

Donor approaches to risk management in Haiti – Research notes

This note summarises main findings on risk management problems and initiatives in Haiti that have informed the synthesis report on Donor Approaches to Risk Management in Fragile and Conflict Affected States. It draws heavily on contributions from Canada¹ and background reading.

Key risk management problems

Links between disaster risks and political risks. The case of Haiti demonstrates the close connection between disaster risks and political risks. Haiti has is highly vulnerable to natural hazards including earthquakes, hurricanes, flooding and landslides, whose effects are compounded by rapid and unplanned urbanisation, deforestation and land degradation. On 12 January 2010 a massive earthquake devastated Port-au-Prince and surrounding areas killing upwards of 85,000 people.² The causes and consequences of the loss of life indicate the close links between disasters and political risks:

- 1) The disaster was made worse by governance failings that led to weak urban planning, lack of enforcement of building codes and inadequate disaster preparedness,
- 2) Destruction to government buildings and deaths and injuries amongst government workers reduced the capacity of the state to respond to the disaster and manage the process of reconstruction,
- 3) Frustration with the limitations of disaster relief and reconstruction can feed violent protest and political instability.

A critical problem for Haiti's development partners and the international relief effort has been the limited understanding of contextual and political risks in Haiti. Agencies with long-term engagement in Haiti have understanding of these issues, but such knowledge was not available or transferred to the massive international relief and reconstruction effort that followed the January 2010 earthquake. This led to poor decision making, for example in the planning of resettlement and rubble clearance, which was hampered by limited understanding of links between politics and control of land.³

Risks of using government systems. Lack of direction by the government of the relief effort caused relief agencies to establish their own systems and coordination structures, which effectively bypassed government. Donors have also been reluctant to channel funds for relief and reconstruction through government systems as result of concerns about fiduciary risk, which existed prior to the earthquake, but have been heightened by the damage to government institutions caused by the earthquake itself. Where donors have worked with government they have tended to establish new structures for aid delivery that are not fully integrated with existing government systems. International TA for government tends to be provided in separate units within ministries. Reconstruction funds have been channelled through trust funds with special procedures

¹ Interview and note provided by Mathew Straub, Policy Analyst, Haiti Programme, Canadian International Development Agency.

² Estimates of death toll vary between 85,000 (USAID) and 316,000 (Government of Haiti)

³ Katz, J. (2013) *The big truck that went by. How the world came to save Haiti and left behind a disaster.* Macmillan

and majority international control (e.g. Interim Haiti Recovery Commission and Haiti Reconstruction Fund).

Risk of doing harm. The massive international response to the January 2010 earthquake saved many lives and aided reconstruction, but has been widely criticised for its weak coordination, slow delivery and waste. Aid has been mainly channelled through UN agencies and international NGOs leading. There is evidence that the internationalisation of the disaster response has weakened government capacity by drawing human resources out of government systems and transferring decision making powers to international bodies.⁴ The cholera epidemic that claimed 7,500 lives in late 2010 has also been linked to international engagement with evidence linking the source of infection to poor sanitary practices in a UN peacekeeping (MINUSTAH) camp.

Reputational risks. The international response to the January 2010 earthquake was unprecedented in scale, but raises serious questions about effectiveness. Weaknesses in coordination and slow delivery have been widely publicised and criticised. Managing these risks has caused donors to look for high visibility interventions that deliver short term results, but are less suited to longer term institutional strengthening. Reputational risks are also evident in Haiti where politicians and the public at large have been highly critical of the aid effort, in particular during the cholera epidemic that has been linked to UN peacekeepers. Government officials have expressed frustration at the slow pace of reconstruction and the reluctance of donor organisations to channel funds through national systems.

Risk management challenges

Three years after the 2010 earthquake Haiti's partners are beginning to transition away from largely humanitarian and reconstruction efforts and renewing their focus on long-term development. Many consider this an opportunity to reengage with the Haitian Government and its Strategic Plan for Long-Term Development. However, this is a difficult challenge given weak government capacity, fiduciary risks inherent in country systems, and the overhang of parallel systems established by international actors.

Stabilisation in Haiti will require renewed focus by donors on statebuilding, in particular to strengthen the government's disaster preparedness and response capacity, to improve the management and governance of the security forces, to address issues relating to land management and environmental rehabilitation and to build capacities in economic management and planning. These longer term priorities received limited attention during the earthquake response. However, the causes of the disaster and the challenges encountered in post-earthquake recovery indicate their fundamental importance to building national resilience to future disasters.

A key challenge for donors is to deepen their understanding of contextual risks in Haiti. There appears to be limited interest in conducting contextual analysis, and to use joint analytical tools, such as a fragility assessment. However, there are important exceptions, such as CIDA's Country Risk Register tool, which provides a broad assessment of contextual risks in Haiti. Better analysis of the country context and contextual risks will be essential for improved risk management in future. In particular it will need to focus on questions of: (1) how disaster risks interact with political and economic processes, (2) how local politics are likely to shape the use and misuse of resources

⁴ OECD (2011) *Rapport 2011 sur l'engagement international dans les états fragiles: République d'Haïti*.

for reconstruction and longer term development, and (3) how donors can best work with local context and avoid doing harm.

Initiatives contributing to improved risk management

Pooled fund arrangements

The largest source of funding for reconstruction is the Haiti Reconstruction Fund administered by the World Bank and governed by a Steering Committee consisting of government and donor representatives. Funding requests and approvals were initially channelled through the Interim Haiti Reconstruction Commission, which has been criticised for slow disbursement and weak planning.⁵ Over time there have been improvements in the responsiveness of the Haiti Reconstruction Fund, and the extent to which it is aligned with government priorities. Government is represented on the Steering Committee and has voting rights. Most of the works are implemented through government agencies. However, there is limited use of country systems, and the fund applies the financial management procedures of its partner entities (Inter-American Development Bank, UN, World Bank). Funding from the HRF has helped strengthen the Government of Haiti's capacity to implement policy reforms in the areas of transparency, procurement and the use of public funds.

New coordination framework

The Government of Haiti has recently launched a new international cooperation mechanism, the External Aid and Development Cooperation Framework, to replace the Interim Haiti Reconstruction Committee. This will include a mutual accountability framework and more inclusive development through greater private sector and civil society engagement.

Use of budget support

A few donors including Spain and the European Union are already providing limited budget support to the Government of Haiti. The IMF leads a working group on developing budget support mechanisms and monitoring frameworks that can be more widely adopted. However, bilateral donor interests and political considerations, as well as continued weaknesses in public financial management remain an obstacle to the greater use of budget support. Donors have established a high level dialogue on public financial management.

Renewed focus on statebuilding

The focus of donor assistance is beginning to shift more towards a longer-term statebuilding agenda. This has been led by donors with long term experience in the country. For example, Canada has provided experts to support and advise key Haitian government ministries (planning, external relations, agriculture and justice) in strategic planning and management, supported several high-level Government of Haiti officials in improving their public administration skills, provided support to modernize Haiti's tax and customs administrations, as well as Haiti's civil registry.

⁵ See US Government Accountability Office. <http://www.gao.gov/products/GAO-11-415>

