



Testimony  
Before the Committee on Foreign  
Affairs, House of Representatives

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# HAITI RECONSTRUCTION

## USAID Infrastructure Projects Have Had Mixed Results and Face Sustainability Challenges

Statement of David Gootnick, Director  
International Affairs and Trade

# GAO Highlights

Highlights of [GAO-14-47T](#), a testimony before the Committee on Foreign Affairs, House of Representatives

## Why GAO Did This Study

On January 12, 2010, an earthquake in Haiti is estimated to have caused about 230,000 deaths, resulted in 300,000 injuries, and displaced about 2 million persons. Following immediate relief efforts, Congress provided \$1.14 billion for Haiti reconstruction in the Supplemental Appropriations Act, 2010. USAID, which is responsible for implementing \$651 million of this amount, has allocated about \$268 million of this and other funding to construct a power plant and port to support the CIP in northern Haiti and permanent housing in several locations in the Port-au-Prince, St-Marc, and Cap-Haïtien areas.

This testimony draws from GAO's June 2013 report on Haiti reconstruction and further examines (1) USAID's funding obligations and disbursements; (2) USAID's progress in two CIP-related activities—a power plant and port; and (3) USAID's progress in constructing permanent housing. For this statement, GAO updated funding information and data regarding progress, based on information from USAID and Department of State officials.

## What GAO Recommends

GAO is not making new recommendations in this testimony. In its June 2013 report, GAO recommended that USAID (1) hire a port engineer to oversee port planning and construction and (2) provide timely community support mechanisms for each new settlement to help ensure the sustainability of its permanent housing program. USAID agreed with both recommendations.

View [GAO-14-47T](#). For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

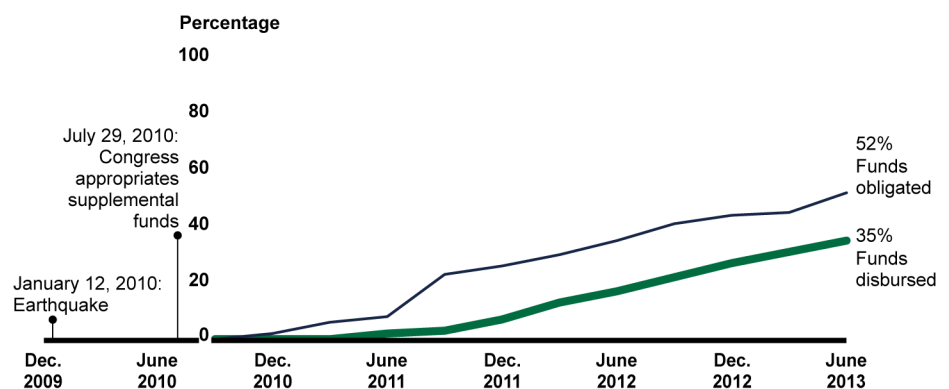
October 9, 2013

## HAITI RECONSTRUCTION

### USAID Infrastructure Projects Have Had Mixed Results and Face Sustainability Challenges

## What GAO Found

As of June 30, 2013, the U.S. Agency for International Development (USAID) had obligated \$336 million (52 percent) and disbursed \$229.5 million (35 percent) of \$651 million in funding for Haiti earthquake reconstruction from the Supplemental Appropriations Act, 2010.



Source: GAO analysis of USAID data.

Note: This report defines obligations as the total amount of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or future period. Nonetheless, consistent with 31 U.S.C. §1501, which defines when an agency can record an obligation, USAID generally treats as obligations the bilateral agreements it makes with other countries, such as Haiti, to deliver assistance.

USAID has allocated \$170.6 million to construct a power plant and port to support the newly developed Caracol Industrial Park (CIP). According to USAID documents and other studies, the CIP, power plant, and port are interdependent; each must be completed and remain viable for the others to succeed. USAID completed the first phase of the CIP power plant in time to supply the first CIP tenant with power. Port construction will begin more than 2 years later than originally planned, in part because of a lack of USAID expertise in port planning at the Haiti mission. According to current estimates of port construction costs, USAID funding will be insufficient to cover a majority of projected costs. The estimated gap of more than \$117 million to \$189 million is larger than initially estimated, and it is unclear whether the Haitian government will be able to find a private sector company willing to finance the remainder of the project.

USAID has reduced the targets for its permanent housing program in Haiti, to which it has allocated \$97.3 million. The agency decreased the projected number of houses by more than 80 percent, from 15,000 to 2,649. The estimated number of beneficiaries was reduced from a range of 75,000 to 90,000 to its current estimate of approximately 13,200 to 15,900. These reductions resulted from inaccurate original cost estimates that used inappropriate cost comparisons and from the Haitian government's request for larger houses with improvements such as flush toilets. USAID currently estimates that construction will be completed more than 2 years later than initially scheduled. Delays occurred primarily because of difficulties in securing land titles and coordinating with partner donors. USAID is attempting to mitigate potential sustainability risks, such as affordability and community cohesion, through community development mechanisms. However, it is uncertain whether these mechanisms will fully cover all sites.

