Outsourcing Haiti: How Disaster Relief Became a Disaster of its Own

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Across the country from Port-au-Prince, Haiti's capital, miles of decrepit pot-holed streets give way to a smooth roadway leading up to the gates of the Caracol Industrial Park, but no further. The fishing hamlet of Caracol, from which the park gets its name, lies around the bend down a bumpy dirt road. Four years after the earthquake that destroyed the country on January 12, 2010, the Caracol Industrial Park is the flagship reconstruction project of the international community in Haiti. Signs adorn nearby roads, mostly in English, declaring the region "Open for Business." In a dusty field, hundreds of empty, brightly colored houses are under construction in neat rows. If all goes as hoped for by the enthusiastic backers of the industrial park, this area could be home to as many as 300,000 additional residents over the next decade.

The plan for the Caracol Industrial Park project actually predates the 2010 earthquake. In 2009, Oxford University economist Paul Collier released a U.N.–sponsored report outlining a vision for Haiti's economic future; it encouraged garment manufacturing as the way forward, noting U.S. legislation that gave Haitian textiles duty-free access to the U.S. market as well as "labor costs that are fully competitive with China . . . [due to] its poverty and relatively unregulated labor market."

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The report, embraced by the U.N. and the U.S., left a mark on many of the post-earthquake planning documents. Among the biggest champions of the plan were the Clintons, who played a crucial role in attracting a global player to Haiti. While on an official trip to South Korea as Secretary of State, Hillary Clinton brought company officials from one of the largest South Korean manufacturers to the U.S. embassy to sell them on the idea. U.N. Secretary General Ban Ki-moon, having just appointed Bill Clinton U.N. special envoy to Haiti, tapped connections in his home country, South Korea.

Then suddenly, the earthquake presented an opportunity for the Clintons and the U.N. to fast track their plans. The U.S. government and its premiere aid agency, USAID, formed an ambitious plan to build thousands of new homes, create new industries, and provide new beginnings for those who lost everything in the earthquake. Originally the plan was to build the industrial park near Port-au-Prince. But land was readily available in the North, and the hundreds of small farmers who had to be moved from the park's site were far less resistant than the wealthy land-owners in the capital. So the whole project moved to the Northern Department, to Caracol. Under the banner of decentralization and economic growth, the Caracol Industrial Park, with the Korean textile manufacturer Sae-A as its anchor tenant, became the face of Haiti's reconstruction.

Now, only 750 homes have been built near Caracol, and the only major tenant remains Sae-A. New ports and infrastructure have been delayed and plagued by cost overruns. Concerns over labor rights and low wages have muted the celebration of the 2,500 new jobs created. For those who watched pledges from international donors roll in after the earthquake, reaching a total of $10 billion, rebuilding Haiti seemed realistic. But nearly four years later, there is very little to show for all of the aid money that has been spent. Representative Edward Royce (R-CA), the chair of the House Foreign Affairs Committee, bluntly commented in October that "while much has been promised, little has been effectively delivered."

The story of how this came to pass involves more than the problems of reconstruction in a poor country. While bad governance, corruption, incompetent bureaucracy, power struggles, and waste contributed to the ineffective use of aid, what happened in Haiti has more to do with the damage caused by putting political priorities before the needs of those on the ground.

The Housing Crisis and the Interim Haiti Recovery Commission

The earthquake decimated Haiti's housing stock: 100,000 were destroyed and more were damaged. There were $2.3 billion in damages in the housing sector alone, and 1.5 million people left living in makeshift tent camps. Unplanned and unregulated housing construction made Port-au-Prince, with population at least 3 million, extremely vulnerable to natural disasters. In less than a minute, entire shantytown neighborhoods came crashing down.

The Interim Haiti Recovery Commission was created by the international community to coordinate post-quake aid and align it with Haitian government priorities. Bill Clinton, as the U.N. special envoy and the head of the Commission, was optimistic. "If we do this housing properly," he affirmed, "it will lead to whole new industries being started in Haiti, creating thousands and thousands of new jobs and permanent housing."

