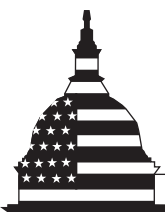


May 2011

HAITI RECONSTRUCTION

U.S. Efforts Have Begun, Expanded Oversight Still to Be Implemented



G A O

Accountability * Integrity * Reliability

Why GAO Did This Study

On January 12, 2010, an earthquake in Haiti killed an estimated 230,000 people, displaced about 2 million more, and exacerbated longstanding challenges. In July 2010, Congress appropriated more than \$1.14 billion in supplemental funds for reconstruction assistance, most of which was provided to the U.S. Agency for International Development (USAID) and the Department of State (State). In April 2010, the Haitian government created the Interim Haiti Recovery Commission (IHRC), a joint Haitian-international entity, for an 18-month term to coordinate donors, conduct strategic planning, approve reconstruction projects, and provide accountability. In this report, GAO addresses (1) the planned uses for U.S. reconstruction assistance and the amounts provided so far, (2) USAID's internal controls for overseeing U.S. funds, and (3) IHRC's progress establishing governance and oversight structures. GAO interviewed U.S. government officials in Washington, D.C., and Haiti, as well as officials from Haitian ministries, the IHRC, and nongovernmental organizations, and reviewed U.S. and IHRC documents.

What GAO Recommends

GAO recommends USAID take steps to ensure planned monitoring and evaluation activities are implemented in a timely manner. We also recommend State work with IHRC to make it fully operational. State agreed with our recommendations and USAID noted steps it is taking in line with our recommendation.

View [GAO-11-415](#) or key components. For more information, contact David Gootnick at (202) 512-3149 or Gootnickd@gao.gov, or Susan Ragland at (202) 512-8486 or Raglands@gao.gov.

HAITI RECONSTRUCTION

U.S. Efforts Have Begun, Expanded Oversight Still to Be Implemented

What GAO Found

The U.S. government plans to allocate about \$918 million of the \$1.14 billion in supplemental Haiti reconstruction funds available through the end of fiscal year 2012 to USAID and State. USAID and State plan to allocate \$770 million and \$148 million, respectively, to projects in three geographic regions of Haiti, selected for their development potential, and four key sectors: (1) infrastructure and energy; (2) governance and rule of law; (3) health and other basic services; and (4) food and economic security. About half of the total funding is intended for infrastructure and energy projects and an additional third is for governance and rule-of-law programs. State and USAID reported they had obligated over \$184.3 million, or about 20 percent of the funding, as of March 2011. USAID provided most of this amount to fulfill the U.S. government's pledge of \$120 million to the multidonor Haiti Reconstruction Fund. State and USAID reported that they obligated most of the remaining \$64.3 million to a small number of bilateral activities, including projects to restore basic government functions.

USAID intends to expand and enhance its internal control framework to address the increased risk factors associated with the almost \$650 million of the \$770 million in supplemental reconstruction funds allocated to the agency and is at varying stages of implementing new internal controls. The agency plans to (1) augment existing internal controls to provide additional financial management and oversight of reconstruction projects, and (2) establish a new independent monitoring and evaluation unit. As of April 2011, while the agency had taken initial steps to implement some new controls, such as reorganizing staff to address the increase in oversight of supplemental reconstruction funds, it is in planning stages for other controls, particularly the new monitoring and evaluation unit. Additionally, the USAID Office of Inspector General plans to expand its audit and oversight activities and has begun to implement these plans.

Although IHRC has established key governance structures and procedures, the commission is not fully operational. IHRC, which State officials said has helped improve transparency and coordination, has made progress setting up a new organization in a challenging environment. However, although the commission's mandate ends in October 2011, IHRC is not fully operational due to delays in staffing the commission and defining the role of its Performance and Anticorruption Office—which IHRC officials cited as key to establishing the commission as a model of good governance. IHRC also has made progress developing project review procedures and approving reconstruction projects, but IHRC's ability to direct funding to Haitian priorities is limited, in part because those priorities have not been clear. As a result, funding for approved projects is uneven across sectors and not necessarily aligned with Haitian priorities. For example, although the Haitian government identified nearly equal 18-month funding requirements for debris removal and agriculture, IHRC has approved about 7 times more funding for agriculture projects. IHRC has recently developed a strategic plan to begin to help clarify Haitian priorities.

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Abbreviations

AAD	Activity Approval Document
Action Plan	Action Plan for National Recovery and Development of Haiti
ADS	Automated Directives System
BPA	blanket purchase agreement
CARICOM	Caribbean Community
CHF	Cooperative Housing Foundation International
DAI	Development Alternatives, Incorporated
ESF	Economic Support Funds
FMFIA	Federal Managers' Financial Integrity Act of 1982
FY	fiscal year
HOPE	2006 Haitian Hemispheric Opportunity through Partnership Encouragement Act
HRF	Haiti Reconstruction Fund
IHRC	Interim Haiti Recovery Commission
INCLE	International Narcotics Control and Law Enforcement
MINUSTAH	United Nations Stabilization Mission in Haiti
Mission	USAID Mission in Haiti
M&E	monitoring and evaluation
NGO	nongovernmental organization
OAA	Office of Acquisition and Assistance
OFDA	Office of Foreign Disaster Assistance
OFM	Office of Financial Management
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OTI	Office of Transition Initiatives
PAO	Performance and Anticorruption Office
PCPS	Office of Policy Coordination and Program Support
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
RIG	Regional Inspector General
State	Department of State
T-shelters	transitional shelters
Treasury	Department of the Treasury
UN	United Nations
USAID	U.S. Agency for International Development

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

May 19, 2011

Congressional Committees

The January 12, 2010, earthquake centered near Port-au-Prince, Haiti, was one of the deadliest and most destructive natural disasters in recent history. The quake is estimated to have killed approximately 230,000 people, injured 300,000, and displaced approximately 2 million from their homes according to a United Nations (UN) report. The World Bank estimates the earthquake caused \$7.8 billion in damage (over 100 percent of Haiti's 2009 gross domestic product). According to Department of State (State) and U.S. Agency for International Development (USAID) officials, the disaster generated the largest international humanitarian relief effort ever undertaken and prompted the international community to pledge billions for reconstruction, including a pledge of \$1.15 billion over the first 2 years by the U.S. government. The amount of this assistance—more than triple the average annual assistance provided by the U.S. government to Haiti between 2006 and 2009—has raised concerns by U.S. government officials about the U.S. and Haitian governments' ability to monitor, maintain accountability over, and effectively use this funding. The lack of transparency and accountability in governance and allegations of pervasive corruption in Haiti could stall the country's economic and political recovery and undermine U.S. and donor confidence in the assistance effort.

In July 2010, Congress appropriated supplemental funds for Haiti's relief and reconstruction and directed GAO to monitor post-earthquake aid and other expenses related to Haiti.¹ This report addresses (1) the planned uses for U.S. reconstruction assistance and the amount provided so far; (2) USAID's internal controls for overseeing and monitoring U.S. funds provided for reconstruction efforts; and (3) the progress the Interim Haiti Recovery Commission (IHRC), a joint Haitian-international body, has made in establishing governance and oversight structures.

¹Supplemental Appropriations Act, 2010, Pub. L. No. 111-212, title I, ch. 10, 124 Stat. 2302, 2320 (July 29, 2010). The law mandated that funds previously available to GAO pursuant to Title I, Chapter 4 of Pub.L. No. 106-31 (to monitor provision of assistance to address the effects of hurricanes in Central America and the Caribbean) also be available to GAO to monitor post-earthquake expenses related to Haiti, including relief, rehabilitation, and reconstruction aid.

To address these objectives, we reviewed reports, documents, and data from, and obtained the views of officials at, State and USAID in Washington, D.C., and Haiti. In Haiti, we also met with Haitian ministry officials and representatives from IHRC, the Haiti Reconstruction Fund (HRF), a multidonor trust fund organized to help finance high-priority post-earthquake reconstruction projects, and international and Haitian nongovernmental organizations (NGO) involved in the relief and reconstruction efforts. We met with USAID implementing partners and local recipients of U.S. assistance in Port-au-Prince, Saint-Marc, and other locations in central Haiti. We reviewed and analyzed U.S. government documents on allocations and plans for monitoring and evaluating reconstruction funds, and Haitian and IHRC documents on their efforts to assess reconstruction needs and priorities and establish procedures to conduct project selection and oversight.

We conducted this performance audit from June 2010 through May 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our work objectives. See appendix I for a detailed description of our objectives, scope, and methodology.

Background

Humanitarian Relief

As part of an unprecedented international humanitarian effort in the year following the earthquake, U.S. and international relief activities helped feed more than 4 million people, and removed 2 million cubic meters of rubble. This effort also vaccinated about 1 million internally displaced persons against communicable diseases in the first 6 months after the quake. The UN reported that as of April 2011, the United States and at least 125 other countries responded to the earthquake with humanitarian contributions totaling nearly \$2 billion in financial and other assistance; and donations from private individuals, foundations, and corporations totaled over \$1.5 billion.²

²Twenty-two of these 125 other countries provided in-kind assistance, but did not report the monetary value of these relief contributions, according to a UN report. Two additional countries had pledged to provide assistance but had not committed funds as of April 2011.

As of the end of fiscal year 2010, U.S. government agencies had provided more than \$1.1 billion within Haiti to meet humanitarian needs. This aid included food, medical assistance, temporary shelter, and short-term employment. International earthquake relief efforts were challenged by other emergencies that occurred in the year after the earthquake, including (1) Hurricane Tomas in early November 2010, which caused additional loss of life and severe flooding; (2) a cholera epidemic that afflicted more than 240,000 people and claimed at least 4,600 lives between October 2010 and March 2011;³ and (3) the violence and political turmoil arising from the disputed results of the November 28, 2010, presidential and legislative elections. Appendix II provides details on humanitarian-relief spending in Haiti by U.S. government agencies as of the end of fiscal year 2010.

Global and U.S. Funding for Haiti's Relief and Reconstruction

On March 31, 2010, the international community pledged over \$9 billion to meet Haiti's reconstruction and development needs over 10 years; of this amount, \$5.3 billion was directed to the reconstruction effort in 2010 and 2011, including \$1.15 billion from the United States. As of March 2011, total pledges exceeded \$10.1 billion.⁴

On July 29, 2010, Congress appropriated \$2.93 billion in supplemental funding.⁵ This amount includes (1) more than \$1.64 billion in relief funds largely used to reimburse U.S. government departments' emergency and humanitarian activities; and (2) more than \$1.14 billion in reconstruction funds available through the end of fiscal year 2012.⁶

³According to a USAID document, the U.S. government provided nearly \$40 million in cholera assistance as of December 14, 2010, including the provision of disaster-relief teams, chlorine for safe drinking water, and support for cholera treatment facilities, particularly in underserved and rural areas.

⁴The donors conference, held in New York City, involved more than 150 countries and international organizations. Pledged donations included about \$874 million of funds reprogrammed from projects initiated before the earthquake. The U.S. pledge did not include reprogrammed funds.

⁵Supplemental Appropriations Act, 2010, Pub. L. No. 111-212, 124 Stat. 2302 (July 29, 2010).

⁶While the U.S. government pledged \$1.15 billion for Haiti's reconstruction, the Act appropriated \$1.14 billion in supplemental funding for reconstruction. The Act also made available for Haitian debt relief up to \$40 million in prior year State appropriations. This report defines all supplemental funds made available to State and USAID up through the end of fiscal year 2012 for new Haitian recovery, reform, and development activities as reconstruction funds, including the \$66.3 million made available to recovery programs conducted by State's Office of Transition Initiatives (OTI).

Of the \$1.14 billion appropriated for reconstruction, about \$918 million was directed to State and USAID, including \$770 million in USAID-administered Economic Support Funds (ESF), which included \$120 million for the HRF; and about \$148 million in State-administered International Narcotics Control and Law Enforcement (INCLE) funds.⁷ The appropriation also included funding for the Department of the Treasury (Treasury) for Haitian debt relief, a Treasury attaché office in the U.S. Embassy in Port-au-Prince, and technical assistance, as well as funding for the USAID Office of the Inspector General (OIG) (see table 1).

Table 1: Supplemental Funding for Haitian Relief and Reconstruction

(Dollars in millions)

Recipient	Relief	Reconstruction	Diplomatic-related expenses ^a	Total
State and USAID	\$556.5	\$917.7	\$144.0	\$1,618.2
State	96.5	147.7	144.0	388.2
USAID	460.0	770.0	—	1,230.0
Agriculture	150.0	—	—	150.0
Defense	655.0	—	—	655.0
Treasury	—	7.8	—	7.8
Treasury Debt Relief	—	212.0	—	212.0
Homeland Security	60.6	—	—	60.6
Health and Human Services	220.0	—	—	220.0
USAID Inspector General	—	4.5	—	4.5
Total	\$1,642.1	\$1,142.0^b	\$144.0^c	\$ 2,928.1

Source: Congressional Research Service, GAO analyses of U.S.-government fiscal year 2010 supplementary budget request and final appropriation in the Supplemental Appropriations Act, 2010 (Pub.L. No. 111-212).

^aState Department funds under diplomatic-related expenses include \$65 million appropriated for State's diplomatic/consular operations and \$79 million for embassy security, construction, and maintenance.

^bAll reconstruction funds are available through the end of fiscal year 2012; however, \$690,000 in Treasury funds for salaries and expenses are available until expended.

^cThis total excludes \$3 million provided in the supplemental appropriation for the Broadcasting Board of Governors for emergency broadcasting support and other expenses related to Haiti. The Board is an independent agency with a separate appropriation, although the Secretary of State is one of nine board members.

⁷The ESF furnishes assistance to countries and organizations to promote economic or political stability. INCLE funds are provided to help foreign countries and international organizations develop and implement policies and programs to strengthen institutional law enforcement and judicial capabilities, including countering drug flows, combating transnational crime, and establishing rule of law.

In addition to the funds specifically provided by this Act for efforts in Haiti, a March 2011 State report stated that as of December 31, 2010, State and USAID obligated about \$468 million from existing base fiscal year 2009 and 2010 Development Fund appropriations which also could be attributed as support for the longer-term reconstruction and economic development of Haiti.⁸

Haitian Framework for Reconstruction

In the year after the earthquake, the Haitian government took three steps to prioritize its needs and establish a reconstruction framework.

First, the Haitian government (with assistance from the World Bank and other international organizations) completed a post-earthquake needs assessment and issued a 10-year *Action Plan for National Recovery and Development of Haiti* (Action Plan) in March 2010. The Action Plan identified about \$3.9 billion needed for the initial 18 months of reconstruction (including almost \$1.2 billion in budget support for the Haitian government). The plan prioritized short- and long-term reconstruction needs in four areas: (1) territorial rebuilding in Port-au-Prince and three targeted regions;⁹ (2) economic rebuilding in sectors such as construction, agriculture, and tourism; (3) social rebuilding in the health, education, food security, and other sectors; and (4) institutional rebuilding focused on developing government capacity, justice, and a legal and regulatory framework (see app. III for additional details on the government of Haiti's Action Plan).

Second, in April 2010, the government of Haiti established IHRC, a joint Haitian-international commission, under an 18-month mandate that ends in October 2011.¹⁰ IHRC was designed to plan, coordinate, and oversee all

⁸State issued this report in response to a request from the Senate Committee on Appropriations. In addition to ESF and INCLE funding, this reported total includes funding from USAID's Food for Peace Title II funds; State's Foreign Military Financing and International Military Education and Training funds; and State and USAID's combined Global Health/Child Survival programs.

⁹The targeted regions are Cap-Haitien, Saint-Marc, and Les Cayes.

¹⁰IHRC is governed by a Board of Directors comprised of Haitian officials and members of the international community. An Executive Director and a Secretariat, which was originally expected to total approximately 100 staff, carry out the daily operations of IHRC. To be enforceable, the decisions of IHRC must be confirmed by the Haitian President; any IHRC decisions that are not vetoed by the President within 10 business days are deemed to be confirmed.

reconstruction projects of bilateral and multilateral donors, NGOs, and some private-sector projects. Although donors submit projects to IHRC for approval, IHRC does not directly fund or implement any reconstruction projects. Nevertheless, U.S. officials have cited IHRC as the key entity for providing transparency and accountability over the reconstruction effort. In that regard, IHRC has established the following mechanisms:

1. IHRC reviews and approves reconstruction projects funded by bilateral and multilateral donors in an effort to align projects with the priorities established in the Action Plan.
2. IHRC established the Performance and Anticorruption Office (PAO) to monitor reconstruction efforts,¹¹ including facilitating project approval, overseeing IHRC's internal operations, investigating allegations of corruption, and monitoring project performance.

These mechanisms do not replace any of the financial tracking or oversight responsibilities of donor countries or project implementers. As currently envisioned by U.S. and IHRC officials, IHRC's functions will transfer to a permanent Haitian development agency when its mandate expires.

Third, the international community, at the request of the Haitian government, created HRF, a multidonor trust fund, in May 2010 to help the Haitian government fund IHRC-approved projects that donors may not otherwise fund.¹² IHRC-approved projects sent to HRF are developed and implemented in conjunction with one of three participating partners: the Inter-American Development Bank, the World Bank, or the UN. Donors indicated they would contribute \$577 million of their total reconstruction pledges—about 11 percent of the \$5.3 billion in total funds pledged for the first 2 years of reconstruction—to HRF. As of April 2011, 17 donors had transferred \$282 million into HRF to fund their pledges, including \$120 million from the U.S. government. Although some donors (including the U.S. government) expressed preferences for how their contributions would be used, the donors retain no explicit control over funding once it is transferred to HRF.

