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U.S. Agency for International Development
House Committee on Foreign Affairs
October 9, 2013; 10:00 am
“Haiti: Assessing U.S. Aid Effectiveness”

Mr. Chairman, Ranking Member Engel and Members of the Committee,

Thank you for the opportunity to appear before you. I am grateful for the Committee’s interest in the U.S. Agency for International Development’s (USAID) efforts in Haiti, and want to thank Congress for its generous support of our work in Haiti. It is an honor to appear before you today and I look forward to your advice and counsel. I am pleased to testify alongside my colleague from the Department of State, Haiti Special Coordinator Tom Adams.

As is well known, Haiti has long struggled with serious development challenges. The devastating 2010 earthquake, coupled with periods of political unrest, other natural disasters, and limited capacity of government institutions, exacerbated these long-standing issues. USAID’s program has seen notable successes in overcoming these challenges. However, the long-term sustainability of these programs and the development of Haiti depends on the Government of Haiti’s ability to maintain the advances made through these activities and to take the sometimes difficult steps needed so it can better meet the needs of their citizens.

Through my many visits to Haiti over the past two years I see the gains we are making. Since the 2010 earthquake, 74 percent of the rubble has been removed. USAID interventions in agriculture are helping 100,000 farmers improve their agricultural practices. Maize yields have increased by 341 percent, rice by 129 percent, beans by 100 percent, and plantains by 21 percent. USAID efforts in health have seen a 50 percent decrease in prevalence of underweight children under 5 years of age, childhood vaccinations have increased from 53 percent in 2006 to 62.5 percent, and mortality for children under 5 has also decreased from 112 deaths to 88 deaths per 1,000 live births. The number of internally displaced persons in camps has decreased by 80 percent as USAID has helped more than 328,000 people, or approximately 65,600 households (more than 20 percent of those displaced by the earthquake) find shelter solutions, which includes a range of solutions from transitional shelters, repairs to damaged houses, support to host families who took in displaced people, and rental vouchers.

USAID’s work in Haiti is designed to create jobs and boost the standard of living. With more than 60 percent of Haitians reliant on agriculture for income, this sector is key to Haiti’s long-term development. For several decades, Haiti has struggled with food security and nutrition issues. Many of these difficulties are directly related to environmental degradation of approximately 85 percent of the country’s watersheds. Farmers experience frequent floods, erosion, a lack of groundwater for irrigation, and depletion of basic soil nutrients.

USAID has developed an integrated approach for sustainably increasing farmers' production, income, employment, and food security, while improving the environment through two of our signature agricultural programs.

Successes in our agricultural programs are transforming natural resource management, as farmers using greenhouses built through USAID programs are able to move away from unsustainable hillside agriculture. Using greenhouses, farmers can now generate more income on 70 square meters than on one hectare of land; furthermore, their crops are less subject to adverse weather conditions and damage by pests. Greenhouses also free more land for tree planting and farmers can now afford to wait for their trees to reach maturity before harvesting the wood or tree fruits, which translates into more money for their families.

USAID is also empowering Haitian farmers by strengthening market linkages, which are essential to increasing small farmers' incomes. Farmers' associations can now bypass middlemen and market their crops under their own brand name. USAID supported and strengthened more than 200 associations, representing 100,000 small growers. Haitian farmers are even enjoying success outside of the Caribbean. Today, you can buy their mangoes in Whole Foods.

Furthering our work to spur job creation and economic growth, USAID is encouraging private investment by strengthening supportive value chains, providing business development services and access to finance to micro, small, and medium size enterprises (MSMEs), and providing vocational training so people will be prepared to fill the new jobs coming to Haiti.

The U.S. Government (USG), together with other donors, is helping the Haitian government to put in place a more business-friendly regulatory environment to lower the cost of doing business, ensure greater competition, allow easier access to markets and increase both domestic and foreign investments. To leverage improvements in the business-enabling environment, USAID provides assistance in practical vocational training, build local firm capacities to provide such training, and provide business development services to MSMEs to enable them to increase sales and employment.