Like the Caracol Industrial park, the Commission was presented as a response to the devastation of the earthquake. But its basic tenets—and its slogan, "Build Back Better"—were actually agreed upon by the U.S. and U.N. in the year prior. The commission's formation was handled not by the Haitian government, but by the staff of the Clintons, mainly Cheryl Mills and Laura Graham, as well as a team of U.S.-based private consultants. The commission's bylaws were drafted by a team from Hogan Lovells, a global law firm headquartered in Washington, D.C. A team from McKinsey and Company, a New York based consultancy firm, handled the "mission, mandate, structure and operations" of the commission. Eric Braverman, part of the McKinsey team, later went on to become the CEO of the Clinton Foundation.

According to Jean-Marie Bourjolly, a Haitian member of the commission, the body's "original sin" lay in concentrating the decision-making power in the Executive Committee of the Board, made up of Bill Clinton and then–Haitian Prime Minister Jean-Max Bellerive. In October 2010, just six months after its creation, Bourjolly wrote a memorandum to the co-chairs and the rest of the commission's board. The note cautioned that by "vesting all powers and authority of the Board in the Executive Committee, it is clear that what is expected of us [the rest of the Board] is to act as a rubber-stamping body." According to Bourjolly, the memorandum was not included in the official minutes of the October meeting at Clinton's behest, and the document has remained out of the public sphere. But one former commission employee confirmed the commission's role: he told me that many projects were approved because "they were submitted by USAID and State" and "that as long as USAID is submitting it and USAID is paying for it," it should be approved.

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Bourjolly also contended that the commission was failing to live up to its mission "to conduct strategic planning, establish investment priorities and sequence implementation of plans and projects." Rather, Bourjolly wrote, "our action has so far been limited to accepting projects that. . . come our way on a first come, first served basis" and that it would result in "a disparate bunch of approved projects. . . that nonetheless do not address as a whole neither the emergency situation nor the recovery, let alone the development, of Haiti."

Even the Clintons' supporters conceded that their staff and the foreign consultants did more harm than good. A Haitian government official, who requested her name be withheld because of the power the Clintons continue to wield in Haiti, commented that "they were lucky to get someone as high-profile and experienced as Clinton" but that the staff "had no idea what Haiti was like and had no sensitivity to the Haitians." "Out of ignorance, there was much arrogance," the official said. "And who pays the price? The Haitian people, as always."

Article 22 of the Haitian constitution enshrines "the right of every citizen to decent housing," and civil society groups have long advocated for the government to protect this right through large-scale, affordable public housing. But in October 2011, the commission quietly closed its doors. Its eighteen-month mandate was not renewed, and little remained of the grand plans to build thousands of new homes. Instead, those left homeless would be given a small, one-time rental subsidy of about $500. These subsidies, funded by a number of different aid agencies, were meant to give private companies the incentive to invest in building houses. As efforts to rebuild whole neighborhoods faltered, the rental subsidies turned Haitians into consumers, and the housing problem was handed over to the private sector.

The number of displaced persons is down to 200,000 from its 1.5 million peak, according to the U.N. But only 25 percent of that decrease has anything to do with official programs to provide housing. Many were given a paltry subsidy and evicted from their camps. The highest profile and most visible camps were closed down, but those tucked in alleys, out of the view of the convoys of aid workers' vehicles, remain forgotten. Fifty-five thousand Haitians who moved to areas known as Canaan, Jerusalem, and Onaville were recently removed from the "official" list of Internally Displaced Persons camps. Though those who were pushed out of the camps simply returned to their old homes, the international community claims progress. A USAID–sponsored study from the summer of 2011 estimated that over a million Haitians were occupying damaged homes and that nearly half of them were living in "buildings that might collapse at any moment." In fact, if another quake happened today, they'd be more likely to die than they were living under tents in clearings.

By September 2013, nearly four years after the earthquake, only 7,500 new homes had been built and 27,000 repaired—an incredibly small achievement when set against the billions of dollars and grand plans put together by the international community in the wake of the catastrophe. "Now, we have a return to the status quo, the same situation that was there before the earthquake, with no coordination and each project done haphazardly," Gabriel Verret, the former executive director of the commission, said.