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Chairman Royce, Ranking Member Engel, and Members of the Committee:

Thank you for this opportunity to discuss our recent work reviewing U.S. efforts to aid Haiti in its reconstruction from the earthquake that struck on January 12, 2010.<sup>1</sup> That earthquake, centered near Port-au-Prince, Haiti, caused physical, social, and economic devastation to the poorest country in the Western hemisphere. The earthquake is estimated to have caused approximately 230,000 deaths, resulted in 300,000 injuries, and displaced approximately 2 million people from their homes. In June 2013, the International Organization for Migration estimated that about 279,000 displaced persons remained in camps. 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—more than triple the average annual assistance provided by the U.S. government to Haiti between 2006 and 2009.

In July 2010, the U.S. Congress passed the Supplemental Appropriations Act, 2010,<sup>2</sup> which provided more than \$1.14 billion in reconstruction funds for Haiti, including \$651 million provided to USAID for bilateral reconstruction activities. USAID has allocated approximately 40 percent of this supplemental funding,<sup>3</sup> as well as other funds, to support the construction of (1) a power plant that will provide electricity for the new Caracol Industrial Park (CIP) in northern Haiti; (2) a new port near the CIP; and (3) permanent housing in new settlements in the Port-au-Prince, St-Marc, and Cap-Haïtien areas. My statement draws from our June 2013

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<sup>1</sup>GAO, *Haiti Reconstruction: USAID Infrastructure Projects Have Had Mixed Results and Face Sustainability Challenges*, [GAO-13-558](#) (Washington, D.C.: June 18, 2013). We also previously reported on U.S. reconstruction efforts in Haiti in *Haiti Reconstruction: U.S. Efforts Have Begun, Expanded Oversight Still to Be Implemented*, [GAO-11-415](#) (Washington, D.C.: May 19, 2011); and *Haiti Reconstruction: Factors Contributing to Delays in USAID Infrastructure Construction*, [GAO-12-68](#) (Washington, D.C.: Nov. 16, 2011).

<sup>2</sup>Supplemental Appropriations Act, 2010, Pub. L. No. 111-212, 124 Stat. 2302, 2323 (July 29, 2010).

<sup>3</sup>The Haiti reconstruction funding provided in the 2010 supplemental appropriations law is appropriated for the Economic Support Fund account.

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report that reviewed (1) USAID's funding obligations and disbursements; (2) USAID's progress on the CIP-related power plant and port; and (3) USAID's progress in constructing permanent housing.<sup>4</sup>

For our June 2013 report, we reviewed reports, documents, and funding data and interviewed officials from USAID and State in Washington, D.C., and Haiti. To assess the reliability of funding data, we examined USAID and State data sources and conducted interviews with USAID and State officials. We determined that the data we used were sufficiently reliable for our purpose of reviewing U.S. funding provided for Haiti reconstruction. In Haiti, we visited sites under construction or planned for construction for the power plant, port, and permanent housing, and visited the CIP.<sup>5</sup> For this statement, in August 2013, we updated funding information, assessed the reliability of these funding data and determined the data to be reliable, and further assessed progress based on information provided by USAID and State officials. The information contained in this testimony was reviewed for technical accuracy by USAID officials.

The work on which this testimony is based was conducted 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 audit objectives.

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## Background

In response to the destruction caused by the earthquake, Congress provided more than \$1.14 billion in reconstruction funds for Haiti. As table 1 shows, USAID received \$651 million of these funds for bilateral reconstruction activities.

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<sup>4</sup>[GAO-13-558](#).

<sup>5</sup>Our June 2013 report contains a detailed description of its scope and methodology.

**Table 1: Fiscal Year 2010 Supplemental Funding for Post-Earthquake Reconstruction in Haiti, as of June 30, 2013**

Dollars in millions	
Recipient	Reconstruction amount
State and USAID	\$917.7
State	144.7
USAID	773.0 <sup>a</sup>
Bilateral reconstruction activities	651.0
Transferred to Haiti Reconstruction Fund <sup>b</sup>	120.0
Treasury	219.8
USAID Inspector General	4.5
<b>Total</b>	<b>\$1,142.0</b>

Source: USAID and the Supplemental Appropriations Act, 2010 (Pub. L. No. 111-212).