¹¹The order establishing IHRC, issued by the President of Haiti on April 21, 2010, mandates that IHRC include an audit and performance office to ensure accountability and transparency.

¹²While the World Bank established HRF at Haiti's request in March 2010, Haiti's Minister of Finance and key advisors to Haiti's President did not validate it until May 2010. The World Bank signed its first HRF donor agreement with Brazil in that month.

U.S. Government Framework for Reconstruction

The U.S. government has taken steps to prioritize its actions in support of the Haitian reconstruction effort. In September 2010, State and USAID issued a joint spending plan to allocate supplemental reconstruction funds among projects.¹³ In accordance with the plan, USAID directly controls and provides oversight over the bulk of ESF reconstruction funds—about \$650 million—after making \$120 million in ESF available for transfer via Treasury to the HRF.¹⁴

In January 2011, the Obama Administration issued a 5-year plan, the *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity*, which targets resources in geographic areas and economic sectors to help Haiti implement its Action Plan objectives. The strategy seeks to concentrate U.S. projects in a small number of economic sectors in the hope of encouraging private-sector led sustainable development. The strategy also targets geographic areas for development and outlines objectives and intermediate results to guide projects over the life of the strategy (2011 through 2015).¹⁵ The strategy encompasses some, but not all, of the objectives set forth in the Action Plan. See appendix IV for details on the Post-Earthquake USG Haiti Strategy.

According to USAID officials, USAID is developing one or more Activity Approval Documents (AAD) for each of the economic sectors in this strategy. USAID policies require that an AAD describe the project or activity, including its intended results, implementation methods, and financing plans. An AAD also certifies that appropriate planning for the related activities has been completed.¹⁶

Figure 1 depicts the flow of U.S. supplemental funds and reconstruction projects through the Haitian and U.S. governments' reconstruction frameworks.

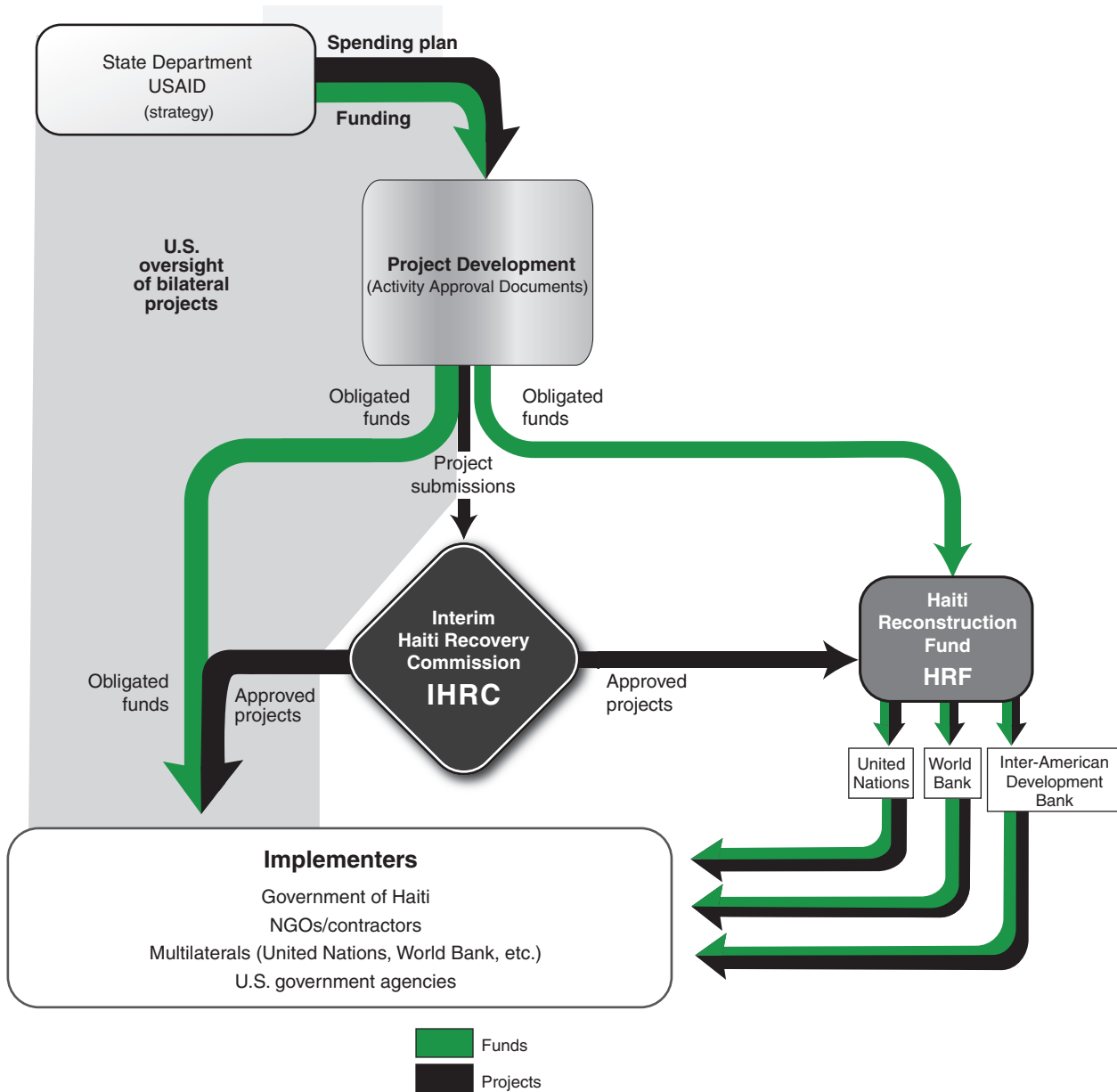
¹³State, in consultation with USAID and Broadcasting Board of Governors, was required to follow notification procedures and submit a spending plan to the appropriations committees within 45 days of the Supplemental Appropriations Act's enactment. According to State and USAID officials, they were able to obligate the supplemental funding beginning in November 2010, after the congressional review of the spending plan had been completed.

¹⁴This total dropped to \$648 million after a further \$2 million in ESF funding was made available to the Smithsonian Institution to fund a bilateral cultural preservation project in Haiti.

¹⁵State also appointed a Special Coordinator for Haiti in September 2010 to oversee the implementation of the reconstruction strategy in partnership with the government of Haiti.

¹⁶USAID's Automated Directives System (ADS), *Planning*, ADS 201.3.8 and 201.3.11.16 (Washington, D.C., rev. Mar. 17, 2011).

Figure 1: Process for Approving and Funding Haiti Reconstruction Projects Using U.S. Government Supplemental Funds



Source: GAO analysis.

Notes:

Each bilateral or HRF-funded project may use one or more of the types of implementers listed. U.S. bilateral projects typically are implemented by NGOs or contractors. U.S. government agencies may implement technical assistance projects directly.

Other donors use a similar process to submit project proposals to IHRC, allocate their reconstruction funds, and implement projects.

A timeline summarizing the Haitian and U.S. reconstruction frameworks in response to the earthquake is found in appendix V.

Existing Accountability and Controls Framework for USAID-Administered Funds

Funds administered by USAID are subject to an accountability and internal controls framework¹⁷ established by USAID's policy directives and required procedures, as provided by USAID's ADS.¹⁸ ADS is organized into six function series, which direct the mission in Haiti (mission) in designing and implementing its internal controls and any policy or procedural changes that need to be made.¹⁹ ADS delineates a number of required control functions, including:

- The Office of Financial Management (OFM) is responsible for supporting the development and implementation of internal controls over financial activities. According to ADS,²⁰ effective and efficient internal control includes control activities to help ensure management directives such as proper execution of financial transactions and events, accurate and timely recording of such transactions, and

¹⁷Accountability represents the processes, mechanisms, and other means—including financial reporting and internal controls—by which an entity's management carries out its stewardship and responsibility for resources and performance. Internal control is an internal component of an organization's management, which is comprised of the plans, methods, and procedures used to meet missions, goals, and objectives, and thereby support performance-based management.

¹⁸USAID uses ADS to implement its existing internal-control duties under 31.U.S.C. §3512(c).d, commonly referred to as the Federal Managers' Financial Integrity Act of 1982 (FMFIA), which provides the statutory basis for USAID management's responsibility for and assessment of internal control. Office of Management and Budget (OMB), *Management's Responsibility for Internal Control* OMB Circular No. A-123, (Washington, D.C., rev. Dec. 21, 2004), sets out the guidance for implementing the statute's provisions, including agencies' assessment of internal control under the standards prescribed by the Comptroller General in GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁹For example, the mission in Haiti used the ADS regulation Chapter 591: *Financial Audits of USAID Contractors, Grantees, and Host Government Entities* to develop its *Fiscal Year 2011 Yearly Financial Plan*. Specifically, ADS 591.3.4.2 *Foreign Contractors and Recipients* states that missions must develop an audit plan that completely covers direct awards to foreign recipients on an annual basis. See USAID ADS, *Foreign Contractors and Recipients*, ADS 591.3.4.2 (Washington, D.C., rev. Apr. 14, 2010).

²⁰USAID ADS, *Management's Responsibility for Internal Control*, ADS 596.3.1.(c) (Washington, D.C., March 2010).

physical control over vulnerable assets, such as cash, to help ensure that management directives are carried out.

- Reconstruction projects are subject to ADS directives that define and address the controls needed to monitor and evaluate program progress and results.²¹

Projects are also subject to the monitoring and evaluation functions discussed in the U.S. government's reconstruction strategy. According to the strategy, the mission will establish an independent monitoring and evaluation unit to assess reconstruction progress and impact. Additionally, USAID issued a revised Evaluation Policy in January 2011 to update the agency's standards and practices. The revised policy is intended to develop the use of evaluation as a crucial tool to inform USAID's global development efforts and make management and operational decisions, and emphasizes the need to collect and establish baseline data when initiating new projects.

Independent from the mission in Haiti, USAID's OIG conducts and supervises internal audits and investigations of USAID programs in Haiti through its regional office located in El Salvador. OIG's oversight of mission activities includes audits and investigations based on authority provided through the Inspector General Act of 1978, as amended.²²

²¹In particular, USAID ADS, *Assessing and Learning*, ADS 203 (Washington, D.C., rev. Apr. 2, 2010) defines monitoring as measuring progress made toward planned results throughout the life of the program. Moreover, ADS Chapter 200: *Introduction to Programming Policy*, defines evaluation as the systematic collection of information about the characteristics and outcomes of programs in order to make judgments, improve effectiveness, and/or inform decisions about current and future programming. See USAID ADS, *Introduction to Programming Policy*, ADS 200 (Washington, D.C., rev. Apr. 2, 2010).

²²*Codified, as amended, at 5 U.S.C. Appendix.* USAID OIG is an independent office (5 U.S.C. app. § 2). The IG is appointed and removed by the President and the IG's pay is determined by statute (§ 3). The office's budget is also not controlled by the agency (§ 6).

U.S. Government Is Providing Reconstruction Funding to Stimulate Economic Development, Obligating 20 Percent of Funding as of March 2011

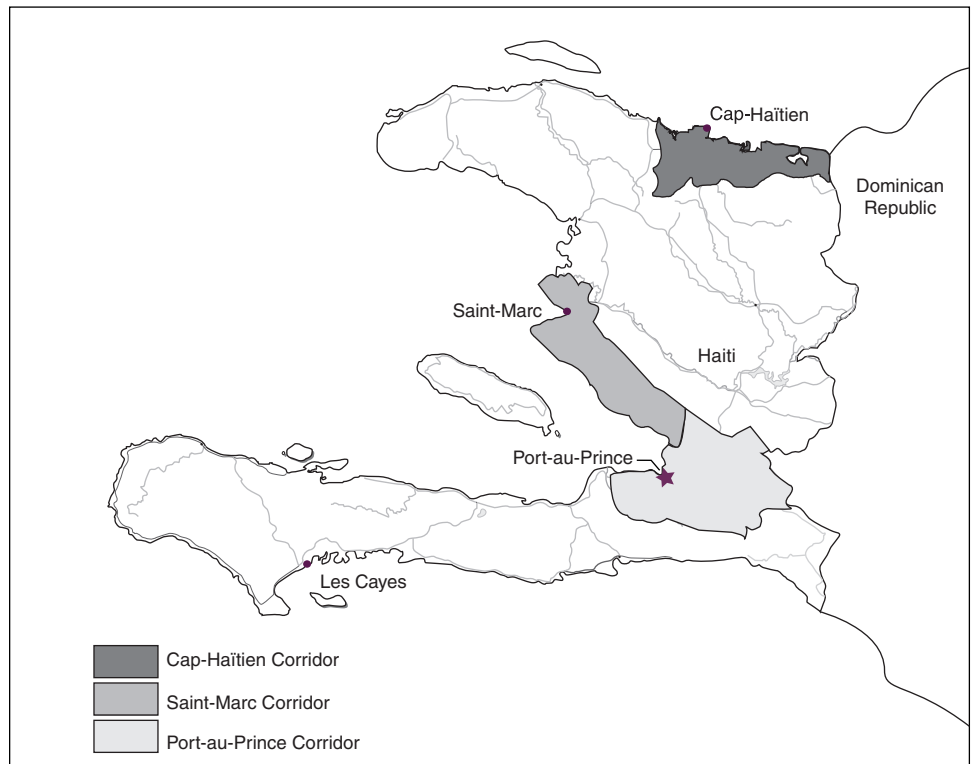
The U.S. government allocated the \$918 million in supplemental reconstruction funds to stimulate development in three geographic areas selected for their development potential—referred to as development corridors—according to the U.S. governmentwide strategy for Haiti. Within each economic development corridor, State and USAID will distribute funding among projects in four sectors: (1) infrastructure and energy, (2) food and economic security, (3) health and other basic services, and (4) governance and rule of law. Nearly half of the funding, or about \$426 million, is intended for infrastructure and energy projects. An additional third, or about \$293 million, is intended for governance and rule-of-law programs. Over 20 percent of the total amount, or \$184.3 million, was reportedly obligated as of March 2011.²³ This total includes the entire \$120 million U.S. government contribution to the HRF.

U.S. Government Strategy Focuses on Three Development Corridors

The U.S. governmentwide strategy calls for funding to stimulate economic activity and improve basic services delivery in three geographic development corridors between 2011 and 2015. According to the strategy, this is in accordance with the Action Plan's objective to support new and diverse economic opportunities outside Port-au-Prince, by focusing on investments in housing, energy, agriculture, health, security, and national and local governance. State and USAID officials noted that targeting these three areas, which present a comparative advantage for growth and a need for stability, is an attempt to decongest Port-au-Prince by providing economic opportunities elsewhere in Haiti. Figure 2 identifies the development corridors.

²³State and USAID obligations include both expenditures and unexpended obligated balances.

Figure 2: U.S. Government's Development Corridors in Haiti



Sources: Multiple U.S. Government Agencies, *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity* (Washington, D.C., January 2011); Map Resources,(map).

Note: A State document notes the Port-au-Prince Corridor is located in and just to the north of Port-au-Prince, extending east to the Dominican Republic border and encompassing the entirety of the Cul-de-Sac watershed; the Saint-Marc Corridor will be anchored by the municipality of Saint-Marc in the Department of Artibonite and will continue down the west coast of Haiti encompassing the Cabaret/Saint-Marc watersheds; the Cap-Haïtien Corridor includes the area around Cap-Haïtien, and continues to the Haiti-Dominican border in the east and encompasses the entirety of the Limbe and Cap-Haïtien watershed on the western end.

Under the State-USAID spending plan, a portion of supplemental funding is for corridors outside Port-au-Prince. For example, the spending plan allocates \$137.1 million for roads and ports in development corridors; USAID officials also indicated that a substantial portion of the \$61.6 million allocated to provide homes and infrastructure to internally displaced persons will be located in these corridors.