USAID's $33,000 House

While the $500 rental subsidies recommended by the Clinton Commission at the end of its tenure became the preferred form of support by the Haitian government and international community, smaller projects to provide permanent housing that had already been approved by the commission were carried through. In December 2010, the commission's board had signed off on the U.S. government's "New Settlements Program," which called for the construction of 15,000 homes in Port-au-Prince and the North Department, where the new industrial park was to be located.

This June, the U.S. Government Accountability Office (GAO) issued a report revealing that only 900 of those 15,000 homes had been built. The overall goal has been reduced to 2,600. At the same time, costs increased from $53 million to over $90 million. The GAO found that the program suffered from a fatal flaw: original estimates had drastically low-balled how much the houses would cost. The calculation of 15,000 planned houses was based on an estimate of each costing around $8,000. With the cost of preparing the land, the total cost per house was over $33,000.

USAID assembled a team of shelter experts in August of 2010. The goal, according to Duane Kissick, the head of the shelter planning team, was to put the majority of available resources into the damaged communities. The plan they came back with was simple and meant to be implemented quickly. Jerry Erbach, another member of the Shelter Team, recalled that "there was a good deal of pressure to develop a series of projects very quickly and at low cost in order to meet the needs of those households who became homeless after the earthquake." The plan was to build homes that were simple, modest and small, but that could expand over time.

The narrative put forth by the Shelter Team experts is confirmed by USAID's Shelter Sector Activity Approval Document (AAD), which I obtained through a Freedom of Information Act request. The plan called for construction to be completed by December 2012 and specifically noted that "USAID programs will seek wherever possible to work with local partners." A USAID-funded study by the International Housing Coalition recommended the same thing, noting that "wherever possible, USAID should utilize Haitian construction contractors." Letting local companies or individuals handle the work means more money for Haiti, its economy, and its people. It's also cheaper, and has worked in the past.

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Food for the Poor, an NGO that has worked in Haiti for decades, utilizes small local construction teams to build 1,000 homes each year at a cost of just $6,400 each. Brad Johnson, the president of Mission of Hope, another NGO working in Haiti, told the *New York Times*, "We're not one of the big groups that sit in Washington, D.C., and get the financing. . . But we're managing to get it done for $6,000 a house. I don't understand, for all the money that came into Haiti, why there aren't houses everywhere."

But the recommendations for using local contractors and the plan to build $8,000 homes were ignored. More international companies were brought in, additional studies were undertaken, and the first contract to actually build a house was not awarded until April of 2012, nearly two and half years after the quake and eight months after the project was approved. The contracts ended up going not to small local companies but to large international ones. Thor Construction, based in Minnesota, received $18 million, and CEMEX, a Mexican company, got over $7 million. Another $35 million went to two Haitian-American firms based in Maryland for environmental assessments, construction management, site preparation, and other associated projects.

Outsourcing the construction drove the price up, since international companies had to fly in, rent hotels and cars, and spend USAID allowances for food and cost-of-living expenses. To incentivize working in Haiti, the U.S. government also gave contractors and employees “danger pay” and “hardship pay,” increasing their salaries by over 50 percent. With all these costs included in contracts, it’s not hard to see how prices ballooned. Bill Vastine, a long-time contractor and member of the Shelter Team, said, “if the American people saw the true cost of this, they’d say ‘you’ve got to be out of your mind.’” The changing priorities undermined any cohesion in the program.

With 200,000 still homeless and hundreds of thousands more living in grossly inadequate and often structurally unsound buildings, the 900 homes that USAID has built won’t go very far. No current USAID employees agreed to speak about the project on the record, despite repeated requests for comment. In remarks before Congress, USAID administrator Beth Hogan stated that “we were significantly off in terms of what our original estimates were. . . when we got back bids from offerers who were going to actually build these homes. . . the estimates increased even further.”

The Shelter Team also initially planned to build two-thirds of the homes in the Port-au-Prince area. But this has changed: the current plan is to build 75 percent of the homes in the Northern Department of Haiti, all within 13 miles of the new industrial park. Many USAID staffers on the ground wanted to focus on Port-au-Prince, where the damage was greatest. But the State Department had made a commitment to building houses in the North, in support of the Caracol Industrial Park.