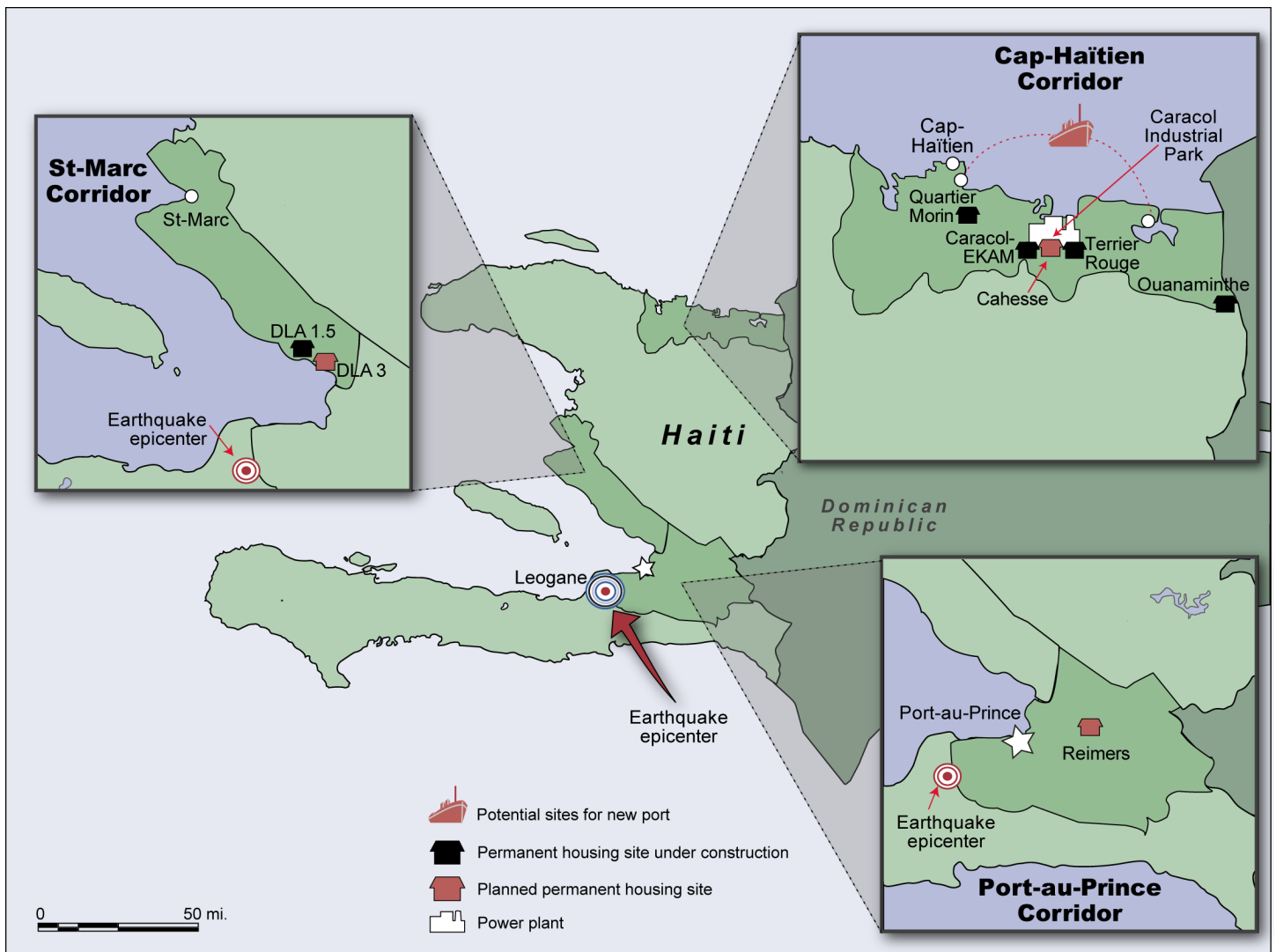
USAID = U.S. Agency for International Development

<sup>a</sup>Out of the \$773.0 million provided to USAID, the agency transferred \$2.0 million to the Smithsonian Institution.

<sup>b</sup>The Haiti Reconstruction Fund is a multidonor trust fund organized to help finance high-priority post-earthquake reconstruction projects.

In January 2011, the U.S. government released its 5-year strategy for Haiti, titled the *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity*. This strategy encourages reconstruction and long-term economic development in three regions of the country, known as “development corridors.” In addition to assisting with reconstruction in the Port-au-Prince corridor, which suffered the most damage from the earthquake, the strategy notes the U.S. government’s intent to provide assistance to the Cap-Haïtien region on Haiti’s northern coast and the St-Marc region on Haiti’s western coast (see fig. 1).

**Figure 1: Development Corridors and Selected Sites Targeted by U.S. Post-Earthquake Assistance**



Source: Multiple U.S. government agencies, *Post-Earthquake USG Haiti Strategy: Toward Renewal and Economic Opportunity* (Washington, D.C., January 2011); U.S. Agency for International Development planning documents; Map Resources (map).

On January 11, 2011, the U.S. government, the Haitian government, the Inter-American Development Bank (IDB), and a private South Korean garment manufacturer, Sae-A Trading Co. Ltd. (Sae-A), signed an agreement to support development of the CIP that included the following commitments.

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- The IDB committed to provide funding to the Haitian government to build the CIP and some associated facilities;
  - the U.S. government committed to build a power plant, contribute to the building of a nearby port, and support the construction of 5,000 nearby housing units; and
  - Sae-A committed to be the anchor tenant and hire 20,000 local employees at the CIP.

Progress is ongoing in building the CIP and filling it with tenants. Sae-A moved into the first CIP building in March 2012, and two other companies, a paint manufacturer and a textile manufacturer, have since moved into the CIP, together employing about 1,450 Haitian employees as of August 2013, according to State officials. According to State's Senior Advisor for the CIP, these tenants project that they will create approximately 21,000 jobs by 2016. As of August 2013, according to State officials, the government of Haiti was progressing in talks with another four potential tenants.

USAID developed the New Settlements program to address the severe post-earthquake permanent housing shortage in Haiti and to support the Haitian government's goal of moving economic growth from Port-au-Prince to other areas, such as near the CIP. USAID's goal was to construct up to 15,000 new houses in the three development corridors. USAID planned to provide funding for the preparation of all of the settlement sites,<sup>6</sup> which would each comprise a certain number of plots on which USAID or a partner nongovernmental organization (NGO) would build houses. USAID was to build 4,000 of the 15,000 planned houses and NGOs and other donor partners were to build 11,000. USAID estimated that about 75,000 to 90,000 people would occupy the completed houses as beneficiaries.