U.S. Government Is Allocating \$918 Million in Reconstruction Funding to Four Core Economic Development Sectors

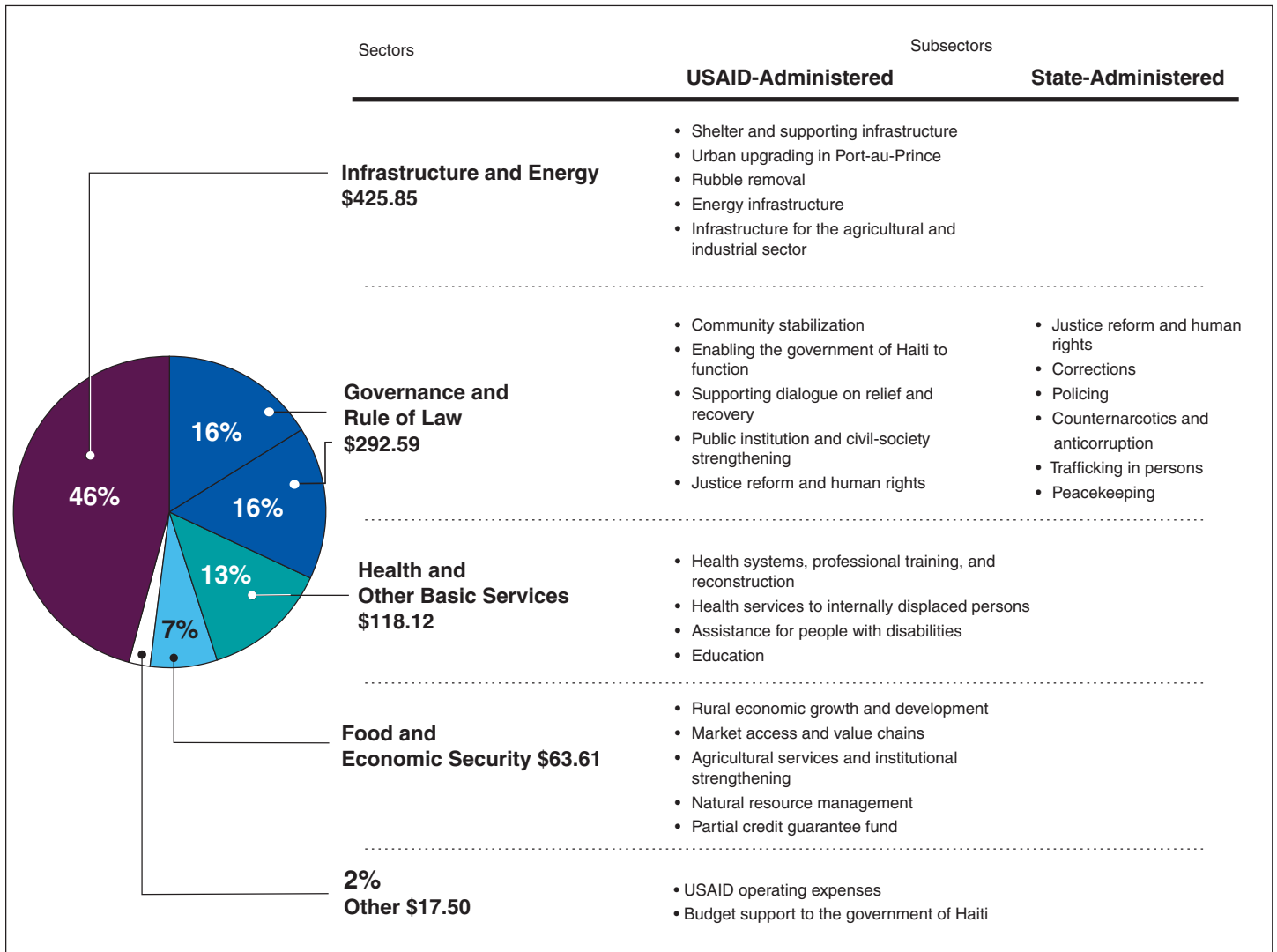
The U.S. strategy identifies four sectors as critical to achieving economic growth and stability. The spending plan allocates: (1) \$426 million (46 percent of total funding) for infrastructure and energy; (2) \$293 million (32 percent) for governance and rule of law;²⁴ (3) \$118 million (13 percent) for health and other basic services; and (4) about \$64 million (7 percent) for food and economic security.²⁵ The plan identifies subsectors within each of the four sectors. Also, under the plan, the \$120 million provided to the HRF is allocated to subsectors within three of the sectors.²⁶ Figure 3 describes funding for the four sectors, and figures 4 through 7 provide additional sector and subsector details.

²⁴Of this \$293 million, \$66.3 million in ESF was allocated for USAID's transitional programs, which are conducted by OTI.

²⁵The State-USAID spending plan assigns the remaining \$17.5 million (2 percent) for USAID operating expenses and budget support for the government of Haiti.

²⁶The plan also includes \$2 million in ESF to the Smithsonian Institution for projects not directly overseen by USAID.

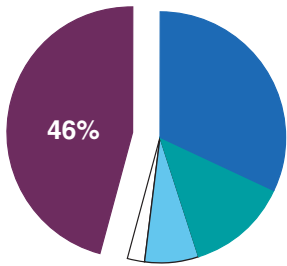
Figure 3: Fiscal Year 2010 State and USAID Supplemental Reconstruction by Sector (dollars in millions)




Source: GAO analysis of USAID and State data.

Figure 4: U.S. Infrastructure and Energy Sector Reconstruction

Infrastructure and Energy \$425.85 million



 FY 2010 Haiti supplemental spending plan allocation
 To HRF

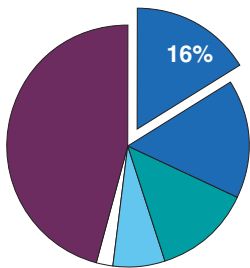
Subsectors	Allocation	Description of reconstruction projects and priorities
Energy infrastructure	137.11	Rehabilitate and expand high-priority infrastructure and power generation as well as support for regulatory, legal, and sector governance reform.
Infrastructure for the agricultural and industrial sectors	137.11	Primarily for road and port development to facilitate farm-to-market transportation.
Urban upgrade in Port-au-Prince	65.00	U.S. government to provide via multidonor HRF while expressing a preference that this funding be used to repair housing, construct essential community infrastructure, and provide technical support to develop local capacity to manage land claims and ensure the use of safe construction methods.
Permanent housing in the U.S. government development corridors	61.63	Provide permanent housing for internally displaced people in new developments or upgraded transitional shelters in accessible locations along the development corridors. Includes technical support for the development of a national housing strategy, improved building codes, and a housing finance system.
Rubble removal	25.00	U.S. government to provide via multidonor HRF projects while expressing a preference for rubble removal in residential communities.

Sources: GAO analysis of USAID and State data; photos, GAO.

Figure 5: U.S. Governance and Rule-of-Law Sector Reconstruction

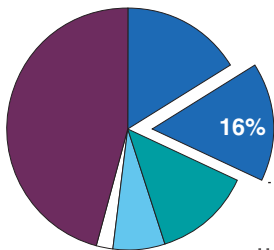
Governance and Rule of Law \$292.59 million

USAID-Administered



Subsectors	Allocation	Description of reconstruction projects and priorities
Public institution and civil society strengthening	63.89	Strengthen public administration and improve public sector performance in priority institutions, including the Office of the Prime Minister and Ministries of Finance, Planning, Justice & Public Security, Agriculture, Health, and Public Works.
Community stabilization	48.30	Encourage people to move out of camps to new communities or back to their neighborhoods, and to revitalize priority public spaces.
Justice reform and human rights	14.74	The passage and implementation of new criminal and criminal procedure codes, to standardize case tracking, and other efforts to improve court functionality.
Enabling the government of Haiti to function	11.00	Strengthening the capacity of key national-government ministries and some local entities to engage in rebuilding operations by providing infrastructure, office and communications equipment, and technical assistance. Includes provision of material assistance and short-term technical expertise to IHRC.
Supporting dialogue on relief and recovery	7.00	Support to media, conducting surveys, and government of Haiti outreach.

State-Administered



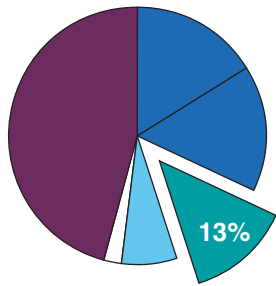
Subsectors	Allocation	Description of reconstruction projects and priorities
Peacekeeping	45.00	Support UN peacekeeping operations by doubling the U.S. contingent to 100 police advisors and 10 corrections advisors, help establish effective internal displaced-person camp-security measures, and provide equipment and training to the UN's formed police units.
Policing	35.10	Reconstruct damaged portions of the Haitian National Police training facility and provide assistance for training new police recruits.
Corrections	33.36	Support renovations or rebuilding of damaged prison facilities.
Counternarcotics and anticorruption	14.70	Re-establish and enhance the Haitian National Police capacity for counternarcotics, maritime, and transnational anticrime operations.
Justice reform and human rights	7.50	Support the strategy to address the 85 percent pretrial detention rate in Haiti, funds will provide a mobile court system to transport judges to prisons to adjudicate and classify prisoners.
Trafficking in persons	5.50	Supplement existing programs to support technical assistance on antitrafficking legislation and address the need for enactment and enforcement of protection laws and programs to address gender-based violence.



FY 2010 Haiti supplemental spending plan allocation

Source: GAO analysis of USAID and State data.

Figure 6: U.S. Health and Other Basic Services Sector Reconstruction

Health and Other Basic Services \$118.12 million



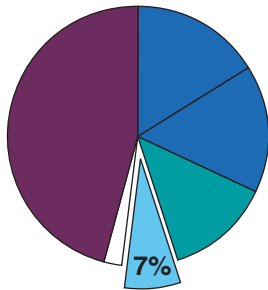
 FY 2010 Haiti supplemental spending plan allocation
 To HRF



Subsectors	Allocation	Description of reconstruction projects and priorities
Health systems, professional training, and reconstruction	70.00	Renovate damaged infrastructure, including hospitals and medical schools in Port-au-Prince. Will also renovate or build new health centers and hospitals in communities targeted for U.S. government development assistance. Includes technical support for the Ministry of Health.
Health services to internally displaced persons	28.29	Support the provision of family planning, tuberculosis, and routine immunization services at health facilities in the Port-au-Prince area. Will also increase access to basic health care at communal health facilities.
Education	10.00	Provide via multidonor HRF to support Haiti's education system with an expressed preference to support the IADB's plan to build or rehabilitate schools, improve teacher quality, and promote better enforcement of education standards.
Assistance for people with disabilities	9.83	Establish or strengthen services for disabled persons at four to six service centers, and train rehabilitation technicians and staff. Also support capacity development for government ministries and the IHRC to improve access to public facilities for the disabled.

Sources: GAO analysis of USAID and State data; photos, GAO.

Figure 7: U.S. Food and Economic Security Sector Reconstruction

Food and Economic Security \$63.61 million



 FY 2010 Haiti supplemental spending plan allocation
 To HRF



Subsectors	Allocation	Description of reconstruction projects and priorities
Natural resource management	24.57	Improve and restore watershed areas in support of increasing productivity of certain staple and export crops in U.S. government development corridors (includes \$7.5 million to provide alternatives for firewood and charcoal fuel).
Partial credit guarantee fund	12.50	U.S. government expressed a preference that this funding provided via HRF multidonor projects be used to refinance distressed or nonperforming loans held by small and medium-sized businesses negatively affected by the earthquake by facilitating implementation of a partial credit guarantee fund to encourage banks to refinance and make new loans.
Rural economic growth and development	11.79	Support effort to double yields of high-value export crops (mango and cocoa) and staple crops in selected areas over 5 years.
Agricultural services and institutional strengthening	9.83	Work with government of Haiti to create cooperative-owned agribusinesses to reduce dependence on donated seed and fertilizers. Also includes provision of advisors to support applied agricultural research and extension and vocational training.
Market access and value chains	4.91	Expand access to technology and training to rural small and medium enterprises, and a market-price information system.



Sources: GAO analysis of USAID and State data; photos, GAO.

Twenty Percent of U.S. Supplemental Funding Had Been Obligated by March 2011

As of the end of March 2011, USAID and State reported that approximately \$184.3 million, or about 20 percent of \$918 million, had been obligated.²⁷ The obligated amount includes \$120 million in ESF funds contributed to HRF through Treasury. The U.S. government expressed preferences for how HRF would apportion the \$120 million among certain subsectors (see table 2). These preferences are reflected in IHRC-approved projects to date that are funded in whole or in part by U.S. contributions to HRF.

Table 2: U.S. Preferences for Supplemental ESF Funds Provided to HRF

(Dollars in millions)

Source of funds (by sector)	Subsector	Amount
Infrastructure and Energy	Housing	\$65.0
Infrastructure and Energy	Rubble removal	25.0
Food and Economic Security	Partial Credit Guarantee fund	12.5
Health and Other Basic Services	Education	10.0
Other	Government of Haiti budget support	7.5
Total		\$120.0

Source: U.S. government supplemental spending plan for Haiti.

Note: The \$7.5 million in government of Haiti budget support originally included \$6 million to help fund a portion of IHRC’s 18-month operations budget, which the commission estimates will total nearly \$15 million by the end of October 2011. As of April 2011, however, the U.S. government has not yet finalized an agreement with the government of Haiti about the specific budgetary line items against which it will apply this support.

In addition, USAID and State reported they obligated another \$64.3 million in supplemental reconstruction funds between December 2010 and March

²⁷ An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received (GAO-05-734SP). Consistent with 31 U.S.C. § 1501, which defines when an agency can record an obligation, USAID generally treats as an obligation the bilateral agreements it makes with other countries to deliver assistance. This report defines obligations as amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or future period. USAID labels these actions subobligations. According to USAID officials at the mission in Haiti, they will consider the supplemental ESF funding allocated to the mission “obligated” once the U.S. government enters into a bilateral agreement with the government of Haiti, which they expect will be finalized in June 2011. In addition to bilateral agreements, agencies also incur obligations when they sign contracts and award grants. According to an official from OTI in Washington, D.C., OTI reported supplemental ESF funding allocated to its projects as obligated when it was awarded under new and existing contracts. The \$184.3 million includes both the obligations incurred by the signing of bilateral agreements and the obligations incurred by the award of OTI contracts.

2011. USAID reported obligating \$44 million in ESF funds for reconstruction projects and operating requirements. State reported obligating another \$20.3 million in INCLE funding was for a small number of bilaterally conducted rule-of-law projects (see table 3).

Table 3: Supplemental U.S. Reconstruction Funds Reported as Obligated, as of March 2011

(Dollars in millions)

Sector (source of funds)	Priority and project area	Amount
Governance and Rule of Law (INCLE)	Peacekeeping—Support for United Nations Stabilization Mission in Haiti (MINUSTAH)	9.6
	Policing—Repair of police infrastructure	5.5
	Corrections—Renovate and rebuild prisons	0.6
	Trafficking in persons—Strengthen institutional and civil society capacity to address trafficking, and protect victims of gender-based violence	4.5
Governance and Rule of Law (ESF)	Community stabilization through temporary employment—Includes activities to remove rubble and repair public infrastructure	26.1 ^a
	Enabling government of Haiti to function—Provision of technical assistance, office equipment, and temporary facilities to the offices of the President and the Prime Minister, and key Haitian government ministries and IHRC	9.8 ^a
	Supporting dialogue on relief and recovery—Promotes greater dialogue and information exchange between the public, civil society, media, and the government of Haiti. Includes support for infrastructure and short-term technical assistance to the Ministry of Culture and Communications	
	Public institution and civil society strengthening—Transfer of \$2 million to the Smithsonian Institution’s Haiti Cultural Recovery Project to rescue, safeguard, and preserve Haiti’s important collections of art, artifacts, museum collections, and architecture	2.0
Food and Economic Security (ESF)	Natural resource management—Watershed restoration and improvement	5.0
USAID operating expenses		1.1
Total		\$64.3^b

Source: GAO analysis of State and USAID data.

^aAccording to an OTI official, obligations for OTI’s projects will be distributed among these three project and priority areas in proportion to their share of the total allocation of \$66.3 million in supplemental funds noted in the spending plan: community stabilization projects will receive about 73 percent of the obligated funds; projects enabling the government of Haiti to function will receive 17 percent; and projects supporting dialogue on relief and recovery will receive approximately 10 percent.

^bTotal differs due to rounding. This total excludes most of the \$6.5 million in supplemental ESF allocated for USAID operating expenses in fiscal year 2011, but not reported as obligated as of March 2011. According to USAID officials, \$5.5 million of this amount was distributed to the mission for obligation (but not yet obligated), and \$1 million was withheld for use by USAID’s Haiti Task Team in Washington, D.C.

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- The State-administered INCLE obligations contributed to doubling the number of U.S. police advisors working with MINUSTAH from 55 to 110,²⁸ replacing some equipment lost in the earthquake by the U.S. contingent with MINUSTAH, repairing certain Haitian police facilities, and conducting site surveys and beginning construction or renovation of prison facilities.
 - The USAID-administered ESF amount includes (1) a December 2010 obligation for an agricultural/integrated watershed program in rural Haiti, to which USAID added some activities for food distribution and production of locally grown food,²⁹ and (2) grants awarded in January and March 2011 under two existing and one new contract for OTT's short- and medium-term activities to support community revitalization, help restore basic government functions, and provide technical and other assistance to the Haitian government (including IHRC).

USAID's Initiatives for Oversight and Monitoring of Reconstruction Funds Are at Varying Stages of Implementation

USAID intends to expand and enhance its internal control framework to address the increased risk factors associated with the increase in funding USAID will oversee and is at varying stages of implementing new controls.³⁰ To oversee \$648 million of supplemental reconstruction funds allocated to USAID, the mission plans to (1) augment existing internal controls to provide additional financial management and oversight of reconstruction projects by the mission's OFM; and (2) establish a new independent monitoring and evaluation (M&E) unit in the mission's Office of Policy Coordination and Program Support (PCPS). As of April 2011, OFM has taken initial steps to implement new controls, such as reorganizing staff to address the increase in oversight of supplemental reconstruction funds; however, PCPS is in its planning stages. Additionally, the USAID OIG, independent of the mission, plans to enhance its audit and oversight activities in Haiti and has begun to implement its plans. USAID plans to allocate at least \$16.5 million in

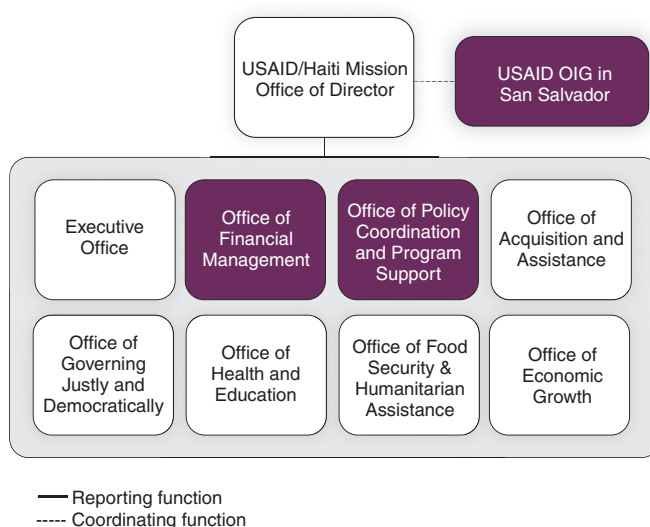
²⁸Total contribution will include 100 police and 10 corrections officers.

