

Haiti: Testing the Limits of Government Aid and Philanthropy

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HAITI IS TESTING THE LIMITS of foreign aid, both public and private; it remains to be seen whether successful innovations in philanthropy and public-private partnerships stand a chance on this long-devastated island. There has been a general reinvention of foreign assistance over the last decade that is playing out in countries across the globe. New players have emerged who are testing innovative ways of spurring long-term economic growth to free individuals and nations from dependence on the inefficiencies of foreign aid. Long-time players like major nonprofits and foundations are experimenting with bottom-up, technology-driven solutions that also seek to replace dependence with sustainability. Public-private partnerships are replacing donor-driven models in foreign aid. Many of these actors are also working to involve grassroots organizations in development efforts, believing that locally designed and driven strategies have a greater chance for success. While these new approaches in Haiti promise hope for the future, without much needed good governance, this impoverished country cannot expect long-term growth and prosperity.

What undergirds the new aid efforts in Haiti is the realization that private actors working with private dollars often have more flexibility to demand accountability flexibility and results than government donors have. Through its Index of Global Philanthropy and Remittances, the Center for Global Prosperity measures private financial flows from developed to developing countries. The report has shown that these flows—global philanthropy, remittances, and private capital investment—

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greatly exceed government aid. They account for some 80 percent of the developed world's economic dealings with developing countries. These private financial flows from the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee donor countries amounted to \$455 billion in 2009 (the most recent year for which data are available).¹

What is clear from these numbers is that developed countries provide far more to the developing world through private actors than through government aid. This reflects the diverse, new world of international development where for-profits, nonprofits, religious organizations, universities, families, and individuals are contributing to economic growth in the developing world. The recession that began in 2008 has had a broad impact on global financial flows. Private capital investment fell dramatically in 2008 but recovered nicely in 2009, totaling \$228 billion from developed to developing countries. At the same time global philanthropy and remittances remained steady, creating an important lifeline to the world's poor.²

The January 2010 earthquake that killed an estimated 230,000 people in Haiti demonstrated once again that global generosity seems to know no bounds. Significant humanitarian relief flowed from both public and private sources. Since the disaster, the United States government has provided \$1.2 billion in aid to Haiti.³ In March of 2010, more than 100 countries pledged \$5 billion in short-term aid for Haiti and \$10 billion toward long-term reconstruction.⁴

Money also poured into the Haitian relief effort from individuals and corporations around the world. Americans alone gave \$774 million within the first five weeks of the earthquake. The response was also faster than ever thanks to SMS technology, which allowed the Red Cross to raise an unprecedented \$32 million in \$10 donations sent via text message.⁵ By mid-May of 2010, private and voluntary organizations reported an astounding \$1.1 billion in donations for Haitian relief and the total would eventually reach \$1.4 billion.⁶

Of that \$1.4 billion, some of the largest amounts went to traditional emergency humanitarian relief and health care organizations: the American Red Cross raised \$444 million, Doctors Without Borders raised \$124 million, and Partners in Health raised \$70 million. Some of the largest donation totals were for faith-based organizations, many of which had a long history of working in Haiti: Catholic Relief Services raised \$136 million, World Vision raised \$41 million, and the United Methodist Committee on Relief raised \$14.5 million.⁷

The disaster resulted in the formation of several philanthropic efforts especially designed to address the Haiti crisis. The Clinton Bush Haiti Fund, founded by former presidents Bill Clinton and George W. Bush, raised a total of \$52 million.⁸ The high-profile nature of many individuals involved in the relief effort helped raise money, as

well as the profile of international philanthropy. The Hope for Haiti telethon, which was televised on numerous television stations in the United States and around the world, featured Hollywood celebrities and performances by Madonna and Bruce Springsteen, raising a total of \$66 million. Movie stars also contributed; for example, Sandra Bullock and Leonardo DiCaprio each donated \$1 million to the relief effort.⁹

Corporations also became involved in the relief effort. As of March 2010, the most recent

time for which comprehensive statistics are available, corporations had donated \$148 million to relief efforts, made numerous in-kind donations, and launched employee-matching programs. Abbott Laboratories donated \$5 million and Bank of America donated \$1 million and waived credit card fees on all donations to Haiti earthquake relief. Becton, Dickinson, and Company donated \$5 million in medical supplies and GlaxoSmithKline donated \$1.8 million in antibiotics. eBay set up a special site where individuals can buy, sell, or donate items with proceeds going to organizations involved in Haitian relief. Microsoft donated \$1.25 million in cash, matched employee donations up to \$12,000, and mobilized their employee response team to provide technical support to NGOs operating on the ground.¹⁰

While the outpouring of humanitarian relief for Haiti succeeded in its main goal of keeping many people alive who otherwise would have perished without food, water, or shelter in the aftermath of the disaster, the earthquake complicated an already complex development situation in the country. Prior to the earthquake, Haiti was already the poorest country in the Americas. Despite a constant stream of aid money, little progress has been made against seemingly intractable poverty. The problems that plague Haiti are well known: little economic development, no modern infrastructure, a corrupt and inefficient government, and a population overwhelmed by lawlessness and preoccupied with surviving day-to-day.