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<sup>6</sup>Site preparation includes activities such as grading the land and providing proper drainage, access roads, pedestrian pathways, and infrastructure for delivery of utility services.

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## Most of USAID's 2010 Supplemental Funds Have Not Been Disbursed

As of June 30, 2013, almost 3 years after passage of the 2010 Supplemental Appropriations Act, USAID had obligated<sup>7</sup> \$336.0 million (52 percent) and disbursed \$229.5 million (35 percent) of the \$651 million it allocated for bilateral earthquake reconstruction activities in Haiti.<sup>8</sup> Figure 2 shows the percentage of funding obligated and disbursed.

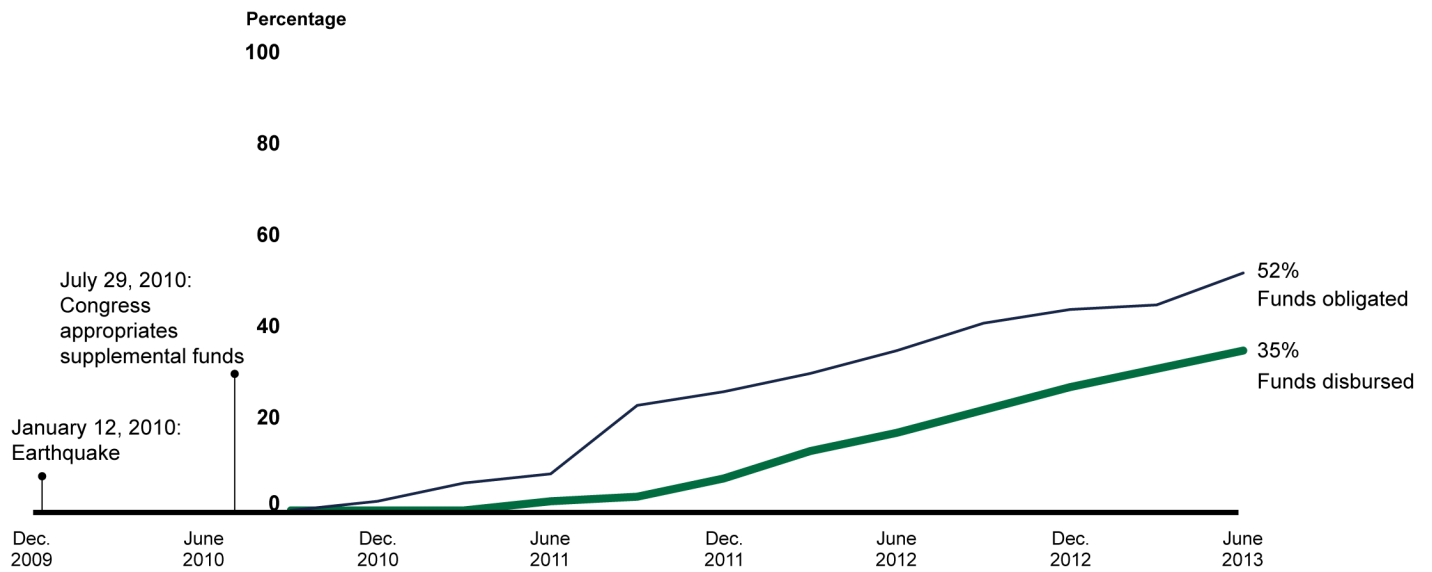
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<sup>7</sup>An obligation is a definite commitment that creates a legal liability of the U.S. government for the payment of goods and services ordered or received. See GAO, *A Glossary of Terms Used in the Federal Budget Process*, [GAO-05-734SP](#) (Washington, D.C.: Sept. 1, 2005). This report defines obligations as the total amount 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." In State's reports to Congress on Haiti funding, for USAID-managed accounts, funds listed as "total obligations" or "obligated" refer to these subobligations. Nonetheless, 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. USAID therefore considers all Haiti supplemental funding to have been obligated upon the signing of a bilateral agreement with the government of Haiti, within the period of availability for obligation defined in the appropriation.

<sup>8</sup>According to USAID, supplemental funds provided for Haiti post-earthquake recovery were scheduled to be disbursed over the 5-year period that began with the January 3, 2011, issuance of the *Post-Earthquake USG Haiti Strategy*.



**Figure 2: USAID Supplemental Funding for Haiti Earthquake Reconstruction Obligated and Disbursed as of June 2013**



Source: GAO analysis of USAID data.

Note: This report defines obligations as the total amount of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or future period. Nonetheless, consistent with 31 U.S.C. §1501, which defines when an agency can record an obligation, USAID generally treats as obligations the bilateral agreements it makes with other countries, such as Haiti, to deliver assistance. USAID therefore considers all Haiti supplemental funding to have been legally obligated upon signing the bilateral agreement with the government of Haiti, within the period of availability for obligation defined in the appropriation.

USAID = U.S. Agency for International Development

The amount of funds obligated and disbursed varies among six sectors of activities, as shown in table 2.