²⁹The goal of this program is to improve the livelihoods of rural populations and reduce the risks posed by environmental degradation through rehabilitation of rural infrastructure, good governance of natural resources, public-private partnerships, and enhanced agricultural productivity.

³⁰Of the \$770 million in supplemental ESF allocated to USAID, \$120 million was obligated by Treasury and transferred to the HRF and \$2 million was allocated to the Smithsonian Institution. Therefore, \$648 million of the supplemental ESF allocation will be subject to USAID project oversight.

supplemental funding to these new measures.³¹ Figure 8 depicts the organization of the USAID mission in Port-au-Prince and highlights its relationships with the three offices responsible for maintaining accountability and internal controls.

Figure 8: Organizational Chart of USAID Mission in Haiti



Source: GAO analysis of USAID/Haiti data.

OFM Developed Plans for Expanding and Enhancing Oversight and Monitoring of Reconstruction Funds and Is in Early Stages of Implementation

OFM intends to augment its existing controls to address the heightened risks associated with the increase in funding, including by providing additional fiscal oversight over the four development sectors identified in the U.S. reconstruction strategy, adding staffing resources, and conducting financial management training. As of April 2011, OFM had developed plans to conduct additional oversight activities, such as conducting audits specifically of reconstruction funds used to maintain USAID’s fiscal oversight. OFM had also taken initial steps to reorganize its structure to better align with the U.S. reconstruction strategy, and initiated the contracting process for obtaining assistance for OFM to conduct additional financial oversight activities.

³¹This amount consists of an allocation of \$12 million to develop a monitoring and evaluation unit and \$4.5 million to support the USAID OIG.

OFM Plans to Conduct
Expanded Oversight of
Supplemental Fund Grantees

OFM has developed plans to apply expanded controls over supplemental reconstruction funds. OFM officials stated that they developed these plans to address the risks associated with increased amounts of funds (and the existing risks associated with grants and acquisitions in Haiti, such as high levels of corruption) and because they had prior experience implementing similar plans responding to other natural disasters in Haiti, such as a tropical storm in 2004. These risks include (1) the substantial increase in the amount of funding USAID will oversee in fiscal years 2011 and 2012;³² (2) the increased number of new grantees, particularly Haitian grantees; and (3) the need to obligate and spend funds quickly to meet pressing needs. OFM's plans for its additional oversight activities were included in an April 2010 action memorandum outlining the mission's financial oversight strategy for the earthquake response and its *Fiscal Year 2011 Yearly Financial Plan*, released in November 2010.

The April 2010 action memo was developed by OFM as an oversight plan to augment the mission's internal control framework by implementing additional controls over supplemental reconstruction funding and providing USAID financial management training. The action memo reflected input from various sources, including the views of the mission's senior management staff and USAID OIG's oversight strategy for reconstruction activities.³³ It stated the planned additional controls will provide assurance that supplemental reconstruction funds will be safeguarded through activities, such as (1) conducting additional financial reviews of all grantees and contractors receiving reconstruction funds; (2) developing additional policies and procedures for local grantees and contractors receiving reconstruction funds; (3) and performing control environment assessments and risk assessments³⁴ of grantees with no previous experience working with the mission. In the action memo, OFM

³²According to OFM officials, their office provided oversight over USAID funding totaling about \$407 million in fiscal years 2009 and 2010.

³³This strategy is documented in USAID OIG, *Oversight Framework for Haiti Earthquake Response, Recovery and Rebuilding Efforts* (Washington, D.C., Jan. 29, 2010).

³⁴Under GAO's *Standards for Internal Control in the Federal Government*, the "control environment" is the foundation for internal control, which provides discipline, structure, and climate throughout the organization to set a positive and supportive attitude toward internal control and conscientious management. "Risk assessment" is the identification and analysis of relevant internal and external risks the agency faces that could prevent it from achieving its objectives and forms a basis for determining how risks should be managed. See [GAO/AIMD-00-21.3.1](#), pages 8, 10.

OFM Reorganized Its Structure and Developed Plans to Add Internal and External Staffing Resources to Maintain Oversight of Reconstruction Funds

also identified the need to provide additional USAID financial management training to grantees.

OFM officials stated their fiscal year 2011 financial plan focuses on maintaining oversight of all USAID funds, including reconstruction funds, and aligns OFM's planned oversight activities with the four development sectors identified in the U.S. government's reconstruction strategy.³⁵ Under the plan, OFM will provide financial support services, including audits, financial reviews, payment verifications, and financial visits in accordance with USAID's ADS to each development sector in the strategy.³⁶ To help developmental sector program teams safeguard USAID assets, verify that assets are used for intended purposes, and provide timely and accurate financial information to USAID management, OFM will provide recommendations to each these teams, if necessary. Moreover, OFM officials developed a schedule of the office's planned financial audits, which provide oversight for ongoing USAID projects and new reconstruction projects, for fiscal year 2011.

To carry out the activities in the action memo, OFM reorganized its structure in October 2010 to better align with the four development sectors and has taken steps to implement its plans to increase the office's staff levels. In particular, OFM officials stated that financial analysts would be dedicated to the four development sectors to provide financial management assistance. According to its plan, OFM will undertake some additional oversight measures, such as conducting financial reviews and financial visits³⁷ of grantees and contractors receiving reconstruction

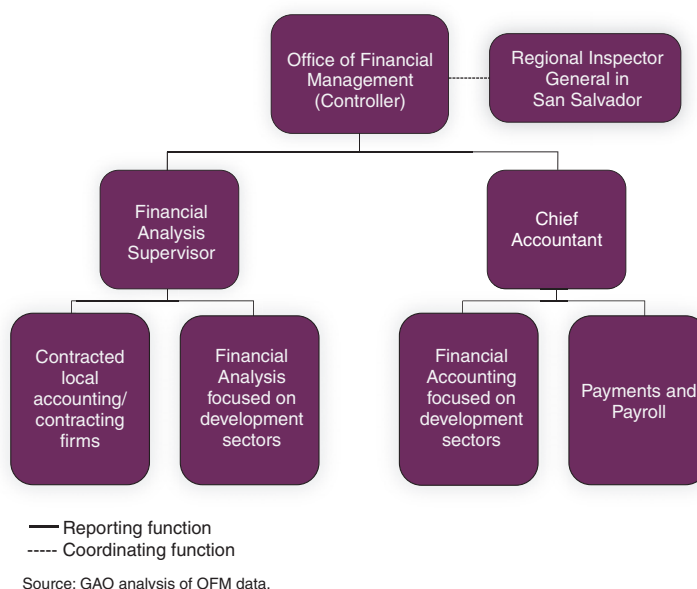
³⁵USAID OFM, *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity* (Washington, D.C., January 2011).

³⁶According to OFM's *Fiscal Year 2011 Yearly Financial Plan*, audits are conducted to provide reasonable assurance that USAID grantees have used USAID funds for the purposes stated in their financial assistance award (grant agreements, cooperative agreements, contracts, etc.), and established and maintained financial systems in conformity with Generally Accepted Accounting Principles. Payment verification reviews determine if grantees and contractors receiving USAID funding are maintaining an acceptable financial management system to account for funds, as determined by OFM officials. Finally, OFM officials noted they will perform financial visits of all grantees receiving USAID funding to determine whether they are maintaining adequate financial management systems. These visits are less detailed than payment verification reviews.

³⁷According to OFM, a financial review is conducted of foreign nonprofit grantees and for-profit contractors expending less than \$300,000 in reconstruction funding in a fiscal year and is more comprehensive than a financial visit, which covers all grantees and contractors receiving reconstruction funding.

funds. According to OFM officials, they identified the need for additional staff and created new positions to address the anticipated increase in the workload associated with implementing OFM's planned oversight procedures. As of April 2011, OFM officials told us they promoted 2 personnel into two recently created accounting positions within OFM. Moreover, OFM officials stated they plan to hire 5 more staff by June 2011, increasing personnel from 16 to 21. Figure 9 shows the reorganized OFM, as of October 2010, with oversight and accounting staff to cover the four key developmental sectors.

Figure 9: OFM Structure Following Reorganization, as of October 2010



In addition to adding OFM staff to help implement planned additional oversight, OFM plans to contract with local accounting and consulting firms—four have been identified and certified by USAID OIG—to conduct most of the financial reviews of local grantees and contractors, including developing additional policies and procedures and conducting control environment assessments and risk assessments of new grantees and contractors. Moreover, the firms will execute annual financial audits of local private voluntary organizations and local for-profit contractors that

OFM Has Initiated Implementation of Planned Additional Controls, but Further Implementation Is Dependent on Obligation of Reconstruction Funds

expend \$300,000 or more in reconstruction funding in a fiscal year.³⁸ USAID officials noted that OFM will review the work completed by these local accounting and consulting firms and share its findings with USAID OIG and relevant mission program officials.

OFM identified the need to contract with firms to help implement additional oversight activities and conduct training for grantees and subgrantees on financial management of reconstruction funds to address risks associated with spending reconstruction funds in Haiti. OFM has initiated the implementation of planned additional controls, such as starting the procurement process to contract with local accounting and consulting firms to provide additional oversight. However, officials stated they are waiting for the mission to further obligate reconstruction funds to execute planned additional oversight activities, such as performing specific audits and providing training.

In April 2011, OFM officials told us they expect to have contracts in place no later than June 2011 with local accounting and consulting firms to provide (1) additional financial reviews assessing local grantees' and contractors' financial management and (2) financial management training. These OFM officials stated they had submitted the draft blanket purchase agreement (BPA),³⁹ to the mission's Office of Acquisition and Assistance (OAA)—the mission's office responsible for procuring goods and services, anticipating that OAA would finalize the BPA in early June,⁴⁰ prior to

³⁸Under the Single Audit Act, as amended and implemented by OMB, each nonfederal entity that expends \$500,000 or more in federal awards within their fiscal year shall have a single or program-specific audit. In its implementing directives, USAID has imposed the annual audit requirement on foreign grantees expending \$300,000 or more. See the Single Audit Act, codified, as amended, in part at 31 U.S.C. § 7502; OMB, *Audits of States, Local Governments and Non-Profit Organizations* OMB Circular No. A-133, (Washington, D.C., rev. June 26, 2007); USAID ADS, *Financial Audits of USAID Contractors, Recipients, and Host Government Entities*, ADS 591 (Washington, D.C., rev. Apr. 14, 2010).

³⁹The blanket purchase agreement is a simplified method supported by the U.S. General Services Administration to fill recurring services, take advantage of quantity discounts, save administrative time, and reduce paperwork. See the Federal Acquisition Regulation, *codified at* 48 C.F.R. subpart 13.303.

⁴⁰According to OFM officials, after the blanket purchase agreement is finalized, it would take about 3 weeks for OFM to select an accounting or consulting firm to procure planned financial oversight services and complete a contract.

further obligation of supplemental reconstruction funds.⁴¹ According to these officials, the BPA statements of work, which were finalized in December 2010, include objectives, steps and procedures, reporting requirements, and terms of performance in such detail that the contracted firms should be able to begin performing their assigned oversight responsibilities as firms are identified. However, OFM officials added that until the mission identifies grantees to receive reconstruction funds, OFM will not be able to identify grantees to audit or determine what training may be necessary.

The Mission Plans to Develop a New Monitoring and Evaluation Unit to Assess Progress and Is in the Early Stages of Planning

PCPS drafted plans to establish a new, independent M&E unit in accordance with the U.S. Haiti strategy and USAID's new agency-wide evaluation policy.⁴² In response to the U.S. reconstruction strategy's requirement for an increase in M&E activities, the mission will dedicate \$12 million in supplemental reconstruction funds to create the new M&E unit. USAID's evaluation policy, issued in January 2011, updated the agency's standards and practices. The revised policy highlights the use of evaluation as an important tool to inform USAID's global development effort and make operational decisions.⁴³ USAID's evaluation policy also clarified the purposes for and approaches to conducting evaluations, such as requiring external parties (i.e., a third-party contractor) to conduct evaluations to mitigate biased reporting or conflicts of interest. For example, if an evaluation team is composed of USAID staff, the evaluation policy requires an outside expert to lead the team.

Additionally, the evaluation policy focuses on establishing methods that ensure credibility, transparency, and high-quality information. According

⁴¹In April 2011, OFM officials stated that the mission would not start obligating reconstruction funds to award to new grantees until the mission enters a bilateral agreement with Haiti (estimated to be executed in June 2011) to deliver reconstruction assistance. Officials added that once the mission started to obligate awards to new grantees, OFM would be able to monitor the activity because the mission's OAA notifies OFM when the mission submits a request to award USAID funds, including supplemental reconstruction funds, to a new or existing grantee.

⁴²Additionally, internal control standards state that ongoing monitoring should generally occur in the course of normal operations. See [GAO/AIMD-00-21.3.1](#), page 20.

⁴³According to the new evaluation policy, USAID revised its past evaluation policies to address the decline in the quantity and quality of evaluation practices within USAID in the recent past. Additionally, USAID's overall monitoring and evaluation policies are based on the Government Performance and Results Act of 1993, as amended.

to PCPS documents, the mission's plans include the following M&E efforts:

- Collect and track baseline data—or data that establish the conditions that exist before a project's implementation—and project-level indicator⁴⁴ data for all reconstruction projects through a contract with an external organization; and
- Evaluate the impact of mission programs, the relevance of program objectives, the effectiveness of design and implementation, the efficiency of resource use, and the sustainability of results beyond donor funding.

The mission plans to use information from the M&E unit to make adjustments and corrections to its programs, if necessary, and to help management make informed program decisions and shape long-term strategies in Haiti.

The M&E unit is in its early planning stages. PCPS developed a broad outline for the unit, and officials said the mission is working with a USAID M&E expert to develop the unit's operations. The expert will help the mission draft a detailed M&E plan, determine a strategy to coordinate and gather data from each of the development sectors, and assist the mission on other tasks. PCPS officials said the mission had identified nine positions to comprise the new M&E unit. Of the nine, seven team members have been hired or are at the mission, including a monitoring manager; four M&E specialists, one from each of the four development sectors; one evaluation manager; and one economist. The mission is working on hiring a second economist and a mapping specialist.

According to PCPS officials, collecting baseline data for projects in each of the four sectors is foundational to the M&E plan. USAID's evaluation policy also emphasizes the need to establish baseline data when initiating new projects.⁴⁵ In particular, the evaluation policy states that officials

⁴⁴As defined by USAID, indicators are used to observe progress and measure actual results compared with expected results.

⁴⁵Specifically, the evaluation policy states that when a project subject to evaluation is initiated, baseline data, including variables that correspond to key outcomes and impacts, are to be collected using high-quality methods and analyzed to establish a reference point. To obtain needed baseline data, the policy notes that household or individual surveys are often valuable baseline data sources and can be replicated toward the conclusion of implementation to assess changes.

should ensure that baseline data are collected early in the project lifespan, before any significant project implementation has occurred. As of April 2011, PCPS was designing its baseline data-collection tool and had not begun to collect baseline data.⁴⁶ Mission officials estimated the mission will start collecting baseline data in the summer of 2011. According to a PCPS official, after the initial baseline data collection, data will continue to be collected annually for 5 years. Mission officials noted the baseline data-collection tool is based on the mission's AADs,⁴⁷ which document implementation plans for reconstruction activities in the four developmental sectors. According to mission officials, as of March 2011, the mission's program teams had drafted seven of eight AADs detailing activities for the four developmental sectors, but none had been finalized. Mission officials stated they still had time to plan since only one project that did not use reconstruction funds had been implemented, but officials did not have a mechanism for coordinating with program teams to determine when project plans are finalized so that the timing of baseline data collection aligns with project implementation.

USAID OIG Has Developed and Begun to Implement Plans to Increase Oversight of Supplemental Funds

USAID OIG's Regional Inspector General (RIG)⁴⁸ developed, independently from the mission, an audit strategy for its post-earthquake reconstruction activities due to the risk factors associated with reconstruction in Haiti. According to the RIG, USAID OIG's strategy was developed based on prior experience and activities conducted in similar disaster-affected areas. It is designed to minimize the risk of fraud and corruption to programs in Haiti and strengthen the internal control systems of USAID, its contractors, and implementing partners. USAID OIG has created a tentative audit schedule. The strategy outlines other planned activities, such as conducting training for USAID staff, grantees, and contractors about fraud. USAID OIG also will oversee financial audits performed by contracted private accounting

⁴⁶In addition to this data collection, officials noted they will use data from a number of other sources, including a demographic health survey to be conducted by the mission's health team and data collected by entities such as the Haitian Bureau of Statistics.

⁴⁷AADs certify that appropriate planning for the activities covered in the document has been completed. Different types of documentation may be included, but AADs must provide a project or activity description, including intended results, implementation methods, and financing plans.