We are providing support to more than 30 financial institutions to increase their ability to lend to underserved populations and MSMEs. More than 15,000 agricultural loans will enable farmers to improve crop production and allow agricultural cooperatives to access markets directly. We also have finalized four new Development Credit Authority agreements, guaranteeing loans at local commercial banks, microfinance institutions, and credit unions. The guarantees cover a nine-year period and will contribute to rebuilding Haiti's private sector through increased local lending to MSMEs and hard-to-reach populations.

USAID launched an innovative business plan competition that provides matching grants to promising entrepreneurial small businesses investing their own scarce capital to expand their businesses. We have awarded six grants so far. One of the winners is a Haitian entrepreneur who founded a recycling company that works to keep the streets, canals, and vacant lots of Port-au-Prince clean while providing needed extra cash to over 6,000 Haitians who turn in discarded bottles. As a result, he was able to expand his operations which resulted in the collection,

compacting and shipping of nearly 300 million plastic bottles for further reprocessing last year alone.

As mentioned, USAID health interventions have seen notable success assisting the Haitian Government's efforts to strengthen the national health care system, including: disease surveillance; improving care for persons with disabilities; training health workers; and ensuring community-based health and prevention activities are in place.

We recognize the importance of building the Government of Haiti's capabilities to care for the health of its citizens. Last year, the USG and the Government of Haiti signed a five-year Health Partnership Framework that aims to advance the Government of Haiti's ownership and oversight of an adaptable and self-correcting public health system, while also aiming to reduce its dependence on donor support over time. With funding from the President's Emergency Plan for AIDS Relief (PEPFAR), we are building partnerships to provide integrated prevention, care, and treatment programs for persons living with HIV/AIDS as well as to support orphans and vulnerable children.

We are also supporting the Government of Haiti's efforts to improve the quality of basic education. To address this issue, USAID's education program focuses on improving reading skills for children in first through third grades in the USG three development corridors. Over the course of two years the program will provide more than 28,000 children and 900 teachers with innovative reading curricula that meet international standards for best practice literacy instruction. This initiative could eventually reach more than one million children nationwide as the Government of Haiti and other partners extend the program's reading curricula and training methods to other parts of the country.

To achieve long-term stability and economic growth, Haiti needs strong governmental institutions that deliver quality public services to citizens. The Haitian Government is determined to improve the quality and scope of these services, but it faces a critical problem — lack of revenue. Haiti's rate of tax receipts as a share of gross domestic product is one of the lowest in the world. However, a USAID-piloted tax mobilization program in the city of St. Marc proved that it is possible to raise local revenues to pay for quality local services. Building on that success, USAID expanded its work to the densely populated urban municipality of Carrefour. Working with a Haitian nonprofit organization, USAID sparked a significant jump in Carrefour's municipal revenue — taxes collected increased from \$309,000 in 2011 to \$1.8 million in 2012. With the increased revenue, the municipality plans to construct four footbridges and two schools, pave a kilometer of road downtown, build two community cisterns, dredge canals, and replace broken sewer grates—all prioritized through a municipality-wide participatory planning process.

While we have made progress, significant challenges remain and we welcome a recent U.S. Government Accountability Office (GAO) report which captured progress to date in Haiti. Indeed, independent audits and evaluations of our assistance complement USAID's own monitoring and evaluation efforts.

USAID worked closely with the GAO during the report's preparation. We agree with the GAO's recommendations and are currently working to implement their suggestions particularly as relates to work on the port and in shelter.

As reported by the GAO, USAID completed the first phase of the power plant for the Caracol Industrial Park on time and with less funding than allocated. We have also started projects that will connect 6,800 nearby households in Caracol to the grid, helping to improve the quality of life for these local residents and creating the conditions for economic growth. We expect to continue expanding reliable electricity services to meet the needs of future park tenants, as well as businesses, schools, hospitals, and households in Northern Haiti.

In addition to constructing the power plant in the North, in the energy sector USAID also funded the rehabilitation of five substations in the Port-au-Prince area to reduce losses and strengthen the government electric utility system's capability to serve customers effectively. Due to that effort, an estimated 72,000 customers will have access to improved electricity services, and these numbers will grow once new power generation is added to the grid.