Decades of political instability and violence decimated the Haitian economy and left it with a barely functioning government prone to frequent upheavals and a legacy of inefficiency and corruption that permeates every facet of life. Haiti's unemployment rate is believed to be as high as 70 percent; there is little modern manufacturing, energy, or transportation infrastructure.¹¹ Agriculture is the largest segment of the economy, but most farmers operate at subsistence level. The World Bank ranks Haiti as the 162nd worst place in the world to do business out of 183 economies.¹² Transparency International routinely ranks Haiti as the most corrupt country in the Americas and one of the most corrupt in the world.¹³ Approximately 54 percent

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of the population lives on less than \$1 a day and 78 percent on less than \$2 a day.¹⁴

In the aftermath of the earthquake, most of the NGOs in Haiti are still working on basic problems of food supply, sanitation, and shelter. The sheer scope of the disaster and the dual burdens of poverty and corruption have made progress toward recovery

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slow. The streets of Port-au-Prince are still piled with earthquake debris, although rubble removal is finally proceeding.¹⁵ Stories abound of supplies languishing at the docks while payoffs are sought; endless red

tape hampers the distribution of much needed medical and relief supplies. The relief camps that sprung up after the earthquake are still crowded. While structural damage to many homes in the capital was not as bad as first feared, many Haitians are afraid to return home in case of another earthquake. In addition, the camps, which offer schooling, security, clean water and health care, have become somewhat of a magnet in the destabilized country.¹⁶

For the international development community, Haiti promises to be an interesting test case to see if grassroots entrepreneurial and technology-driven private development solutions will help break the development logjam. But it is clear that past aid solutions for Haiti, no matter how well intentioned, have not worked. Most essential is the development of the local economy and jobs for the chronically underemployed Haitian population and the strengthening of government and civil institutions. However, a 2006 study by the National Academy of Public Administration calculated that Haiti received \$4 billion in foreign aid from bilateral and multilateral sources between 1990 and 1993 with little to show for it in terms of improved governance or quality of life for the Haitian people.¹⁷

The National Academy of Public Administration (NAPA) study concluded that Haiti had become excessively dependent on foreign aid, which hampered its ability to develop its own economy. Foreign aid, which does not include non-government aid from private sources, accounted for 13 percent of Haiti’s GNI in 2008, which is as high as some sub-Saharan African nations such as Congo and Ethiopia.¹⁸ In 2003, per capita aid in Haiti was \$23.70, as compared to an average of \$9.90 for the Latin America and Caribbean region.¹⁹

A second problem identified by the NAPA study is the funneling of large amounts of aid through NGOs, which administer most foreign aid programs in Haiti because the government is so inefficient and corrupt. The study concluded that funneling aid through NGOs perpetuated the problem of poverty in Haiti by limiting government and civil capacity building in the country. It also noted that lack of government

ownership of aid programs further eroded the legitimacy of government, led to government indifference about the success or failure of programs and contributed to “brain drain” in the country.²⁰

The result of large amounts of aid being channeled through a multitude of NGOs in Haiti has led to the burgeoning of the nonprofit sector in the country. According to the World Bank, there were as many as 10,000 private voluntary organizations (PVOs) operating in Haiti before the earthquake, the highest number per capita in the world, leading to Haiti’s nickname: The Republic of NGOs. These nonprofits provide the bulk of social services in the country, running everything from schools to hospitals. The National Academy of Public Administration study showed that NGOs were running 80 percent of the social services in the country, which severely limits the ability of the government and private professionals to develop the skills and capacity they need to run the programs themselves.²¹ The result, according to the study, is a vicious cycle: donors funnel money through NGOs because they do not trust the government, which further erodes the capacity and legitimacy of the Haitian government, thereby suppressing the country of any chance to build its own future.

Jean Palerme Mathurin, an advisor to former Haitian Prime Minister Jean-Max Bellerive, recently charged that NGOs have “infantilized” Haiti.²² For instance, Haiti already relies heavily on food imports, much of it funded by foreign aid, its own agricultural sector having been destroyed by cheaper imports, natural disasters, and poor management. The influx of food aid may only further hamper efforts to revive the agricultural economy. Of all the organizations that have flooded the capital since the earthquake, “NGOs are having a huge impact, distorting the economy,” says Anne Hastings, CEO of Fonkoze, Haiti’s largest microlending institution. Like many who complain about the distorting effects of so many NGOs in the country, she is looking for more transparency and better coordination of efforts.²³

InterAction, which serves as an umbrella organization for many US based aid agencies, has launched an innovative effort to map the projects of 61 of its member organizations in Haiti. The interactive map sorts projects by geography and type of project. The mapping platform is expected to improve transparency and accountability, facilitate partnerships and coordination among NGOs, and help NGOs and other donors make more informed decisions about where to direct resources.