⁴⁸The RIG in San Salvador is responsible for oversight of USAID foreign assistance to 34 countries and territories, including Haiti.

firms or the U.S. Defense Contract Audit Agency.⁴⁹ Congress provided \$4.5 million in supplemental appropriations to USAID OIG to carry out its oversight activities.⁵⁰

The USAID OIG has begun to implement its plans to provide increased oversight of supplemental funds. In February 2011, USAID OIG officially established its Port-au-Prince office, although a senior RIG official noted that USAID OIG officials frequently traveled to Haiti and began working there within weeks of the earthquake. The senior RIG official stated that it was important for USAID OIG to set up its office in Haiti before a large amount of supplemental funds were obligated because of the potential for corruption and uncertainty about grantees' financial management systems to adequately account for reconstruction funds. The senior RIG official stated she anticipates a surge of programs will be implemented with supplemental reconstruction funds in fiscal year 2012 and that USAID OIG plans to dedicate 50 percent of its total staffing resources for the entire region—Latin America and the Caribbean—to oversight in Haiti.

USAID OIG has filled two positions—an auditor and an investigator, planned to deploy a third officer to Haiti in April 2011,⁵¹ and plans for a total staff of seven once the office is fully operational. In addition, the senior RIG official stated that the USAID OIG investigator has been conducting fraud-awareness briefings to grantees and mission officials to educate them and help prevent fraud. The senior RIG official added that USAID OIG planned to complete fraud-awareness briefings for all primary grantees, mission officials, and technical teams by March 2011.

Additionally, USAID OIG has implemented additional oversight through an increase in the number of audits it conducts in Haiti. As of February 2011, the RIG official told us that USAID OIG had planned or initiated six audits in Haiti, most of which involved post-earthquake activities using supplemental humanitarian funding or reprogrammed funding

⁴⁹According to USAID OIG's audit strategy, OIG will contract private accounting firms to audit local NGOs. The U.S. Defense Contract Audit Agency, which audits U.S. for-profit firms, will perform audits of firms contracted by the mission to implement reconstruction activities.

⁵⁰This amount, as discussed earlier, is included in the \$16.5 million in supplemental funding dedicated to the mission's oversight effort but is not included in the \$648 million in supplemental ESF funding available for program implementation.

⁵¹According to a senior USAID OIG official, oversight efforts may be affected as new staff may need time for training.

appropriated in prior years.⁵² In comparison, USAID OIG averaged one audit per year in Haiti from fiscal years 2006 through 2009. USAID OIG issued three audit reports following the earthquake; one reviewed the cash-for-work program,⁵³ another involved the use of fiscal year 2009 funding with program implementation ending May 2011,⁵⁴ and a third addressed USAID's post-earthquake transitional shelter program.⁵⁵ Another senior RIG official stated that USAID OIG was in the process of completing an additional audit and planned to initiate five more audits in fiscal year 2011. Due to their timing, the audits conducted thus far have not covered the use of supplemental reconstruction funds.⁵⁶ USAID OIG anticipates its work to oversee the use of supplemental reconstruction funding will begin in fiscal year 2012. According to a senior RIG official, they will adjust the strategy, if necessary, as the mission implements additional projects.

IHRC Has Begun to Establish Governance Structures and Procedures, but Is Not Fully Operational

Although IHRC, the Haitian commission established to oversee reconstruction efforts, has made progress in establishing key governance structures and project review procedures, the commission is not fully operational. IHRC, which U.S. officials stated has improved transparency and donor coordination, has made progress setting up a new organization in a challenging environment. However, although the commission's 18-month tenure ends in October 2011, IHRC is not fully operational due to delays in staffing the commission and defining PAO's role. IHRC also has made progress in developing project review procedures and approving reconstruction projects, but IHRC's ability to direct funding to Haitian priorities is limited, in part because those priorities have not been clear. IHRC has taken recent steps, however, to begin to clarify Haitian priorities.

⁵²An agency reprograms funding when it shifts funds within an appropriation or funds account to use them for purposes other than those contemplated at the time of appropriation. See [GAO-05-734SP](#), page 85.

⁵³USAID OIG, *Audit of USAID's Cash-For-Work Activities in Haiti*, 1-521-10-009-P (Washington, D.C., Sept. 24, 2010).

⁵⁴USAID OIG, *Review of Fondation Sogebank's Activities Financed by USAID/Haiti*, 1-521-11-001-S (Washington, D.C., Oct. 29, 2010).

⁵⁵USAID OIG, *Audit of USAID's Efforts to Provide Shelter in Haiti*, 1-521-11-003-P (Washington, D.C., Apr. 19, 2011).

⁵⁶Although most supplemental reconstruction funds had not been obligated, USAID OIG officials stated that this fact alone would not alter the intent of the audit strategy.

IHRC Has Made Progress Establishing Key Governance Structures, and Officials Report It Has Improved Coordination and Transparency

IHRC was established in a challenging environment in post-earthquake Haiti. According to the U.S. government, the earthquake killed an estimated 17 percent of civil service employees and destroyed almost all ministry buildings. As a result, IHRC was created at a time when the ministries were operating at low capacity and were trying to re-establish operations. U.S. officials noted that simply finding a space out of which IHRC could operate presented an initial challenge.⁵⁷ Additionally, IHRC officials noted that the commission had to establish its administrative structure without having access to all operational funding. Finally, the massive international response to the earthquake resulted in an influx of funding to Haiti and an increase in the number of donors and implementers operating in the country.

The commission has made progress in establishing some key governance structures in a challenging environment. In June 2010, within 2 months of its formation, IHRC established a Board of Directors—co-chaired by Haitian Prime Minister Jean-Max Bellerive and former U.S. President Bill Clinton—and held its first Board meeting. The order creating IHRC requires that at least half of the Board of Directors be Haitian and allows representation by the bilateral and multilateral donors pledging at least \$100 million in reconstruction funding over 2 years or at least \$200 million in debt relief.⁵⁸ The Board also includes nonvoting members who represent local and international NGOs, the Haitian diaspora,⁵⁹ and the Organization of American States. Currently, the Chief of Staff and Counselor to the Secretary of State serves as the U.S. representative on the IHRC Board. In total, the commission has held six board meetings through April 2011.

At the first meeting of the Board of Directors, the Board approved the bylaws of the commission, which outline the general structure of the Board and the Secretariat and provide a high-level overview of the responsibilities of various offices and individuals within the commission. Additionally, IHRC developed an organizational outline, shown in figure 10, and identified key

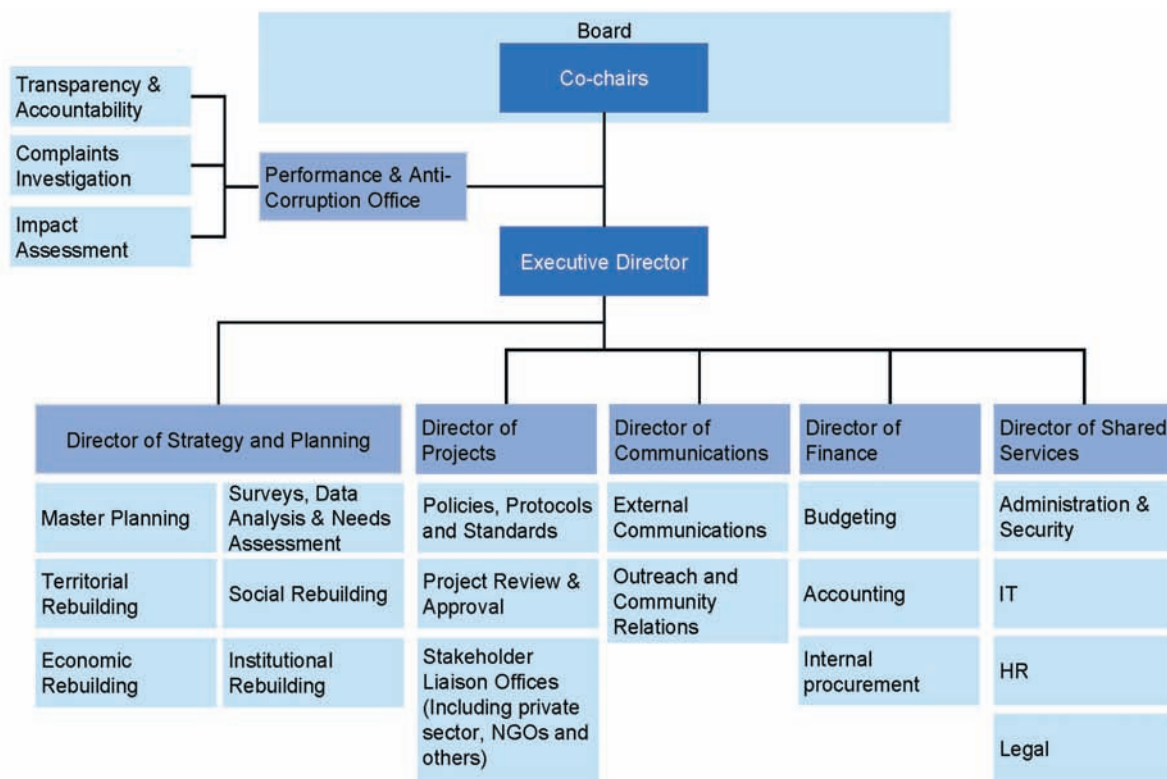
⁵⁷IHRC operates out of a temporary structure, provided by the Canadian government, on the grounds of the former U.S. embassy.

⁵⁸IHRC has 27 voting members on its board: 2 co-chairs; 13 Haitian officials representing the Haitian national and local governments, the private sector, and labor unions; and 12 members of the international community, including 1 representative of the Caribbean Community (CARICOM) and 11 representatives from bilateral and multilateral donors meeting the pledge requirements.

⁵⁹The Haitian diaspora refers to Haitian nationals residing outside the country.

staffing needs and budget requirements needed to make the commission fully operational. In July 2010, IHRC appointed an executive director for the commission and it has begun to fill some staff positions.

Figure 10: Organization of IHRC



Source: IHRC.

Note: The Secretariat consists of the Executive Director, all of the offices reporting through him, and PAO.

According to U.S. and IHRC officials, IHRC’s operations have contributed to improved transparency and enhanced coordination among donors. One of IHRC’s primary goals is to provide transparency over the reconstruction effort. IHRC notes that one way it increases transparency is to publicize information on all approved reconstruction projects through its Web site. According to State officials, meeting regularly with other donors through IHRC Board meetings ensures that donors are informed of one another’s activities, which promotes increased collaboration. IHRC officials noted

the commission has looked for new opportunities to create partnerships between donors, implementers, and other stakeholders. For example, U.S. and IHRC officials both cited an agreement between the French and U.S. governments to rebuild the general hospital in Port-au-Prince as an example of such a partnership. U.S. officials noted that these benefits are less tangible than other outcomes, such as the number of approved projects, but they are valuable and have resulted in improved effectiveness of reconstruction efforts.

IHRC Is Not Fully Operational Due to Staffing Shortfalls and PAO's Unclear Role

Although progress has been made, IHRC is not yet fully operational. According to U.S. and NGO officials, staffing shortages affected the project review process—a process to determine whether project proposals should be approved for implementation—and communications with stakeholders, such as the Board of Directors. Additionally, IHRC has only just begun to carry out its project oversight function because the role of PAO—the IHRC office responsible for oversight—has not been fully defined.

Staffing Shortfalls Affected Project Review Processes and Communications

Although IHRC has begun to fill staff positions, it experienced delays in hiring staff and has considerable staffing needs. According to the Executive Director, staffing the commission has progressed more slowly than preferred, largely because the commission initially focused on the project review process to avoid reconstruction delays. As of December 2010, IHRC filled 53 of the approximately 100 positions the commission anticipates needing to operate at full capacity.⁶⁰ Additionally, in June 2010 the commission outlined 34 positions—including director positions, heads of several offices, and sector experts—as priority staffing needs. As of January 2011, IHRC filled 12 of these positions, with 22 remaining vacant, as shown in table 4.

⁶⁰The 53 filled positions constitute a variety of employment arrangements. For example, about 25 are permanent IHRC employees, while the other half is made up of technical assistants from international donors, temporary employees, consultants, and Haitian government officials.

Table 4: Status of Priority Staffing Needs, as of January, 2011

IHRC functional area	Priority positions identified	Positions filled	Positions not filled
Directors	5	2	3
Projects, communications, and other services	5	0	5
Strategy—sectoral pillar managers	4	0	4
Strategy—sectoral experts	8	4	4
Strategy—other positions	2	0	2
Office positions	10	6	4
Total	34	12	22

Source: GAO analysis of IHRC data.

Note: Both the Executive Director and Director of Shared Services positions were filled in June 2010 and, therefore, were not included on IHRC's list of priority hiring needs. Additionally, some positions not included in the June list of priority needs have been filled.

The absence of staff has affected the project review process and the timeliness of communications with some stakeholders, such as the Board of Directors. For example, because IHRC does not have all of the staff needed to review project proposals, it used a different process for each of the first three rounds of project review. According to the Executive Director, IHRC's projects division and sector experts are critical to the commission's intended project review processes and, until those staff are in place, IHRC does not have a full internal project review capability. IHRC has filled some of the commission's day-to-day staffing needs with consultants and temporary staff from international donors and has used review panels, consisting of sector experts from international donors and Haitian ministries, to conduct technical reviews of submitted projects. Additionally, IHRC anticipates PAO will contribute to the project review process by conducting risk analyses of project proponents' and implementers' ability to self-monitor and provide effective oversight of proposed projects; however, as of February 2011, these analyses had not been conducted because that office was not staffed. Stakeholders, including IHRC Board members and members of the NGO community, also have criticized some communication from the Secretariat, claiming that information has not always been provided in a timely manner and the commission has not conducted sufficient outreach to educate people about its role and the processes for working with the commission. NGO and U.S. officials attributed communications issues, in part, to a lack of staff.

PAO's Intended Operations Are Not Fully Defined

While IHRC has established a general outline of PAO's role, and awarded a contract to a major audit firm to further develop PAO, details about its intended operations remain unclear. The Haitian presidential order establishing the IHRC requires that the commission include an office to conduct audits and monitor the performance of reconstruction projects. IHRC intends that PAO will reinforce IHRC as a model of good governance and ensure that the reconstruction process is transparent, accountable, and effective. The specific functions of the office are subject to the approval of the Board of Directors; however, according to IHRC officials, Board members held differing opinions on PAO's appropriate role. For example, some Board members questioned whether PAO should be responsible for monitoring ongoing reconstruction projects as this may duplicate donors' existing monitoring and compliance systems. The Board established a working group to address these questions and arrive at agreement on a general outline of PAO's role.

The working group developed a set of implementing guidelines that broadly defined PAO's role and addressed concerns the Board raised, such as stating that PAO will leverage donors' monitoring and compliance resources to the extent possible and focus its monitoring activities on projects posing higher risks. After these guidelines were developed, the Board agreed to PAO's creation in October 2010. According to IHRC documents, PAO will have several responsibilities, including

- oversight of IHRC's internal operations;
- monitoring progress and implementation of reconstruction projects;
- investigating and responding to accusations of corruption, fraud, waste, and abuse and, if necessary, taking corrective action;
- contributing to the project review process by screening proposals for potential risks and examining donors' and implementers' internal controls; and
- communicating reconstruction results and progress to the people of Haiti.

Additionally, because IHRC intends to transfer a fully operational PAO to a Haitian development agency that will be created to succeed IHRC at the end of its 18-month mandate in October 2011, some Board members noted that building Haitian capacity should be one of the office's top priorities. As a result, the guidelines state that the office should be staffed primarily

by Haitian nationals and augmented by experts from international donors and consultants hired by IHRC. Further, the guidelines highlight PAO's intended knowledge-transfer and capacity-building functions.

The daily operations of PAO have not been defined, however, and its role has not been fully clarified. For example, although PAO's implementing guidelines state that its monitoring activities will focus on projects posing higher risks, IHRC has not yet developed procedures for assessing a project's risk level or guidelines outlining how IHRC will use risk assessments to select projects for monitoring. In March 2011, IHRC began to take initial actions to clarify the role of PAO. IHRC hired a PAO Director, who started work in late March, and hired a consulting firm to provide technical assistance to establish and implement PAO, which also began work in March. According to a request for proposals that IHRC issued in January, the consulting firm will be responsible for developing protocols and procedures for PAO. According to IHRC, no other PAO staff have been hired as of March 2011.

IHRC Has Developed Initial Project Review Procedures and Approved Over \$3 Billion in Reconstruction Projects, but Its Initial Process Was Challenged by Unclear Strategic Priorities

IHRC also has made progress developing criteria and procedures for reviewing reconstruction projects and has approved over \$3 billion in projects as of March 2011. However, IHRC's ability to direct projects to Haitian priorities is limited, in part because those priorities have been unclear. Although IHRC has recently taken steps to begin clarifying Haitian priorities, it is too soon to determine whether these actions will result in a better alignment between approved projects and Haitian priorities.

IHRC Has Developed Initial Project Review Procedures and Approved Over \$3 Billion in Reconstruction Projects

IHRC has established an initial set of project review procedures. To avoid reconstruction delays, IHRC decided to focus its early efforts on a framework for reviewing and approving reconstruction project proposals to ensure they are aligned with the Haitian government's Action Plan. IHRC has developed criteria and initial project review procedures and has approved 86 projects that would require about \$3.2 billion—or about one-third of the approximately \$10 billion pledged by international donors over 10 years—through March 2011.