**Table 2: USAID Sector Activities and Amounts of Supplemental Funding Allocated, Obligated, and Disbursed as of June 30, 2013**

Dollars in millions

Sector of USAID Activity	Allocated	Total obligations <sup>a</sup>	Percentage obligated	Disbursements	Percentage disbursed
Shelter <sup>b</sup>	\$83.1	\$49.2	59	\$40.0	48
Energy <sup>b</sup>	135.1	51.9	38	36.4	27
Ports and transportation <sup>b</sup>	84.2	4.3	5	4.1	5
Food security	82.5	59.6	72	26.0	32
Health and disabilities	99.4	38.4	39	18.3	18
Governance and rule of law	120.4	95.4	79	72.6	60
Operating and other expenses <sup>c</sup>	46.2	37.2	81	32.2	70
<b>Total</b>	<b>\$651.0<sup>d</sup></b>	<b>\$336.0</b>	<b>52</b>	<b>\$229.5<sup>d</sup></b>	<b>35</b>

Source: GAO analysis of USAID data.

USAID = U.S. Agency for International Development

<sup>a</sup>This report defines obligations as the total amount of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or future period. Nonetheless, consistent with 31 U.S.C. §1501, which defines when an agency can record an obligation, USAID generally treats as obligations the bilateral agreements it makes with other countries, such as Haiti, to deliver assistance.

<sup>b</sup>Amounts of funding shown for the shelter, energy, and ports and transportation sectors include all fiscal year 2010 supplemental funding for those sectors. Funding for these sectors includes funding for the New Settlements Program, the CIP power plant, and a new northern port, which we discuss in this testimony.

<sup>c</sup>Operating and other expenses apply to all sectors and are not a specific sector of USAID activity.

<sup>d</sup>Because of rounding, the allocated and disbursed amounts shown do not sum to the totals.

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## USAID Completed Power Plant's First Phase, but Port Is Delayed and Their Sustainability Depends on CIP's Success

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### USAID Completed First Phase of Power Plant in Time to Deliver Power to CIP

As of June 30, 2013, USAID had allocated \$98.1 million to the CIP power plant project and had obligated 22 percent of these funds. Using this funding, USAID completed the first phase of the power plant with a designed capacity of 10 megawatts,<sup>9</sup> began to distribute some electricity outside the CIP, and procured a contractor to handle the operations and maintenance of the power plant for 3 years.<sup>10</sup> The power plant was commissioned in June 2012, 5 months later than initially planned but in time to provide power to the CIP as needed. The power plant project benefited from the mission having a Senior Energy Advisor on staff from April 2011 through February 2013, who used his background in electrical engineering to oversee and manage the project.

USAID is planning to undertake other activities related to the power plant, including further expanding distribution of electricity to local communities over the next 2 years;<sup>11</sup> building a solar energy farm with 2-megawatts capacity; and expanding the power plant's capacity to at least 25 megawatts, as needed.

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<sup>9</sup>Although the initial power plant has a designed capacity of 10 megawatts, it currently produces 1.7 megawatts based on customers' current electricity needs. Megawatt is the standard term of measurement for bulk electricity, such as the output of power plants. One megawatt equals 1 million watts, enough for 16,666 60-watt light bulbs.

<sup>10</sup>After 3 years, the Haitian government will take over plant operations.

<sup>11</sup>USAID has begun to connect some local customers to the CIP power plant. The first several residences were connected in October 2012, and 374 local customers had been connected as of May 2013.

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## Port Project Is Delayed, and Current Estimates for Construction Costs Are Higher Than Expected

USAID has allocated \$72.5 million to plan and contribute toward building a new port in northern Haiti; however, as of June 2013, the agency had obligated only \$4.3 million (6 percent) because of planning delays. A lack of staff with technical expertise in port planning, construction, and oversight, such as a port engineer, at the USAID mission in Haiti contributed to these delays.<sup>12</sup> According to a USAID planning document for the port sector, the agency planned to complete a feasibility study by March 2012, to initiate construction in spring 2013 through a private company that would supplement USAID's funding contribution for port construction, and to complete construction in fall 2015.<sup>13</sup> However, the feasibility study was not completed until February 2013 because of unrealistic initial time frames; delays in awarding the contract for the study; and a statement of work for the feasibility study that did not require the contractor to include all information necessary to help select a port site. Lacking staff with port expertise, USAID consulted with officials from the U.S. Army Corps of Engineers (USACE), the U.S. Environmental Protection Agency, and the National Oceanic and Atmospheric Administration, who informed USAID officials that more studies should be undertaken to identify the additional economic, environmental, technical, and other information necessary to make a final site selection and design the port. According to USAID officials, USACE estimates that the necessary studies and design will take an additional 18 months to 2 years. As a result of these planning delays, port construction will not begin until more than 2 years later than initially planned. USAID officials also initially estimated that port construction would take 2.5 years but have since learned that port construction may take up to 10 years, depending on the complexity of the port designed.

Port construction costs remain uncertain because the port site, design, and needed mitigation measures have not been determined. However, rough estimates in the February 2013 feasibility study project that the cost of port construction will range from \$185 million to \$257 million. Excluding

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<sup>12</sup>According to USAID officials, USAID has not constructed a port anywhere in the world since the 1970s and does not have a port engineer or port project manager among its direct-hire staff. In January 2011 and May 2013, the mission in Haiti made unsuccessful attempts to fill a vacant port engineer position.