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The State Department’s political intervention in the project also delayed the process of getting people into the houses that did manage to get built. According to Erbach, who also worked with an international NGO assisting the Haitian Government in selecting households to benefit from the new housing, pressure from the Department of State led to a “significant amount of time and effort being wasted on identifying and vetting workers from the industrial park who were not IDPs.” The internal shelter AAD warned that “if the process is perceived as inequitable, opaque, or led by the United States, the [government] will appear to be ‘choosing winners,’ resulting in political problems.” As Vastine describes it: “Every agency has its own little fiefdom, their own little budgets to protect and their own cadre of people they protect and they don’t work well together; there is no cohesiveness with our own internal bureaucracy in the United States, much less with everything else that’s here, from all the other countries.”

Speaking before Congress, USAID Administrator Hogan conceded that, “what we realized as we were going into this. . . is that new homes isn’t [*sic*] the solution for Haiti.” USAID is now officially out of the home-building business in Haiti.

As for the 750 houses under construction in Caracol, as the four-year mark comes and goes, the first families are just now starting to move in. Meanwhile, back in Haiti's capital, at least 200,000 quake victims face another year living under tattered tarps.

Too Big to Fail

Over the last twenty years, the American foreign aid system, much like the military, has become increasingly reliant on private contractors. From 1990 to 2008, USAID experienced a 40 percent decline in staff while funds under their responsibility skyrocketed. A 2008 report from the American Academy of Diplomacy found that "implementation of programs has shifted from Agency employees to contractors and grantees and USAID lacks . . . [the] capacity to provide effective oversight and management." In her Senate confirmation hearing for Secretary of State, Hillary Clinton said "I think it's fair to say that USAID, our premier aid agency, has been decimated. . . It's turned into more of a contracting agency than an operational agency with the ability to deliver." Billions have been shifted to private corporations and NGOs. Many of those who actually implement foreign aid projects are explicitly for-profit companies, but even top employees at some USAID-funded non-profits earn over $300,000 a year.

Before he became head of the recovery commission, Bill Clinton urged those working in Haiti to ask, "Are we helping [the Haitian people] to become more self-sufficient? Are we building infrastructure in local development plans? Are we creating local jobs? Are we paying salaries for teachers, doctors, nurses, police, civil servants? Are we giving money to support government agencies that provide those services?"

The answers to these questions would seem to be mainly in the negative. In Haiti, a report (which I co-authored) at the Center for Economic and Policy Research revealed that less than 1 percent of the more than $1.3 billion in assistance provided by USAID was awarded directly to Haitian companies or organizations. USAID awarded more money to one Washington D.C.-based for-profit contractor, Chemonics, than to the entire Haitian government since the earthquake.

Haiti is not unique; these problems erode U.S. aid across the globe. A revolving door between NGOs, development companies, and the U.S. government has entrenched the system so deeply that any movement for change will be long and difficult. Fortunately, development agencies are slowly realizing that aid goes much further when more of it stays in the local economy. For its part, USAID has launched an ambitious reform program called "USAID Forward," which aims to totally overhaul the procurement system, working directly with local institutions. USAID Administrator Beth Hogan told Congress that in Haiti, the United States is "trying to reach 17 percent of our overall budget to be channeled through local institutions." But already, for-profit development companies have formed a lobbying group and hired the influential, Democratic party-linked, Podesta Group to get their message out. Their selling point: foreign companies are harder to hold accountable. It's an argument that rings hollow when you realize that not a single USAID awardee, NGO, or for-profit has been suspended or reprimanded publically for their work in Haiti, despite all the high-profile failures.

The failure of Haiti's reconstruction is, sadly, another chapter in a long history of poverty perpetuated by outside powers. Bureaucracy, internecine quarrels, moneyed lobbying, waste and inefficiency—these are not monopolies of poor, "developing" countries such as Haiti. They are the problems of the United States and its foreign aid complex.

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