Using the following criteria, IHRC determines if a submitted project

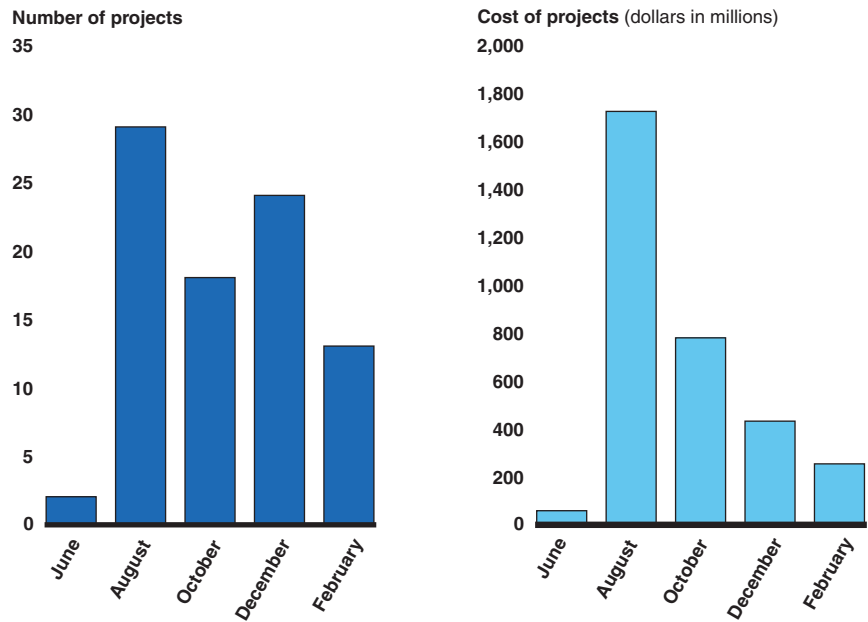
- is aligned with the Action Plan and government of Haiti sector strategies;

-
- addresses a clear gap in the Action Plan or sector plan(s);
 - provides desirable social and economic benefit;
 - has donors and implementers with the capacity to carry out the project effectively;
 - has an appropriate budget;
 - has been sufficiently coordinated with the Haitian government;
 - has been assessed for its social and environmental impact;
 - was also submitted to affected communities for input;
 - makes a sustainable change;
 - maximizes use of local labor and local resources; and
 - promotes gender equality.

IHRC decided not to include the extent to which a project had secured funding as one of its review criteria. According to the Executive Director, this allowed IHRC to highlight projects that met all the commission's criteria, but otherwise lacked complete funding. He noted that IHRC hoped to encourage donors to work together to fund projects deemed important.

From June 2010 through March 2011, IHRC approved 86 reconstruction projects, requiring over \$3.2 billion, at five board meetings, as shown in figure 11.

Figure 11: IHRC Project Approvals, by Date



Source: GAO analysis.

Of the over \$3.2 billion in total estimated project costs, donors committed to fund about \$2.1 billion at the time the projects were approved. IHRC has outlined approved projects by sector, a summary of which is provided in table 5.

Table 5: IHRC-Approved Projects, June 2010-March 2011

(Dollars in millions)

Sector	Number of projects	Estimated cost of projects	Funding committed
Agriculture	6	\$373	\$336
Budget support	1	55	55
Capacity building	2	13	13
Cross-sectoral	2	35	18
Debris removal	2	27	10
Development	1	14	6
Disaster preparedness	1	20	20
Education	4	202	43
Energy	4	208	12
Environment	1	1	1
Finance and investment	2	509	280
Health	20	332	269
Housing	12	263	211
Infrastructure	9	619	487
Institutional	8	8	7
Job creation	6	280	188
Shelter	3	67	51
Water/sanitation	1	200	115
Women and children	1	11	1
Total	86	\$3,236	\$2,123

Source: GAO analysis of IHRC data.

Note: The Funding committed column lists the funding available at the time of IHRC approval. Some projects have subsequently received additional funding.

Fourteen of the 86 projects approved by IHRC as of March 2011 will be fully or partially funded by the United States, either bilaterally or through the U.S. contribution to HRF. These 14 projects have a total U.S. contribution of more than \$330 million, or about 10 percent of the estimated \$3.2 billion in

projects approved by the commission.⁶¹ The largest U.S. project—to develop an industrial park in the northern part of Haiti in conjunction with the Inter-American Development Bank and the government of Haiti—constitutes over one-third of the cost of approved U.S. projects. Table 6 lists the U.S. projects approved by IHRC through March 2011.

Table 6: IHRC-Approved Projects to Be Fully or Partially Funded by the U.S. Government

(Dollars in millions)

Project title	U.S. contribution
Northern industrial park	\$124.0
New settlements in the Port-au-Prince and Cap-Haïtien development corridors ^a	23.0
Building demolition and debris removal with heavy equipment ^b	25.0
Port-au-Prince neighborhood upgrading ^b	65.0
Rehabilitation and reintegration of persons with disabilities program	10.0
Development Credit Authority	8.5
Building demolition and debris removal with heavy equipment	10.0
New Millet Bridge construction	1.6
Seven technical assistance projects involving government of Haiti central administration ^c	7.0
Reconstruction of the University Hospital	25.0
Reconstruction of education sector ^b	10.0
Rehabilitate priority electricity substations in the Port-au-Prince area	8.0
Emergency community assistance and planning for shelter and settlement	3.0
Partial credit guarantee fund ^b	12.5
Total	\$332.6

Source: State.

^aFunding for new settlements in Port-au-Prince and Cap-Haïtien was originally reported as \$53 million. However, the northern industrial park project accounts for \$30 million of funding initially counted in this item. We have adjusted this item to eliminate double counting between the two projects.

^bProjects to be funded through the U.S. contribution to HRF.

^cWhile IHRC counts this as seven separate projects, State reports them as one project because they all involve technical assistance from Treasury to the government of Haiti.

⁶¹The U.S.-funded projects approved by IHRC do not necessarily reflect U.S. government obligations of supplemental reconstruction funds. First, according to State officials, U.S. projects are submitted to IHRC for approval at various states of development; some projects are submitted to IHRC after they are well developed and the U.S. government is prepared to obligate funds, while others are submitted to IHRC at an earlier stage, and the U.S. government may not obligate funds to the project for some time. Second, officials stated that IHRC does not need to review supplemental funds obligated to existing projects. Finally, some U.S. projects approved by IHRC will use reprogrammed funds from prior appropriations instead of fiscal year 2010 supplemental appropriations.

IHRC's Ability to Direct
Funding to Haitian Government
Priorities Is Limited

According to IHRC, funding for reconstruction projects is unevenly spread among sectors and does not necessarily reflect Haitian government priorities. Since IHRC does not directly control any reconstruction funds, officials noted the commission's ability to direct funding to priority areas is somewhat limited. IHRC can only approve those projects submitted to the commission, and donors determine how much funding they are willing to provide in each priority area. IHRC and U.S. officials noted it can be difficult to convince donors to fund some priority areas, such as rubble removal, when doing so requires that donors reduce their intended contributions to other sectors, such as health or education. HRF provides some flexibility for IHRC to direct resources to priority areas, but HRF and IHRC officials noted that some donors' practice of attaching preferences to their HRF contributions effectively limits the fund's ability to respond to Haitian priorities.⁶²

IHRC's ability to ensure that approved projects are consistent with the government of Haiti's priorities also has been complicated by a lack of clarity about those priorities. The Action Plan, which is the core document for laying out reconstruction needs and IHRC's primary criteria for reviewing reconstruction projects, is broad and does not provide detailed guidance on project-level requirements. Additionally, it outlines 18-month budget needs for all sectors, but does not establish explicit priorities across sectors. Sector strategic plans developed by Haitian government ministries provide more specificity regarding the government's priorities within a sector, but not all priority sectors have strategic plans. For example, the Ministries of Health and Agriculture developed detailed sector plans after the earthquake, but the government of Haiti does not have a housing strategy. Developing this strategy is challenging because at least five agencies have some responsibilities related to housing. In addition, there is no lead housing agency, and the agencies involved have overlapping competencies and limited policy enforcement, making it difficult to reach agreement on a comprehensive strategy. The government of Haiti also does not have sector strategies for debris removal or energy.

According to IHRC's Executive Director, the lack of specificity in the Action Plan and the absence of some sector plans have challenged the commission's ability to ensure that approved projects are aligned with the government's reconstruction priorities. He noted it can be difficult to

⁶²While HRF is not required to direct funding according to donor preferences, IHRC and HRF officials stated that they intended to follow donor preferences, if possible.

approve projects in sectors without strategic plans because it is difficult to demonstrate that projects are consistent with the government's priorities. According to the Executive Director, by approving projects in sectors with no strategic plans, IHRC is effectively establishing the government's priorities for that sector. The Secretariat has been hesitant to recommend approval of many projects in such sectors without explicit direction from the Board of Directors that setting such priorities for the government is an appropriate role for the commission.

While all projects approved by IHRC address needs outlined in the Action Plan, our analysis confirms that approved projects have directed substantially more funding to some sectors, relative to the needs outlined in the Action Plan, than others.⁶³ We compared the 86 projects approved by IHRC through March 2011 with the Action Plan's 18-month budgetary requirements. We found that approved projects exceed the total 18-month needs outlined in the Action Plan in some sectors, while other sectors received only a fraction of the 18-month requirements in the Action Plan. For example:

- *Debris removal.* The Action Plan outlines an 18-month need of \$265 million for debris removal, but as of March 2011, IHRC approved an estimated \$52 million for debris removal projects.
- *Agriculture.* The Action Plan outlines an 18-month need of \$260 million for agricultural production. However, IHRC has approved projects in the agricultural sector totaling about \$380 million.
- *Institutional rebuilding.* The Action Plan identifies an 18-month need for more than \$800 million to rebuild and improve Haitian government institutions; IHRC has approved about \$113 million in projects to address this challenge.
- *Transportation network.* The Action Plan identified an 18-month need of \$180 million to improve the national transportation network. As of February 2011, IHRC has approved road-construction projects totaling more than \$680 million.

⁶³The UN conducted a related analysis comparing donors' intended funding with Haitian government 18-month budget needs—based on the Action Plan—and found that gaps exist. For example, the UN's analysis, which does not include U.S. plans for allocating reconstruction funding because they were not yet finalized, estimates that donors have committed to funding just 12 percent—or \$96 million out of an anticipated need of \$780 million—for projects the Action Plan categorizes as Reconstruction of Devastated Zones, which includes activities such as rubble removal and reconstruction of basic infrastructure—for example, rainwater drainage and drinking water supply systems.

IHRC Has Recently Taken Steps to Begin Clarifying Reconstruction Priorities

IHRC has recently taken steps to begin clarifying reconstruction priorities across sectors, but it is too early to determine whether IHRC's steps will result in a better alignment between project approvals and stated priorities. At the December 2010 Board meeting, the Secretariat presented a strategic plan for the remainder of IHRC's 18-month term, which identifies eight sectors as priorities on which IHRC will focus through the end of its mandate in October 2011. The strategy lists target outcomes to be achieved by October 2011, as well as programs that can contribute to achieving those targets, an estimate of the funding necessary, and policy or institutional decisions that can aid in program implementation. To meet IHRC's targets, the strategy outlines about \$780 million in additional needs beyond those areas in which donors have already committed funding. Appendix VI summarizes the sectors, target outcomes, and additional funding needs outlined in the strategic plan.

U.S. officials stated that the targets IHRC established appear to be reasonable goals that are achievable by October 2011. While we did not assess the feasibility of implementing the strategy, it outlines additional actions IHRC, donors, implementers, and the government of Haiti will need to take to achieve the targets. IHRC intends to (1) work with implementers to map ongoing projects against the target outcomes in the plan; (2) work with Haitian ministries to develop requests for precise projects and programs for donors and implementers; and (3) publicize the targets, request relevant projects, and work with proponents to refine project concepts. Additionally, IHRC requested that donors and implementers support the strategy by (1) considering funding projects in line with the strategic plan;⁶⁴ (2) operationalizing and implementing projects in accordance with the targets laid out in the plan; and (3) to the extent possible, adapting current projects to address outcomes presented in the strategic plan. IHRC also requested that the government of Haiti help resolve policy and institutional impediments to project implementation and answer public-policy questions in a timely manner.

According to U.S. officials, strategic planning is one of IHRC's most valuable roles and the strategy is an important step in identifying Haiti's reconstruction priorities and the resources needed to address those priorities. However, as IHRC and donors need to take additional actions to

⁶⁴According to U.S. officials, the U.S. government does not intend to change the priorities outlined in the spending plan in response to the IHRC strategy because the spending plan is consistent with the goals presented in IHRC's strategic plan.

implement the strategy, it is too soon to determine whether the strategy will result in a better alignment between project approvals and stated priorities. Additionally, IHRC's strategy does not fully clarify Haitian priorities in all sectors because it only focuses on a subset of the sectors included in the Action Plan. Further, it does not outline priorities and goals beyond October 2011, when IHRC's mandate ends. IHRC notes that the Haitian government has begun to prepare a Poverty Reduction Strategy,⁶⁵ based on the Action Plan, which may help to further clarify Haitian priorities.

Conclusions

Haiti's disaster resulted in an unprecedented international humanitarian and reconstruction effort, with donors pledging more than \$10 billion over 10 years. USAID has begun expanding oversight and monitoring of the \$648 million in U.S. supplemental reconstruction funding for which it is directly responsible. Only a small amount of these funds were obligated as of March 2011 (with most of that amount targeted for HRF rather than bilateral projects). USAID has identified risks associated with obligating and expending supplemental reconstruction funding, such as the increased level of funding and number of grantees compared to past years. To address these risks, USAID has several oversight and monitoring initiatives in varying stages of progress where implementation of the planned controls is dependent on reconstruction project activities. Further, USAID has placed importance on the mission's new M&E unit to collect and analyze accurate project data, particularly collecting baseline data before initiating reconstruction projects. However, as the mission finalizes planning for its projects, USAID will need to monitor this progress to ensure that the timing of baseline data collection aligns with the initiation of reconstruction projects and USAID retains its opportunity to collect baseline data before a new reconstruction project can make an impact on reconstruction efforts.

In addition, IHRC, which is responsible for coordinating and providing oversight of international reconstruction assistance, has approved projects estimated at \$3 billion—or about 30 percent of total donor pledges—and

⁶⁵A Poverty Reduction Strategy paper describes the macroeconomic, structural, and social policies and programs a country will pursue over several years to promote growth and reduce poverty, as well as external financing needs and the associated sources of financing. They are prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners, including the International Monetary Fund and the World Bank.

has made an important contribution to getting the reconstruction effort under way. IHRC's mandate ends in October 2011, however, and limited time remains to fully staff its operations and those of PAO, IHRC's oversight office, which has been cited as key to building the Haitian government's capacity and furthering accountability and good governance. As a result, IHRC's project approval process does not fully possess an internal evaluation capability that could strengthen IHRC project approval decision making and monitoring. Moreover, the projects IHRC has approved are not necessarily aligned with Haiti's most pressing needs because strategic priorities have not been clear and donor proposals have not necessarily reflected the most immediate needs. Therefore, even though numerous valuable efforts are now under way, these current projects may not be providing the assistance that is most urgently needed. Although IHRC has begun to clarify Haitian priorities through a strategic plan, it is too soon to determine whether this will result in a better alignment between Haitian priorities and approved projects. IHRC intends to take additional actions to implement the strategy, such as determining the extent to which target outcomes in the strategy are being addressed by ongoing projects and provided further details on projects and programs that would be consistent with the strategy's priorities. Finally, the role and operations of PAO have not been clearly defined. Without clear goals, procedures, or structures, it is unclear how PAO can contribute to IHRC operations or eventually serve as an oversight body in a Haitian development agency.

Recommendations for Executive Action

To help strengthen ongoing efforts to monitor and evaluate the use of supplemental reconstruction funds and prepare for when reconstruction funds are further obligated in Haiti, we recommend the USAID Mission Director in Haiti, in collaboration with USAID officials in headquarters and the field, develop mechanisms within PCPS for coordinating with development sector staff to determine when project plans are finalized so the timing of baseline data collection aligns with project implementation.

To strengthen IHRC capacity to coordinate and oversee international donor assistance, ensure the consideration of Haitian priorities in planning projects, and assist with IHRC's transfer to a Haitian development agency, we recommend the Secretary of State, in consultation with the USAID Administrator, encourage IHRC leadership to take the following three actions

- ensure that priority staffing needs are met, including staffing the projects division with sector experts and hiring PAO staff who can

provide technical guidance and analysis during upcoming project selection rounds;

- determine the specific goals and structure of PAO and ensure oversight procedures and staff are in place before the end of IHRC's term so monitoring and oversight functions can be transferred to a successor agency; and
- continue to take steps to implement IHRC's strategic plan by, for example, finalizing more detailed plans for projects and programs that address the goals laid out in the plan.

Agency Comments and Our Evaluation

State and USAID provided written comments on a draft of this report, which are reprinted in appendixes VII and VIII. State and USAID also provided technical comments that we incorporated where appropriate. State concurred with our recommendations and noted it will continue to work with IHRC leadership to address them. State also noted that an IHRC projects director had been hired by the Board of Directors at its April 2011 meeting. The Director has announced plans to focus on linking sector ministries of the government of Haiti with the project approval process and build its capacity to review projects before the end of the IHRC mandate in 2011. We modified our recommendations accordingly.