If there is any hope for Haiti, it may be in new aid approaches that seek to work from the bottom up, involving the local community and local government in planning and implementation, helping to build both ownership and capacity. Technology-driven solutions may also help overcome many of the infrastructure problems endemic to Haiti.

Microfinance is particularly promising in Haiti because there is a weak banking

sector and little access to capital. Less than half of all Haitians have a bank account. Fonkoze, with 45 clients and 43 branches, is Haiti's largest microfinance provider. It is pioneering innovative microfinance solutions to help its customers recover from the earthquake and rebuild sustainable livelihoods. After the earthquake, Fonkoze used funding from the Red Cross, the MasterCard Foundation, and MercyCorps to write off the loans of 10,000 of its clients who lost their livelihoods. It gave each client a one-time payment of \$125 to help with their recovery and will provide new loans when the clients are ready to resume their businesses. It has enlarged a special loan program that provides micro-micro loans of \$25 for a short period of time and increased literacy and health classes to provide additional support to borrowers. For clients who are too poor to even qualify for the micro-micro loan program, it has created a program that gives clients goats or chickens so they can sell milk or eggs and provides them with a stipend of about \$7 per week so they do not eat their businesses.²⁴

The MasterCard Foundation is convinced that Fonkoze's approach to microfinance—which includes comprehensive mentoring, literacy training, and financial education—has the potential to make a real difference in Haiti. After the earthquake, it committed \$4.5 million to the organization to help rebuild its devastated headquarters and staff and to extend its efforts to rural communities to help small businesses and local trading activities.²⁵

According to David Owens, VP of corporate development for World Vision, "Haiti was a catalyst for American companies to look at broader and deeper ways they could partner with aid groups that are on the front lines." The US Chamber of Commerce's Business Civic Leadership Center (BCLC) has also seen an uptick in interest from corporations that are interested in being involved in Haiti's growth. "We have seen that Haiti rebuilding is a catalyst for corporations to offer both financial support as well as sector expertise," explained Stephen Jordan, BCLC's Executive Director. BCLC is working with Executives without Borders to establish the Haiti Business Corps to make it make it easier for companies to leverage their talent and expertise to contribute to the long-term redevelopment of Haiti.²⁶

Coca-Cola has announced the \$7.5 million Haiti Hope Project, which will bring together a team of business, government, and civil society partners to help 25,000 Haitian mango farmers increase production and access to markets. Coca-Cola's local bottling partner is the largest private-sector employer in Haiti. As part of the project, 100 percent of the profits from the new Odwalla Haiti Hope Mango Lime-Aid will go toward the effort. "The Haiti Hope Project exemplifies the innovative role that partnerships with the private sector can play in the reconstruction of Haiti," said former President Bill Clinton.²⁷

NGOs are also harnessing technology to aid in rebuilding and long-term development. In the first step toward a national mobile money system in Haiti, MercyCorps is using cell phones to deliver aid wirelessly to earthquake victims. The national launch of the T-cash system is expected to greatly increase access to banking services for the 50 percent of the Haiti population that does not have access to bank accounts.²⁸ Fonkoze is also using mobile phones to help Haitians access financial services. It has developed a system to allow Haitians living in the United States to send unlimited remittances to their relatives back home using mobile phones. Haitians redeem the money at local Fonkoze branches, where they can deposit some of the money into savings accounts.²⁹

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Traditional PVOs are also looking toward the future. Mindful of the impact of continued free food deliveries on the local economy, Catholic Relief Services has begun ramping up cash-for-work projects that allow Haitians to purchase food in local markets rather than rely on handouts. It is currently paying workers to clean out one of the major canals in Haiti and is employing 25 Haitians in building transitional housing for their fellow countrymen.³⁰ MercyCorps is using the cash-for-work approach to employ some 28,000 Haitians in Port-au-Prince's tent camps and in rural communities of the Central Plateau. Given Haiti's historic reliance on imports rather than locally produced goods, the program can only maintain the existing economy, however, and will not have the ability to contribute to the long-term development of a healthy economy. Mercy Corps currently has projects underway to rehabilitate market feed roads and improve farmland to establish the infrastructure Haiti needs to develop its agricultural economy. Mercy Corps is also starting a small and medium enterprise (SME) development program that will engage mentors from the Haitian diaspora and the international business community to provide support and training to 500 entrepreneurs around the country.³¹

While these approaches are promising, the National Academy of Public Administration concluded that little could be done to move Haiti forward in the absence of a stable, working government. In terms of projects that would help move the country forward, it recommended that donors fund sustainable projects, such as “creating an irrigation system that helps farmers compete in food markets, the returns from which allow farmers to maintain the irrigation system with their own resources.”³² It also recommended focusing on programs that build local capacity, fight corruption, and have measurable outcomes.

Innovative philanthropy and public-private partnerships, focusing on local ownership, entrepreneurship and creative new uses of technology may have some immediate answers for Haiti economic well being. However, without a transparent and accountable government even the most innovative projects will be hampered in creating long-term economic growth in Haiti. 

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