<sup>13</sup>According to USAID documents, obtaining a private sector partner for the port will allow USAID to leverage funds and expertise from the private sector. A private company would contribute to port construction and then operate and retain revenues from the port for the term of a concession contract.

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funding for feasibility studies, \$68 million of USAID's allocation to the port project remain for planning, design, and construction. USAID does not know what portion of this funding is needed for the additional planning and design; however, it is clear that the amount remaining will be a significantly smaller portion than USAID had initially planned to contribute to the port's total construction cost, given the estimated funding gap of at least \$117 million to \$189 million.<sup>14</sup> As a result, USAID officials recognize a risk that private companies interested in operating the port may not be willing to cover the remaining construction costs.<sup>15</sup> Thus, the Haitian government may need to secure additional donor funding to build the port.

Because of the complexity of port construction and the lack of port expertise at the USAID mission, we recommended that USAID fill the vacant port engineer position at its Haiti mission within time frames that will help avoid future project delays. In written comments on the report, USAID agreed with this recommendation, noting that it issued a solicitation for a ports advisor in May 2013. According to USAID officials, this solicitation did not result in any qualified applicants; thus, as of September 2013, the mission was in discussions with USACE about this agency providing a port advisor to fill the position.

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### Sustainability of CIP, Power Plant, and Port Are Interdependent and Rely on Haitian Government Capacity

The sustainability of the CIP, port, and power plant are interdependent in several respects.

- The CIP depends on a functioning power plant and port access. Before the CIP, northern Haiti did not have the energy infrastructure or port capacity to support a completed industrial park. The existing ports in Haiti have high port costs and ports in the Dominican Republic are distant from the CIP, raising the cost of doing business at the CIP.

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<sup>14</sup>USAID initially estimated that construction would cost \$103 million, approximately \$40 million of which would be paid for by a private sector partner.

<sup>15</sup>In addition, the Haitian government has considered charging \$260 for each container coming into the northern port, which the port feasibility study concluded would make the project financially infeasible.

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- The port and power plant depend on revenues from the CIP, so the viability of these projects will depend on the Haitian government finding additional tenants and maintaining the park.
  - All three projects depend on Haitian government capacity to maintain and manage the CIP and power plant and oversee the private company that will operate the new port. USAID documents and external studies on these projects have cited concerns about the ability of the Haitian ministries to succeed in these areas because of limited staff and technical resources as well as the need for legal, regulatory, and management reforms.

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## USAID's New Settlements Program Has Been More Costly and Slower Than Expected, and Sustainability Challenges Remain

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### USAID's Cost Estimates Increased Sharply and Program Funding Has Significantly Increased

USAID allocated \$97.3 million to the New Settlements Program<sup>16</sup> and as of June 30, 2013, had obligated about \$50.3 million (52 percent) of this amount. USAID underestimated the construction costs of its New Settlements program. These costs are comprised of two main categories: (1) cost of site preparation per plot and (2) cost of construction per house. In its 2010 planning documents, USAID originally estimated costs at \$1,800 per plot and \$8,000 per house. However, as of April 2012, when USAID had awarded contracts for construction at its first two settlements—Caracol-EKAM and DLA 1.5—the total cost for a plot and house had increased by 151 percent, to \$24,625. These cost increases

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<sup>16</sup>On the basis of original estimates, USAID initially allocated approximately \$59.0 million to the New Settlements program. USAID increased program funding to \$97.3 million, or by about 65 percent, after receiving multiple bids from private sector contractors for site preparation and housing construction. USAID's total allocations to the New Settlements program include \$83.1 million from fiscal year 2010 supplemental funding and about \$14 million from other appropriations in fiscal years 2009, 2010, and 2012.

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stemmed primarily from the inaccuracy of USAID's original estimates, which were based in part on costs reported by the World Bank and an NGO that was building houses in northern Haiti. As a result, according to USAID officials, the original estimates did not adequately consider the stringent international building codes and disaster resistance standards planned for New Settlement houses and did not take into account the extent or complexity of service infrastructure USAID intended to provide. Furthermore, USAID officials noted that the demand for and cost of construction materials had increased.