USAID acknowledged our recommendation and outlined steps it has taken, or will take, to establish its M&E unit and begin baseline data collection. USAID stated that the M&E unit has been created and it expects to complete a baseline data collection scope of work by May 2011, commence baseline data collection by July 2011, and provide ongoing data collection for projects initiated after that. USAID asserts that project implementation under the U.S government strategy will not be far enough along at that time to significantly affect the baseline data. We acknowledge USAID's intent to collect baseline data prior to the significant implementation of projects and look forward to continued progress in implementing this recommendation.

We are sending copies of this report to interested congressional committees, the Secretary of State, and the USAID Administrator. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or any of your staffs have any question about this report, please contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov or Susan Ragland at (202) 512-8486 or raglands@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in Appendix IX.



David Gootnick
Director, International Affairs and Trade



Susan Ragland
Director, Financial Management and Assurance

List of Congressional Committees

The Honorable Patrick Leahy
Chairman
The Honorable Lindsey Graham
Ranking Member
Subcommittee on the Department of State,
Foreign Operations, and Related Programs
Committee on Appropriations
United States Senate

The Honorable John Kerry
Chairman
The Honorable Richard Lugar
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Kay Granger
Chairwoman
The Honorable Nita M. Lowey
Ranking Member
Subcommittee on the Department of State,
Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

The Honorable Ileana Ros-Lehtinen
Chairman
The Honorable Howard L. Berman
Ranking Member
Committee on Foreign Affairs
House of Representatives

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to: (1) describe the planned uses for U.S. reconstruction assistance and the amounts provided so far; (2) identify the U.S. Agency for International Development's (USAID) internal controls for overseeing and monitoring U.S. funds provided for reconstruction efforts; and (3) assess the progress the Interim Haiti Recovery Commission (IHRC) has made in establishing governance and oversight structures. This work was mandated in the Supplemental Appropriations Act, 2010, which provides funding for our effort to review U.S. efforts in Haiti following the 2010 earthquake.¹

Our scope included the \$918 million in reconstruction funding provided to USAID and the Department of State (State) in the fiscal year 2010 supplemental appropriation legislation, with the agencies receiving about \$770 million and \$148 million, respectively. We did not review in depth the approximately \$220 million in reconstruction assistance provided to the Department of the Treasury (Treasury) for debt relief and technical assistance. Additionally, we did not review \$1.64 billion in funding provided primarily to reimburse U.S. agencies for their emergency and humanitarian efforts in Haiti immediately following the January 2010 earthquake, nor did we examine the approximately \$148 million in U.S. embassy-related funding included in the law, all of which was also included in the supplemental appropriations law. Further, our scope included the identification of expanded internal controls that USAID is currently planning and implementing to provide oversight over supplemental reconstruction funding; we did not evaluate these controls as they have not been fully planned and implemented and, therefore, cannot be tested. In addition, we did not review USAID's existing and standard internal-control structure other than to provide a brief background description. Finally, we reviewed the structure and procedures of IHRC as it had been established as of March 2011, with an understanding that the operations of this commission are still incomplete and evolving, although the entity is more than halfway through its established term of 18 months (which began in April 2010).

¹Supplemental Appropriations Act, 2010, Pub. L. No. 111-212, ch. 10, 124 Stat. 2302, 2320 (July 29, 2010). The law mandated that funds previously available to GAO pursuant to Title I, Chapter 4 of Pub.L. No. 106-31 (to monitor provision of assistance to address the effects of hurricanes in Central America and the Caribbean) also be available to GAO to monitor post-earthquake expenses related to Haiti, including relief, rehabilitation, and reconstruction aid.

To obtain information on the intended uses of U.S. reconstruction funding for Haiti, we reviewed the Supplemental Appropriations Act, 2010; the *FY 2010 Supplemental Appropriations Spending Plan* (September 2010), prepared by State; and the interagency *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity* (January 2011). We also reviewed documents prepared by the Haitian government, such as the *Post-Disaster Needs Assessment* and the *Action Plan for National Recovery and Development of Haiti* (Action Plan) from March 2010. We also met with officials from State, Treasury, the Department of Justice, and USAID, as well as representatives of nongovernmental organizations and USAID-implementing partners receiving U.S. government funding in Washington, D.C., and in Port-au-Prince, Haiti.

To determine the amount of funding provided to date, we included obligations data reported by State and USAID as of March 31, 2011, to determine the levels of USAID's Economic Support Fund (ESF) funding and State's International Narcotics and Law Enforcement (INCLE) supplementary funding being allocated to reconstruction projects. The obligations totals reported by State and USAID include both expenditures and unexpended obligated balances. These data included information on obligations of supplemental appropriation funding overall, as well as amounts provided for particular projects. We discussed intended uses and funding provided with officials from State, USAID, and Treasury. We did not conduct an independent data-reliability assessment of the obligations reported by USAID and State. However, because the data are limited in volume, pegged to specific projects, and came from the users responsible for collecting and compiling the data, we determined the data to be sufficiently reliable for the purposes of this report.

To identify USAID's plans to expand and enhance internal controls over supplemental reconstruction funding, we reviewed portions of USAID's Automated Directives System (ADS) and USAID's new agency-wide evaluation policy, issued in January 2011, that are relevant for internal controls. We also examined Haiti-specific documentation that describe new and expanded oversight efforts such as the Office of the Inspector General's *Oversight Framework for USAID/Haiti Earthquake Response, Recovery, and Rebuilding Efforts*, as well as the *Fiscal Year 2011 Yearly Financial Plan*. We discussed increased oversight with and reviewed relevant documents provided by the USAID mission's Office of Financial Management and Office of Policy Coordination and Program Support, as well as the Regional Inspector General's office in San Salvador, El Salvador. Finally, we reviewed the activities and plans of these organizations to reorganize their offices and augment their staffing levels

in anticipation of maintaining accountability and control over the expanded levels of USAID funding for Haitian reconstruction and development programs.

To assess the progress of IHRC in establishing governance and oversight structures, we reviewed IHRC documentation such as an IHRC strategic plan, a 1-year report, Board documentation, presentations, and internal documentation regarding the Performance and Accountability Office (PAO), and project approval listings. We discussed the operations and progress of IHRC with the commission's Executive Director and other key staff, and also discussed IHRC progress with State's Office of the Haiti Special Coordinator, and USAID officials. We were unable to speak with consultants hired to assist with the establishment of IHRC as they stated that their work was proprietary and could not be disclosed to outside parties. To determine the extent to which projects approved by IHRC align with the priorities of the Action Plan, we conducted a limited content analysis, in which two analysts independently reviewed descriptions of all 86 projects approved by IHRC through March 2011 and assigned each project to the priority sector(s) in the Action Plan addressed by the project. We then reconciled the two lists. If the analysts' independent assignments of a project to priority sectors did not match, they discussed how the project addressed the key elements of each sector in more detail and agreed upon the project's assignment in one or more of the Action Plan's priority sectors.

To provide insights into all objectives, we traveled to Haiti in August and September 2010 and met with U.S. officials from USAID, State, Treasury, and the Department of Defense, as well as representatives of some of USAID's international and local implementing partners for humanitarian, development, and reconstruction programs—including Catholic Relief Services; Chemonics; Development Alternatives, Incorporated (DAI); and the Cooperative Housing Foundation (CHF) International. We also met with officials from IHRC; the Haiti Reconstruction Fund (HRF); the Haitian ministries of Finance, Health, Interior, and Public Works; and the Haitian Supreme Audit Institution, the *Cour Supérieure des Comptes et du Contentieux administratif*. We visited camps for internally displaced people and sites and neighborhoods in and around Port-au-Prince that demonstrated the extent of the earthquake destruction, as well as ongoing efforts to provide humanitarian aid, build transitional shelters and services, and begin the rebuilding process. We also visited the Haiti Apparel Center, a USAID-funded project to train garment workers to meet the demand for employees for an industry seen as a key to Haiti's economic recovery as the apparel manufacturers are serving Haiti's

growing export market to the United States.² We also made site visits in one of the development corridors targeted for supplementary reconstruction assistance in and around the town of Saint-Marc. There, we observed and discussed with implementers and local Haitians the results of completed and ongoing U.S.-funded development programs, including a community bank, a hospital, and a number of agricultural and watershed management projects. We also met with representatives from HRF and the International Organization for Migration to discuss multilateral post-earthquake assistance.

We conducted this performance audit from June 2010 to May 2011 in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our work objectives.

²We reported that Haitian apparel exports to the United States increased steadily in the 10 years prior to the earthquake, from \$251 million in 2000 to \$512 million in 2009, in part because of the preferential access given to U.S. imports of Haitian apparel under the terms of the 2006 Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE). This preferential access was increased under a 2008 amendment to the act. See GAO, *International Trade: Exporters' Use of the Earned Import Allowance Program for Haiti Is Negligible because They Favor Other Trade Provisions*, [GAO-10-654](#) (Washington, D.C.: June 16, 2010).

Appendix II: Humanitarian Relief Spending in Haiti by U.S. Government Agencies, as of the End of Fiscal Year 2010

As of the end of fiscal year 2010, U.S. government agencies had spent more than \$1.1 billion within Haiti to meet humanitarian needs arising from the January 2010 earthquake.¹ U.S. government and international agencies reported that U.S. efforts included the following results:

- *Immediate response.* The U.S. military provided more than 22,000 personnel for critical security, transportation, and logistics tasks; moreover, State and other agencies deployed about 1,000 additional U.S. and Haitian staff on a temporary basis to the U.S. Embassy in Port-au-Prince.
- *Food.* The U.S. government participated in an international food-distribution operation that fed more than 4 million people; in addition, USAID provided seed, fertilizer, and tools to boost crop production in selected areas in 2010.
- *Medical.* U.S. government medical personnel provided aid for 31,000 patients and administered vaccines for 1 million people that helped prevent widespread disease outbreaks.
- *Shelter.* USAID humanitarian programs provided temporary shelter for 1.5 million internally displaced persons. This included funding 33,000 “shelter solutions” as part of the ongoing effort to move these internally displaced persons from temporary tent camps to more durable shelter.² The mission reported its grantees completed 18,000 transitional shelters (T-shelters) capable of accommodating an estimated 90,000 people as of March 31, 2011. This is approximately 32 percent of the 57,000 T-shelters built by the international community. Moreover, USAID grantees helped the government of Haiti assess over 380,000

¹This total excludes U.S. government assistance to address the outbreak of cholera in areas outside of Port-au-Prince beginning in October 2010. As of January 2011, the U.S. government had provided an additional \$42 million in aid to address the epidemic (which had killed more than 3,800 persons and infected over 185,000 more by that time). This aid helped establish and equip 33 treatment centers and provide rehydration salts and other medicines.

²Overall, the international community planned, as of March 2011, to provide a total of 133,000 shelter solutions by August 2011.

buildings and completed repairs to earthquake-damaged buildings sufficient to accommodate 3,900 households, as of March 2011.³

- *Employment.* U.S. humanitarian efforts funded a number of employment projects for internally displaced persons, particularly cash-for-work programs conducted by several USAID implementers, including Catholic Relief Services, and CHF International. By January 2011, U.S. cash-for-work programs had cumulatively employed over 350,000 people and were providing wages for 8,000 persons per day to remove rubble and help with the response to the cholera epidemic.

Six U.S. Government Agencies Were Involved in Post-Earthquake Humanitarian Assistance

DOD and USAID spent approximately 99 percent of the U.S. post-earthquake humanitarian assistance provided to Haiti in fiscal year 2010. The remainder of assistance within Haiti was spent by State's Bureau of Population, Refugees, and Migration. Other agencies, including the Departments of Health and Human Services, Homeland Security, Interior, and Agriculture, acted as USAID implementing partners within Haiti.⁴ Table 7 depicts the value of the humanitarian funding provided by three departments.

³USAID officials describe T-shelters as single-family housing units built with timber framing and concrete foundations covered with plywood or corrugated sheeting designed to last 3 to 5 years; the framing and foundations can serve for a more permanent structure.

⁴Agencies from three other U.S. government departments acted as USAID-implementing partners within Haiti using USAID/Office of Foreign Disaster Assistance (OFDA) funding: (1) the Department of Homeland Security's Federal Emergency Management Agency; (2) the Department of Health & Human Services' Centers for Disease Control and Prevention; and (3) the Department of Agriculture's U.S. Forestry Service. The Centers for Disease Control and Prevention also provided both emergency and ongoing care at 109 sites across Haiti established by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) funding.

Appendix II: Humanitarian Relief Spending in Haiti by U.S. Government Agencies, as of the End of Fiscal Year 2010

Table 7: Breakout of Funding Sources among U.S. Agencies Providing Post-Earthquake Humanitarian Assistance to Haiti in Fiscal Year 2010

(Dollars in thousands)

Department/agency	FY 2010 Humanitarian funding total	Percentage of total
USAID	\$662,686 ^a	58%
DOD	464,080	41
State ^b	14,600	1
Total	\$1,141,366	100%

Source: USAID, *Haiti-Earthquake Fact Sheet #73 Fiscal Year (FY) 2010*, (Washington, D.C., Sept. 24, 2010)

^aIncludes funding provided via OFDA, Office of Food for Peace, Office of Transition Initiatives (OTI), the USAID mission in Haiti (mission), and the USAID mission in the Dominican Republic.

^bFunding provided via State's Bureau of Population, Refugees, and Migration.

The implementing partners for the U.S.-government humanitarian effort include: (1) 40 nongovernmental organizations (NGO); (2) UN, UN-affiliated, and other international organizations; (3) six departments of the U.S. government, plus the Peace Corps; and (4) two local U.S. governments.⁵ Table 8 provides a breakout of USAID and State humanitarian funding among its implementing partners.

⁵Emergency services were provided by the County Governments of Los Angeles, California, and Fairfax, Virginia.

Appendix II: Humanitarian Relief Spending in Haiti by U.S. Government Agencies, as of the End of Fiscal Year 2010

Table 8: Breakout of State and USAID Fiscal Year 2010 Humanitarian Spending among its Implementing Partners

(Dollars in millions)

Organization type	Funding	Percentage of total humanitarian spending	Funding source
Top 15 NGOs ^a	\$319,172	47%	USAID
Other 24 NGOs	46,159	7	USAID
International agencies	187,844	28	USAID State
U.S. federal government agencies	115,444	17	USAID
Local U.S. government	8,667	1	USAID
Total	\$677,285	100%	

Source: GAO analysis of data from USAID, *Haiti-Earthquake Fact Sheet #73*.

Note: Totals may differ due to rounding.

^aNGOs receiving \$5 million or more in U.S.-government humanitarian funding for earthquake relief.

U.S. Private Donors Provided More than \$1 Billion in Post-Earthquake Relief Funding

According to State and USAID officials, the earthquake generated an unprecedented response by the U.S. and international NGOs. The UN reported that, as of April 2011, the United States and at least 125 other countries responded to the earthquake with humanitarian contributions totaling nearly \$2 billion in financial and other assistance; and donations from private individuals, foundations, and corporations was over \$1.5 billion. A State report estimates that one out of every two households in the United States contributed to the Haiti assistance effort. InterAction, an organization representing many U.S.-based humanitarian and development NGOs, estimated that 66 of its member NGOs working in Haiti in the wake of the earthquake received about \$1.3 billion in private contributions, and had expended \$531 million as of January 2011.

Appendix III: The Government of Haiti's Action Plan for Reconstruction and Development

In the aftermath of the earthquake, the government of Haiti convened teams of local and international experts to conduct a postdisaster needs assessment, which mapped and quantified the destruction suffered by Haiti's social, economic, and administrative structures. The study estimated that overall damage and losses totaled approximately \$7.8 billion—more than the country's entire gross domestic product in 2009. On the basis of the assessment, the government of Haiti produced the *Action Plan for National Recovery and Development of Haiti* (Action Plan) and presented it at the March 31, 2010, Donors Conference in New York City. This plan, which envisions nearly \$3.9 billion in new development projects to be funded by international donors over the next 18 months,¹ seeks to mobilize efforts and resources to achieve a qualitative change in Haiti within 20 years.

The Action Plan concentrated on four priority areas:

(1) *Territorial rebuilding (\$1.2 billion)*. In addition to Port-au-Prince, three new regional poles of development—Cap-Haïtien, Saint-Marc, and Les Cayes—are proposed. The majority of the needs outlined in this priority area are oriented toward the reconstruction of Port-au-Prince and other earthquake-affected areas by, among other things, clearing debris and rebuilding critical infrastructure such as electricity and rainwater drainage systems.

Key investments include. Repairs to the airport in Port-au-Prince, as well as the construction of two new international airports in Les Cayes and Cap-Haïtien and two new deep-water ports outside of Port-au-Prince; 600 kilometers of roads and bridges for the development of a national highway system connecting all major cities; and disaster-risk mitigation in Gonaïves, Jacmel, and Cabaret.

(2) *Economic rebuilding (\$0.4 billion)*. Recovery investments will target four key sectors: agriculture, construction, manufacturing, and tourism.

Key initiatives include. Creating 500,000 new jobs in construction, agribusiness, and manufacturing; creating a new land register; construction of new thermal and renewable/hydropower plants; and increasing the tax base to 18 percent.

¹Of the \$3.9 billion, \$1.2 billion was identified as needed for budget support. Additionally, the plan outlines a request for \$800 million from the private sector or through public-private partnerships.

(3) *Social rebuilding (\$1.4 billion)*. Providing shelter is both an immediate and long-term priority. An expanded primary-care health network and education system, including vocational and higher education, is deemed critical for rebuilding.

Key initiatives include. Reconstruction of housing, school feeding for 2.2 million children, and reconstruction of 30 hospitals.

