.0 across Latin America.

These figures demonstrate that, without formal institutions capable and able of providing the enforcement mechanisms necessary to decrease risk and uncertainty, businesses will not pursue economic opportunities and invest in the economy even though this is essential for recovery. Thus, any effort to build new institutions must incorporate private sector development; it cannot solely target the Haitian state in a vacuum.

⁷ World Bank: <http://www.doingbusiness.org/ExploreEconomies/?economyid=85>

Despite the critical importance of these objectives, the challenge ahead is daunting, particularly considering the general consensus among the international donor community that long term development programs in Haiti have been largely ineffective in the past. A National Academy of Public Administration report of 2006 on why foreign aid has failed in Haiti summarized general donor opinion which has “variously characterized Haiti as a nightmare, predator, collapsed, failed, failing, parasitic, kleptocratic, phantom, virtual or pariah state.” The World Bank is poised to invest another \$100 million in Haiti even though the Director of its Operations Evaluation Department claimed in 2002 that “the outcome of World Bank assistance programs [in Haiti from 1986 to 2002 has been] rated unsatisfactory (if not highly so), the institutional development impact, negligible, and the sustainability of the few benefits that have accrued, unlikely.” The Bank also noted that “Haiti has dysfunctional budgetary, financial or procurement systems, making financial and aid management impossible.”⁸ Even the Government of Haiti, in 1997, admitted that it had a serious aid management problem.

Historical evidence suggests that countries can make significant reforms following a catastrophic natural disaster of the scale Haiti has just been through. It is important to note that the solidarity and optimism expressed in the GOH’s “*Action Plan for National Recovery and Development of Haiti*” is nothing new. According to Robert Klitgaard in his study “*Addressing Corruption in Haiti*,” when Aristide came to office in 1991, he promised to “wash away the old Haiti of Papa Doc and Baby Doc Duvalier, the *tonton macoutes*, the predatory corruption” when in fact he simply replaced one tyranny with another. As recently as April of 2009, “Prime Minister Michèle Duvivier Pierre-Louis gave an impassioned speech to Haiti’s aid donors: ‘I believe that together we will seize this opportunity to make a real difference and change forever the course of history,’ she said. ‘We strongly believe that Haiti is at a turning point, perhaps even a tipping point.’ But she also acknowledged that Haiti calling for a new beginning can evoke derisive laughter. ‘In Haiti, popular comedians have for the past 50 years parodied the almost theatrical repeated announcement of a ‘Great Beginning’ in which they did not really believe themselves. The time has come to break away from such cynicism’.”⁹ Action Plan itself calls for a “progressive increase in decentralized skills” and an “increase in the role of [local] municipalities in reducing vulnerabilities and protecting inhabitants.” However, such reform will remain superficial unless there is true ownership in the Haitian government. The composition of the Action Plan’s proposed Interim Commission for Haitian Reconstruction has been called into question by Transparency International’s Senior Consultant Roslyn Hees: “the majority of the commission would be made up of international agencies and a minority would be made up of Haitian representatives. Even within the Haitian representation, there is no one from civil society, except a representative of Haitian unions, who cover a minuscule proportion of the

⁸ National Academy of Public Administration: http://www.napawash.org/haiti_final.pdf

⁹ Robert Klitgaard, “Addressing Corruption in Haiti,” February 2010: http://www.cgu.edu/PDFFiles/Presidents%20Office/Addressing%20Systemic%20Corruption%20in%20Haiti%20_3_.pdf

Haitian workforce since most of the workforce is informal and not unionized.”¹⁰ Although it is essential that the Haitian government assume ownership in the agenda-building process, it is critical that the U.S. contributes only to a long-term development plan that is both inclusive and transformational.

As the U.S. transitions from short term humanitarian assistance towards the reconstruction of Haiti’s shattered capital and economy, our aid must alter the power structure within the Haitian government and economy, the open the society up to genuine democratic principles and to a free market economy. Too many policymakers in Washington too often take reconstruction literally — as bricks and mortar alone — when in fact rebuilding needs to address much more than that. Clearly, port facilities, roads, bridges, schools, health clinics, and water systems (which were already crumbling before the earthquake) must be rebuilt. But, if that is the extent of our reconstruction efforts, then Haiti will simply revert to its failed state status and whatever is reconstructed will begin to crumble over time without institutions to ensure maintenance.