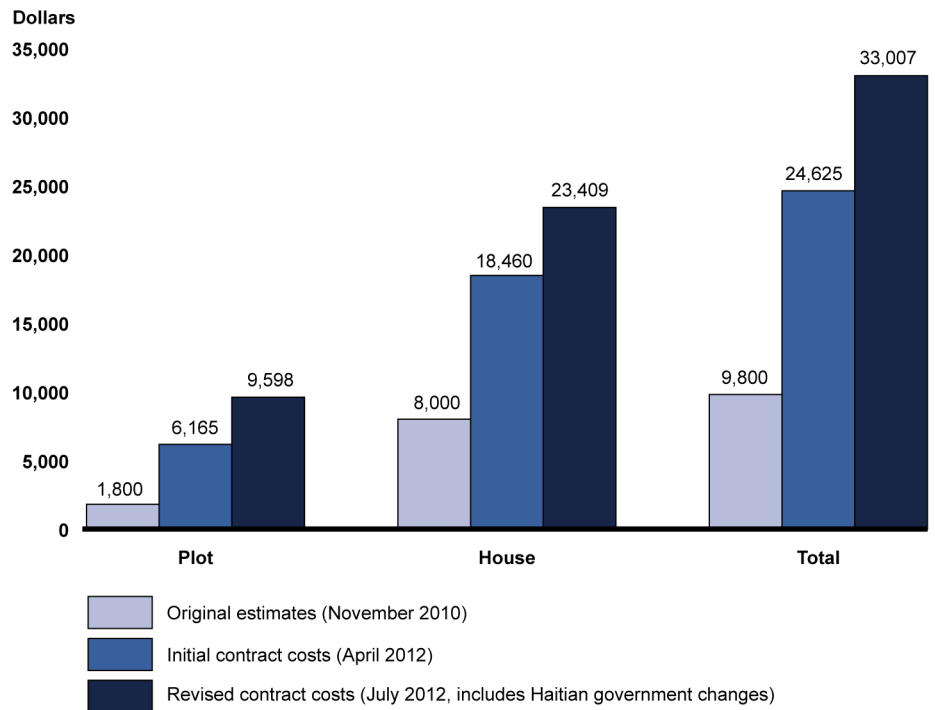
After USAID awarded these initial contracts, construction costs increased further as a result of Haitian government requests for design changes. The requested changes included an increase in the size of housing units, from about 275 square feet to about 450 square feet, and the inclusion of flush toilets rather than the traditional dry toilet system.<sup>17</sup> The Haitian government's design changes increased the total cost for a plot and a house by an additional 34 percent, to \$33,007. Therefore, as of April 2013, average costs based on awarded contracts at the first two sites to undergo construction had increased by 433 percent per plot and by 193 percent per house.<sup>18</sup> Figure 3 compares the original estimates, initial contract costs, and revised contract costs.

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<sup>17</sup>In addition to causing cost escalation, the use of flush toilets has led to potential public health concerns. Only one permanent wastewater treatment plant capable of processing sewage from septic tanks exists in Haiti, near Port-au-Prince. Another temporary treatment facility has been built at the CIP, with plans to replace it with a permanent facility. The number of settlement sites that will be served by these two facilities is unclear. In addition, one senior USAID official stated that failure to regularly empty septic tanks would cause a potential public health risk.

<sup>18</sup>We performed this analysis in April 2013 for our June 2013 report. In August 2013, USAID signed a contract for site preparation at three additional sites that reflects a per-plot cost for site preparation of \$17,068, significantly higher than the weighted average of the per-plot costs at the first two sites.

**Figure 3: USAID Cost Estimates for Preparation of One Plot and Construction of One House in Haiti, as of April 2013**



Source: GAO analysis of USAID data.

Note: Cost estimates depicted are the weighted average costs of site preparation and house construction as of April 2013 for two active settlement sites designated by USAID as Caracol-EKAM and DLA 1.5. The costs are different at the two sites and may vary at future sites.

USAID = U.S. Agency for International Development

## USAID Reduced Projected Numbers of Houses and Beneficiaries

As of August 2013, USAID had reduced the number of houses it expects to complete, and therefore the number of beneficiaries, by more than 80 percent. Of the 15,000 houses that it originally planned, USAID expects that only 2,649 will be completed across eight settlement sites. USAID plans to fund the construction of 906 of these houses and expects NGOs and other partner donors to fund the construction of the remaining 1,743. USAID also reduced the total number of projected beneficiaries, from an original estimated range of 75,000 to 90,000 to its current estimated



range of approximately 13,200 to 15,900.<sup>19</sup> Approximately 74 percent of these houses are to be built in the Cap-Haïtien corridor, with the remainder in the Port-au-Prince and St-Marc corridors (see table 3).<sup>20</sup> According to USAID officials, the first 26 families moved in to DLA 1.5 at the end of September 2013, with more families planned to occupy houses at DLA 1.5 and Caracol-EKAM in October 2013.

**Table 3: Numbers of Houses to Be Funded by USAID and Partner Donors, as of August 2013**

Development corridor	USAID houses	Partner donor houses	Corridor totals
Cap-Haïtien	750	1,217	1,967
St-Marc	156	148	304
Port-au-Prince	0	378	378
<b>USAID and partner donor totals</b>	<b>906</b>	<b>1,743</b>	<b>2,649</b>

Source: GAO analysis of USAID data.

USAID = U.S. Agency for International Development

## Land Title Issues and Reduced Partner Donor Participation Have Delayed New Settlements Program

The U.S. government's January 2011 strategy projected that all USAID permanent housing construction and site preparation under the New Settlements program would be completed by July 2012, but completion of some sites will likely occur more than 2 years later than planned.<sup>21</sup> The following factors have mainly accounted for these delays.

- **Land titling issues.** According to USAID officials, USAID spent substantial time trying to secure clear title to private and government-owned land. In the end, USAID was able to acquire only one site from private owners because of difficulties in confirming legitimate

<sup>19</sup>The numbers of settlement sites, houses, and beneficiaries that USAID currently projects may differ from the final numbers achieved, given that USAID has not obtained firm commitments from partner donors for all sites where the agency expects donors to fund housing construction.