The GAO report also examined plans for the construction of a new "greenfield" port in the north of Haiti. USAID's goal in this sector is to create the most effective means of addressing the export and import requirements in this region of Haiti, which is a large and complex undertaking. According to the U.S. Army Corps of Engineers (USACE) and other USG agencies with ports expertise, planning for a "greenfield" port will require up to five years to complete the required technical, economic, and environmental impact studies. We are on schedule to complete these detailed studies within that timeframe. We are conducting proper due diligence, ensuring that we provide decision makers with the data required to make an informed decision.

To address the GAO recommendation to bring on a ports expert, we are finalizing an agreement with USACE to embed a long-term resident ports advisor in our Mission in Port-au-Prince by the end of 2013.

While USAID is committed to helping improve Haiti's port systems, it is important to note that U.S. Government financing will not cover all of the costs. From the beginning, the port has been envisioned as a public-private partnership, and resources for construction need to be identified from the Government of Haiti and private-sector businesses. We are working with partners to determine the level of private sector interest in collaborating to construct a greenfield port in the north.

The GAO report also looked at our new settlements program, which is the final phase of U.S. Government post-earthquake reconstruction and recovery support for housing. We fully acknowledge the challenges we faced in meeting our original targets. Construction costs exceeded the initial, post-earthquake housing construction estimates derived from earlier NGO experience in the field. These initial estimates underestimated the higher cost of building materials in post-earthquake Haiti. The Government of Haiti's design changes among other factors also added significantly to the expenses. Aside from these requests, other factors, such as complications in clarifying land title and reduced donor participation, led to construction delays and reduced housing estimates.

Consistent with the GAO's recommendations, we are working to ensure that USAID-funded settlements are sustainable in the long term. The emphasis of the sustainability effort is in four areas: 1) Site management; 2) Household-level support and capacity building; 3) Community relations and governance; and 4) Services to support the broader community. To mitigate risks that these communities will fall into disrepair, we will monitor the settlements and the overall sector to see if our support needs to be augmented and will move quickly to avoid problems rather than react to them.

Haiti faced a large-scale housing shortage even before the earthquake. The Government of Haiti estimates that over the next 10 years, the Port-au-Prince region alone will require up to 500,000 additional housing units to make up for the pre-earthquake housing shortage, replace stock lost during the disaster, and accommodate the significant amount of expected urban growth. New housing construction, financed by the USG, was never considered to be a stand-alone strategy for addressing shelter needs in Haiti. Going forward, we are working on approaches that will target many more beneficiaries, reaching beyond those who are able to move into houses that USAID constructs.

One such approach is to encourage local financial institutions to lend for new construction as well as provide loans to repair and expand existing homes. For example, part of USAID's Development Credit Authority guarantees with Haitian financial institutions is allocated toward housing finance and construction. Additionally, USAID and the Overseas Private Investment Corporation, with support from the Clinton Bush Fund, are involved in a mortgage facility for housing micro-finance and construction loans for small business premises.

We also are piloting a program that will formalize internally displaced persons (IDP) settlements and provide durable housing solutions and associated infrastructure to the families residing in an IDP camp in Port-au-Prince. This pilot program aims to initially create 125 permanent households with the intent of scaling up as the program progresses.

Rigorous monitoring and evaluation (M&E) is an important component in ensuring the success of U.S. assistance to Haiti. USAID's programs in Haiti are evaluated regularly and the results are made public. In FY 2012, USAID conducted three final performance evaluations of Haiti projects and several more performance evaluations are currently planned for the near future. All evaluations will be made available through USAID's online archive, the Development Experience Clearinghouse. Additionally, we have conducted a rigorous baseline household survey in the areas in which we are working, and plan to repeat the survey to assess program impact. As with all USAID funded programs, we routinely monitor the performance and progress against planned objectives. These efforts are complemented by increased oversight by a USAID Regional Inspector General team. All of these public and internal reporting mechanisms not only help USAID to be more transparent, but also more accountable to both Congress and American taxpayers.

Again, I would like to thank you for the opportunity to testify before you today. I hope I have been able to provide insight not only on USAID's accomplishments, but also how we are incorporating lessons learned into our future programming. While USAID is fully committed to providing long-term assistance, the sustainability of our programs ultimately depends on the

capacity of the Government of Haiti to maintain the improvements made through U.S. Government-funded programming and meet the needs of their citizens. USAID is committed to supporting the Haitian people to build a more prosperous and secure nation.