Moreover, U.S. technical assistance to Haiti has proven ineffective because the institutions necessary to take advantage of these knowledge transfers do not exist. Since 1989, USAID/OFDA has offered an ‘Advanced First Responders Course’ throughout Latin America and the Caribbean within its Technical Assistance and Training Program (TATP). From June 1998 to May 2003, there have been more than 12,000 first responders in the TATP which has certified more than 2,100 active instructors. However, no matter how much training is done, functional institutions — which Haiti does not have — are needed to use the trained people properly.

Unless the US government balances physical reconstruction and technical assistance with institution building — a much more difficult, time consuming, less visible, but more essential effort — Haiti will remain a failed state. The political pressure from Washington, as it has been in other state building exercises, will be for Haiti reconstruction to be fast, visible and produce measureable results when, in fact, building functional institutions will take ten to twenty years, its greatest successes will not be dramatic or visible, and many will be difficult to quantify or measure. Aid efforts in Haiti in the past have focused too much on delivering public services through non-governmental organizations and international organizations instead of the trying to reform the Haitian institutions that should be delivering these services.

Thus, first and foremost, Haiti’s transformation into a functional nation requires a strong emphasis on issues of governance and rule of law within our aid programs. The predominant culture and values of a society can either facilitate or impede development. The latter is certainly the case in terms of Haiti’s destructive political culture which has been marred by patrimonialism, clientelism, and patronage networks.

¹⁰ <http://talkradionews.com/2010/03/corruption-watchdog-worried-by-haitian-reconstruction-plan/>

Lawrence E. Harrison points out in his book, *“The Central Liberal Truth,”* that “Haiti suffers from a complex web of progress-resistant cultural influences...which spreads the message that life is capricious and planning futile. There are high levels of social mistrust. Responsibility is often not internalized. Child-rearing practices often involve neglect in the early years and harsh retribution when kids hit 9 or 10.”

In *“Violence and Social Orders,”* Douglass North describes two types of societies: limited-access order and open-access order societies. Most of human history has been dominated by the former which are “governed by a dominant elite or coalition that stays on top by controlling and distributing patronage and privilege. How you fare, in a limited-access order, depends on who you are and whom you know.” Over the past few hundred years, however, open-access orders have emerged which “allow political participation and economic access on equal terms according to impersonal rules. Broad, government-enforced rights replace selective, government-distributed privileges.”¹¹

Using North’s terminology, it is critical that there is a transformation in Haiti from such a limited-access order to an open-access order because they are “more politically stable and economically successful than their precursors; in fact, today they dominate the world. But developing a culture based on rule of law under which dominant elites willingly surrender their monopoly on power can take centuries, if it ever happens at all. Only a *mature* natural state — one with durable institutions, a military under firm political control, and elites who are acclimated to the rule of law — can make the transition to an open order.”¹²

Any effort to build new Haitian institutions will also require security, without which the exodus of educated professionals will continue. The GOH must develop a trained police force which respects human rights, avoids politics, and ensures the security of the Haitian people. Criminal gangs linked to the drug trade have grown more powerful over the past few years and are behind the growing violence in Haitian society. Unless this trend is arrested, any effort to build new institutions will fail. While crime fighting has been entirely the province of some 9,000 U.N. peacekeepers since 2004, the Haitian government must develop local police and security forces for sustained security with the UN providing back up until these institutions are functional.

Of course, institution-building efforts must be coupled with pro-growth economic policies. The GOH’s Action Plan aptly recognizes the need to decentralize the country economically and politically away from Port au Prince through the development of regional economies and the subsequent diffusion of job creation. Haiti needs to develop a functioning economic system, agricultural export markets, and a rural road network. And although Haiti currently enjoys duty-free access to U.S. markets for certain Haitian-made apparel items through the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008, a more comprehensive free trade agreement between our countries will tie our economy with Haiti’s and

¹¹ Jonathan Rauch

¹² Jonathan Rauch

recreate a market for Haitian products which with economic reform can stimulate growth and job creation.¹³ The Haitian private sector will be much more likely to accept reform than the public sector, and thus can be an engine for progress.