<sup>20</sup>USAID had initially planned for 67 percent of the houses to be built in the Port-au-Prince and St-Marc corridors and 33 percent to be built in the Cap-Haïtien corridor.

<sup>21</sup>According to USAID officials, the agency projects that the first two sites will be completed in fall 2013 and that site preparation of three more sites will be completed in March 2014. The officials said that the USAID has no estimated completion dates for the remaining sites for which there are not yet partners or procurement has not begun.

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ownership. In addition, USAID found that secure land title for some government-owned sites could not be confirmed because of unclear or disputed ownership, which further reduced the number of site options and delayed site selection.

- **Difficulties partnering with NGOs and other donors.**<sup>22</sup> Plans for USAID's New Settlements program relied heavily on partners, which led to delays in the program when these partnerships encountered difficulties. For example, in January 2011, the American Red Cross (Red Cross) announced that it would partner with USAID to build homes on at least two sites; however, USAID did not sign an agreement with the Red Cross until August 2013 and the agreement was for just one site. According to USAID officials, that partnership did not develop as planned because of the delays in securing land title and because of turnover in Red Cross leadership that resulted in shifting approaches to housing in Haiti.

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## New Housing Settlements Face Sustainability Challenges

The sustainability of the new housing settlements will depend on factors such as available economic opportunities and support for community development. USAID is attempting to ensure the sustainability of new settlements by locating them in areas with employment, health care, education, and transportation. If those efforts do not provide adequate economic opportunities, beneficiaries may not be able to afford the fees and services connected with their new homes or may have to relocate altogether. The sustainability of the settlements will also depend on their ongoing support, maintenance, and management by local governments and community members. Specifically, beneficiaries will face site-specific issues such as affordability and community cohesion.

- **Affordability.** The Haitian government has determined that beneficiaries must make monthly payments of 1500 Haitian gourdes for 5 years before receiving title to a house.<sup>23</sup> These monthly fees will go toward the maintenance of housing, public spaces, and septic tanks; management costs incurred by the Haitian government; and

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<sup>22</sup>Examples of partner donors that are not NGOs include the Qatar Haiti Fund; the Inter-American Development Bank; and the Fund for Economic and Social Support, a Haitian government entity.

<sup>23</sup>As of September 2013, the monthly fee of 1500 Haitian gourdes was equivalent to approximately \$35.

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incidental expenses. Beneficiaries will also face charges for utilities and services, such as electricity and water.

- **Community cohesion:** The New Settlements program currently plans to create eight new “communities,” each consisting of 148 to 1,283 households, with beneficiaries from various locations in Haiti and with varied income levels. USAID officials acknowledged that discord may arise among the beneficiaries or between the settlements and surrounding communities.

To mitigate these concerns, USAID has put community development programs in place at two sites and plans to fund or pursue NGO partnerships to support such programs at the remaining sites. For Caracol-EKAM, USAID obligated about \$4.8 million to develop and manage the beneficiary selection process, establish a provisional community management committee,<sup>24</sup> and create other mechanisms to support community development. In addition, in August 2013, USAID signed a \$1.5 million agreement with another implementing partner to provide support for the phased occupation of Caracol-EKAM and management of the settlement, among other activities designed to help ensure its sustainability. For community development activities at DLA 1.5, USAID has entered into a partnership with an NGO that is providing such support through its own funding. USAID has allocated an additional \$3.3 million to support community development efforts, including beneficiary selection and site management and operations, at the eight new settlement sites. In addition, USAID plans for partner organizations to contribute to these activities at some of the settlement sites. For example, the memorandum of understanding between USAID and partner donors building houses on three sites notes that partner donor funds are to be provided for community development activities at those settlements; however, that memorandum does not fully secure such a financial commitment. In addition, it is unclear whether such partnerships will be available to support all of the remaining settlements. USAID officials have

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<sup>24</sup>Community management committees are self-governing bodies made up of selected beneficiaries to promote social cohesion, serve as decision-making entities, and act as the residents’ representatives with government counterparts. The provisional committee for Caracol-EKAM was formed from an initial pool of beneficiaries, but a permanent committee will be formed once all beneficiary households have moved in. Members will be trained to engage with local and national authorities to help ensure that community services such as grounds keeping, infrastructure maintenance, and solid waste collection are undertaken.

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stated that it is crucial that these support mechanisms are in place to ensure a smooth transition when beneficiaries move in and to set the tone for interaction among beneficiaries.

In our June report, we recommended that the USAID Administrator direct the mission in Haiti to ensure that each new settlement has community support mechanisms in place prior to beneficiary occupation, including by making funds available as necessary to help ensure this support. USAID agreed with this recommendation and noted that the mission is prepared to provide additional resources if they are needed to finance community development activities. USAID also elaborated on the ongoing and planned activities to facilitate community development and sustainability at the first two settlement sites. We acknowledge USAID's efforts to provide community development support at these two sites and support the agency's intentions to implement our recommendation at future settlement sites.

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Chairman Royce, Ranking Member Engel, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions you may have at this time.

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## Contacts and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact me at 202-512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include Leslie Holen (Assistant Director), Lynn Cothorn, and Heather Latta. Michael Armes, Ashley Alley, Etana Finkler, Justin Fisher, Courtney LaFountain, Mary Moutsos, and Brian Tremblay provided technical assistance.

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