(4) *Institutional rebuilding (\$0.8 billion)*. Focuses on establishing and rebuilding public administration, justice, and security; supporting democratic institutions through elections support; redefining the legal and regulatory framework; and establishing a governmental institution to manage the reconstruction.

The Action Plan identified 20 project areas with accompanying cost estimates for initial projects. See Table 9 for project descriptions and total estimated costs.

**Appendix III: The Government of Haiti's
Action Plan for Reconstruction and
Development**

Table 9: Total Estimated Reconstruction Costs by Haiti Action Plan Sector for the First 18 Months

(Dollars in millions)

Sector	Total investments	Budgetary support^a	Other funding
Reconstruction of devastated areas	\$780	\$150	\$0
National transport network	180	50	114
Hurricane season and disaster-risk management	130	75	0
Regional hubs and urban renovation	75	0	0
National planning and local development	50	0	0
Watershed management	0	0	0
National production	260	40	0
Relaunch of economic and financial channels	0	0	400
Electricity	157	90	0
Housing of the population	0	0	295
Creation of high-intensity labor jobs	200	50	0
Social protection	70	30	0
Education: return to school and construction of schools	470	150	0
Healthcare	390	120	0
Food security	140	35	0
Water and sanitation	160	60	0
Democratic institutions	155	20	0
Relaunching the administration	372	250	0
Support to Parliament ^b	20	10	0
Justice and security	255	50	0
Total	\$3,864	\$1,180	\$809

Source: Government of Haiti's *Action Plan for National Recovery and Development of Haiti* (Port-au-Prince, Haiti, 2010).

^aBudgetary support is included in total investments and includes \$350 million requested to complete the 2009-2010 budget year.

^bIn a summary page, the Action Plan lists this as a separate line item; however, it is included as part of the "Democratic institutions" sector within the plan, so it may be double counted.

Appendix IV: U.S. Government's Post-Earthquake Haiti Strategy: Toward Renewal and Economic Opportunity

The new strategy's goal is to create a stable and economically viable Haiti, based upon two broad objectives. Figure 12 lays out the strategic framework of the U.S. government's interagency 2011-2015 development strategy for Haiti.

Figure 12: U.S. Government's Post-Earthquake Haiti Reconstruction Strategy

<p>Strategic Framework</p> <p>5 Principles</p> <ul style="list-style-type: none">• USG assistance will be country-led and build country capacity• USG assistance will be comprehensive and integrated• USG assistance will leverage and be coordinated with the resources of other partners• USG assistance will leverage multilateral mechanisms wherever appropriate• USG assistance will be sustained and accountable <p>4 Core Development Pillars</p> <ul style="list-style-type: none">• Infrastructure and Energy• Food and Economic Security• Health and Other Basic Services• Governance and Rule of Law <p>3 Development Corridors</p> <ul style="list-style-type: none">• Port-au-Prince Corridor• Saint Marc Corridor• Cap Haïtien Corridor <p>2 Objectives</p> <ul style="list-style-type: none">• To catalyze economic growth through investments in agriculture, energy, and infrastructure• To ensure long-term stability through investments in public institutions <p>1 Goal</p> <ul style="list-style-type: none">• A stable and economically viable Haiti

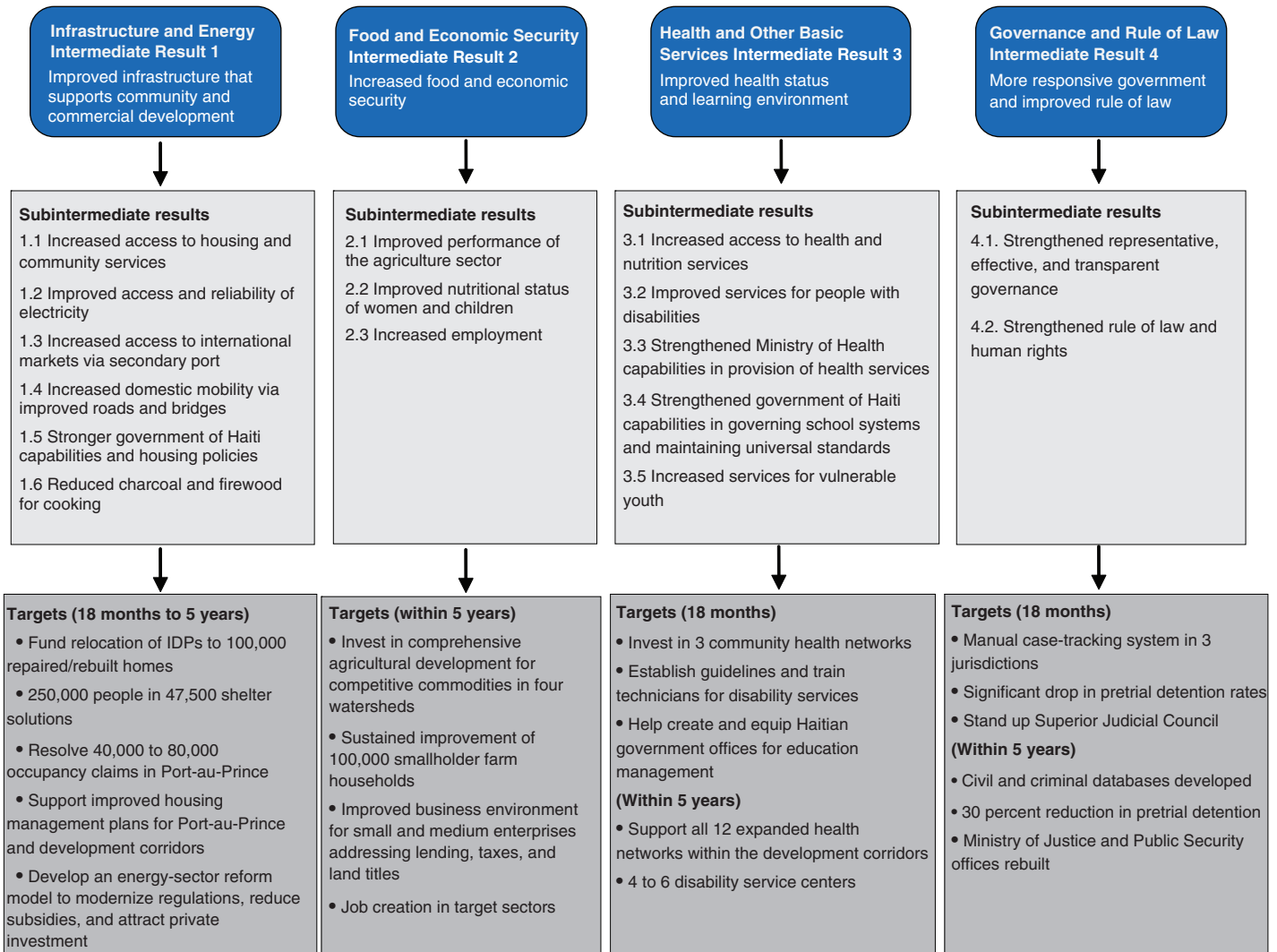
Source: Multiple U.S. Government Agencies, *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity* (Washington, D.C., January 2011).

The strategy identified four core development pillars where investment is critical to achieving economic growth and stability. The strategy also outlines a set of objectives and intermediate results to guide efforts over the life of the 5-year strategy. Figure 13 depicts the objectives, expected results, and some of the numerical targets associated with each of the four core development sectors.

Appendix IV: U.S. Government's Post-Earthquake Haiti Strategy: Toward Renewal and Economic Opportunity

Figure 13: Details of Sector Priorities Established in the U.S. Reconstruction Strategy for Haiti

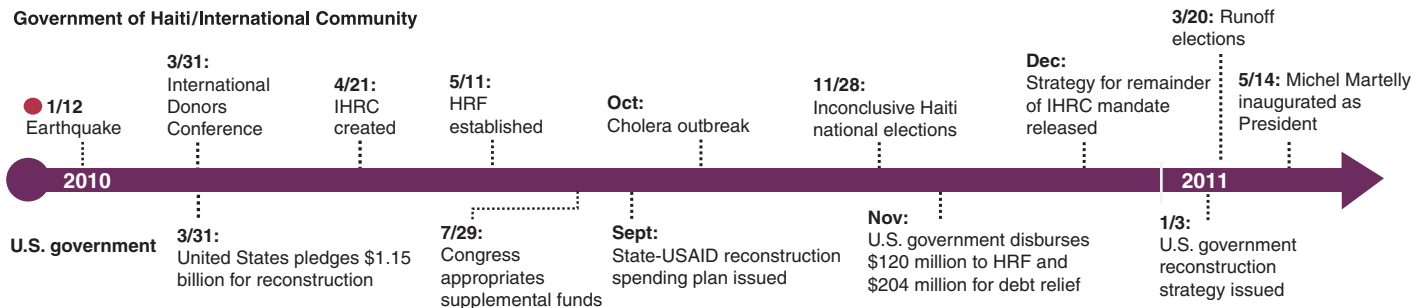
Assistance Objective: A Stable and Economically Viable Haiti



Source: GAO analysis of U.S. government data.

Note: Each health network consists of five to eight community clinics and one communal hospital. Each network is to serve 40,000 to 80,000 people.

Appendix V: Timeline of Government of Haiti, the International Community, and U.S. Government Actions in Response to the 2010 Haitian Earthquake



Source: GAO analysis of U.S. government, government of Haiti, and HRF documents.

Appendix VI: Priority Sectors and Funding Needs Identified in IHRC's Strategic Plan

Priority sector ^a	Main targets through October 2011	Additional funding needed to meet targets
Housing	<ul style="list-style-type: none"> Reduce camp population by 400,000 people 	\$210 million ^b
Debris removal and management	<ul style="list-style-type: none"> Remove 40 percent of debris in a way that is environmentally sound 	\$160 million
Education	<ul style="list-style-type: none"> Build and staff 250 temporary structures Build and staff 60 primary schools in areas where no public schools exist Equip up to 3000 schools (public and private) Feed 250,000 children Provide up to 500,000 children with an education kit (manuals and uniforms) Provide up to 500,000 children with financial assistance in private schools Train 5,000 teachers 	\$152.6 million
Energy	<ul style="list-style-type: none"> Increase hours of service for 30,000 urban households by 20 percent Expand electricity service to 10,000 rural households 	\$65 million
Health	<ul style="list-style-type: none"> Improve service delivery through targeted reconstruction and construction of 40 hospitals, 75 clinics, and an ambulance network to connect communities to health care services Increase the health care workforce through the reconstruction or reinforcement of four medical schools, four nursing schools, and training programs to reach 4,000 allied-health professionals Pilot and expand approaches to health care financing, including ensuring access to care for children under 5 years old and expanding access for pregnant women 	\$154.5 million
Job creation	<ul style="list-style-type: none"> Provide full-time employment to hundreds of thousands of Haitians Outside Port-au-Prince, jobs will be mainly created in agriculture, watershed management, and road construction Within Port-au-Prince jobs will mainly be created housing and debris-related development activities Begin construction of two public and three private industrial parks 	(no specific funding needs are identified)
Water and sanitation	<ul style="list-style-type: none"> Increase sustainable access rate to potable water from 2 percent to 50 percent Increase the access rate to toilets or latrines to meet international standards, from 10 percent to at least 27 percent 	\$19 million
Capacity building of Haitian institutions	<ul style="list-style-type: none"> Reinforce or create necessary sector tables^c Assist ministries in developing strategies and investment plans 	\$16.5 million ^d

Source: IHRC.

^aIHRC's Strategic Plan focuses on eight priority sectors. These sectors are a subset of the sectors listed in table 5; however, the Strategic Plan uses slightly different names for some sectors.

^bIHRC identifies a total estimated need of \$350 million to meet the housing targets for 2011 and notes that, of that amount, about 40 percent is committed by donors, but that it is programmed to be spent over a longer period of time. We only included the 60 percent of funding that is not yet committed, but did not account for the extended time frames of donors' existing commitments.

^cSector tables are groups consisting of representatives from the Haitian government and civil society, donors, implementers, and the private sector that are intended to improve coordination within a sector. IHRC envisions that sector tables will be led by Haitian ministries and supported by a dedicated Secretariat.

^dThe IHRC strategy does not lay out a specific total funding need to support capacity building of Haitian institutions. However, it notes that donors should fund the operations of a Secretariat to support sector tables in each of 11 sectors. The strategy also estimates an average annual cost of \$1.5 million per Secretariat, which would result in a total funding need of approximately \$16.5 million.

Appendix VII: Comments from the Department of State



United States Department of State

Chief Financial Officer

Washington, D.C. 20520

APR 26 2011

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "HAITI RECONSTRUCTION: U.S. Efforts Have Begun, Expanded Oversight Still to Be Implemented," GAO Job Code 320782.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Shamin Kazemi, Economic Officer, Office of the Haiti Special Coordinator at (202) 647-9467.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Millette".

James L. Millette

cc: GAO – David Gootnick
S/HSC – Thomas C. Adams
State/OIG – Evelyn Klemstine

Department of State Comments on GAO Draft Report

**HAITI RECONSTRUCTION: U.S. Efforts Have Begun, Expanded
Oversight Still to be Implemented**
(GAO-11-415, Job Code 320782)

The Department of State appreciates the opportunity to comment on GAO's draft report entitled "*Haiti Reconstruction: U.S. Efforts Have Begun, Expanded Oversight Still to be Implemented.*"

Recommendation: To strengthen IHRC capacity to coordinate and oversee international donor assistance, ensure the consideration of Haiti priorities in planning projects, and help with IHRC's transfer to a Haitian development agency, we recommend that the Secretary of State, in consultation with the USAID Administrator, encourage IHRC leadership to:

- Ensure that priority staffing needs are met, including staffing the projects division with a director of projects and sector experts, and hiring PAO staff that can provide technical guidance and analysis during upcoming project selection rounds;

Response: The Department agrees with this recommendation, and will continue to follow up with the IHRC both at the expert-level and at the Board of Directors. A projects director had been hired by the April Board of Directors meeting. The new projects director announced plans to focus on linking sector ministries of the Government of Haiti with the project approval process, and building their capacity to review projects before the end of the IHRC mandate in 2011.

Recommendation:

- [...] Determine the specific goals and structure of the PAO and ensure oversight procedures and staff are in place before the end of the IHRC's term so monitoring and oversight functions could be transferred to a successor agency;

Response: The Department agrees with this recommendation, and will continue to follow up with the IHRC both at the expert-level and at the Board of Directors. The PAO has begun its initial work of collecting information about the implementation status of IHRC-approved projects, but has not yet clarified its

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approach to assessing project risk, or its approach to develop an institution that could play an audit role after the end of the IHRC mandate.

Recommendation:

- [...] Continue to take steps to implement the IHRC's strategic plan by, for example, finalizing more detailed plans for projects and programs that address the goals laid out in the plan.

Response: The Department agrees with this recommendation, and will continue to follow up with the IHRC both at the expert-level and at the Board of Directors.

Appendix VIII: Comments from the U.S. Agency for International Development



APR 29 2011

David Gootnick
Director, International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Gootnick,

I am pleased to provide the U.S. Agency for International Development's formal response to the GAO draft report entitled: "Haiti Reconstruction: U.S. Efforts Have Begun, Expanded Oversight Still to be Implemented" (GAO-11-415).

The enclosed USAID comments are provided for incorporation with this letter as an appendix to the final report.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Carroll".

Sean Carroll
Chief Operating Officer
U.S. Agency for International Development

Enclosure: a/s

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USAID COMMENTS ON GAO DRAFT REPORT No. GAO-11-415

Thank you for allowing the Agency for International Development the opportunity to comment on the draft report, "Haiti Reconstruction: U.S. Efforts Have Begun, Expanded Oversight Still to be Implemented." We appreciate the recommendations offered by the GAO.

Recommendation 1: To help strengthen ongoing efforts to monitor and evaluate the use of supplemental reconstruction funds, and be prepared when reconstruction funds are further obligated in Haiti, we recommend that the USAID Mission Director in Haiti, in collaboration with USAID officials in headquarters and the field, develop mechanisms within PCPS for coordinating with development sector staff to determine when project plans are finalized so that the timing of baseline collection aligns with project implementation.

Response: The USAID Mission Monitoring and Evaluation (M&E) team is up and running, and has begun the ongoing task of coordinating with development sector staff to initiate baseline data collection as new projects come on stream.

A baseline data collection scope of work will be completed in May 2011. This is timely for data collection this June or July. Project implementation under the U.S. Government Strategy (approved in January 2011) will not be far enough along at that time to significantly affect the baseline data.

Internally, the Mission is in the process of increasing the amount of data provided by implementing partners. The Mission's M&E plan is to work with multiple sources of data for monitoring and evaluation, in addition to the collection of baseline data.

Final Action Target Date:

- Creation of the M&E team: completed.
- Collection of baseline data: Commencing by July 2011 and ongoing for new projects coming on stream after that.

Appendix IX: GAO Contacts and Staff Acknowledgments

GAO Contacts

David Gootnick (202) 512-3149 or Gootnickd@gao.gov
Susan Ragland (202) 512-8486 or Raglands@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Leslie Holen, Assistant Director; B. Patrick Hickey; Kara Marshall; Kimberly McGatlin; Bonnie Derby; Sunny Chang; David Dornisch; Ashley Alley; Lynn Cothorn; Etana Finkler; Reid L. Lowe; Gena Evans; and Cheron Green made key contributions to this report.

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