We must also encourage the participation of the prosperous, educated Haitian-diaspora in the US and Canadian because they have the potential to be major assets in the reconstruction of the country. As Haiti is only 600 miles from the U.S. mainland, such individuals would be able to come and go with relative ease. Such efforts should be accompanied by a program that enables Haitians to come to the US to attain education. The most successful institution-building program used by USAID historically was its scholarship programs which brought 18,000 students a year to US colleges and universities to get their graduate degrees. The USAID scholarship programs have been phased out over time because Washington regulators demanded immediate and visible results which scholarships could not produce. But they can produce transformational long term change because graduates usually return to their home countries from their US experience as reformers. Bringing promising Haitians to the US to get their graduate degrees with safeguards to ensure they return to Haiti when they graduate can complement the return of the Haitian Diaspora to build new institutions.

Such transformational programs would surely affect the economic, social and political power structures of Haitian society. But without buy-in from elites, the vested interests in Haitian society will undermine any reform efforts. Even though major natural disasters are sometimes a catalyst to reform movements, no outside aid agency, whether it be the UN, World Bank, the NGOs, or USAID, can substitute for Haitian leadership.

Without such competent and honest Haitian leadership, any institution building exercise will fail. Lasting change will be achieved when Haitian political leaders show the political will to enact and implement major political and economic reforms. Haitian President Prevel has shown some technical skill in undertaking improved governance over the past two years, but he remained virtually invisible in the humanitarian aid effort which damaged him politically. He will need help, and one of the best ways of generating that help in a country which has had a chronic leadership deficit, is to bring back Haitians from the diaspora to help him build new Haitian institutions.

It is important to differentiate between the political “ownership” recommended here within and other circumstances in which donor agencies simply provide budgetary support to recipient country governments so that they may pursue their objectives, regardless of what they may be. Paul Collier, in his book *“The Bottom Billion,”* equates the external provision of budgetary support to countries like Haiti to the large inflows of oil revenue enjoyed by oil-rich developing countries such as Nigeria that have “depressingly little to show for it.” He argues that past evidence demonstrates that “large inflows of money without any restrictions do not seem to be

¹³ USAID Summary: http://pdf.usaid.gov/pdf_docs/PDACN939.pdf

well spent in many of the countries” where the poorest populations reside. Certainly in Haiti, where corruption is rampant and much of the government bureaucracy is a phantom, such budgetary support would attract predatory forces, even if controls were introduced.

Regarding the aid allocated by the US for the reconstruction of Haiti, a very long time horizon will be required as it takes considerable time for institutions to form in such a society. Any development plan of less than ten years will not yield sustainable and transformational results. Given the operational context through which aid programs will operate, the usual quarterly measurements demanded by the federal oversight agencies will not be useful and as contracts and grants will not be implemented within standard timeframes because of Haiti’s weak institutions.

To do this there must be a reduction of the regulatory and compliance burden on USAID. The Haitian government and the USAID mission in Haiti will be empowered if funds are provided with as little micromanagement from Washington as possible. And, as predictable funding streams allow for greater dedication to programs, it is important that there is as much funding at the beginning of the plan as at the end. Washington must also avoid earmarking any funding by sectors or programs as the most transformational sectors have the least interest group support in Washington and will not produce short term measureable outcomes.

If western countries want to end the dysfunctional cycle of crisis and failed band aid development in Haiti, only an institution-based model of reconstruction will succeed. US aid programs must be designed to facilitate better governance by the Haitian government in addition to economic growth across Haitian society. Priority must be placed on the agricultural sector and the secondary road network to create an integrated national Haitian economy, rather than one dependent exclusively on the capital, Port-au-Prince. The professional expertise of the Haitian diaspora should be utilized, and scholarships must be extended to train professional managers and technical staff in GOH ministries. And, such initiatives should be complemented by security sector reform that produces a functioning criminal justice system and police force to protect the Haitian people. While history may project a pessimistic outlook for Haiti’s transformation, it also provides critical lessons that the GOH and international community must consider in order to move Haiti towards a brighter future.