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## Transparent Aid for Haiti's Reconstruction: Capture Matters

Haiti, Corruption, Global Economics, Global Governance, Latin America

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MARCH 30, 2010 — On Wednesday, March 31, international donors will convene at the United Nations to discuss Haiti's long-term reconstruction plans and to make assistance pledges. The publicly disseminated Action Plan for Reconstruction and National Development of Haiti, produced by the government of Haiti with inputs from the U.N., European Commission, the World Bank, Inter-American Development Bank and civil society, has assessed Haiti's reconstruction needs over the next three years at \$11.5 billion. The Post-Disaster Needs Assessment (PDNA), produced by a collaborative effort involving 300 Haitian and international experts, and on which the Haitian government's Action Plan is based, has not been publicly disclosed, but is expected to be presented at the donor conference.

It has been widely acknowledged by all parties that transparency and public accountability is essential for the successful rebuilding of Haiti; and full public disclosure of documents relevant to the proposed reconstruction plan and assistance delivery framework will ensure that the Haitian government and donor community's efforts get off on the right foot.

Yet transparency cannot be one-sided. While improved disclosure of funding priorities, financial flows, and outcomes is needed by all donors, similar efforts by the Haitian government are equally crucial. International donors and the NGO community stress the need to coordinate reconstruction efforts through Haiti's government. Yet it is unclear what role the international community envisages the government having in handling the massive amounts of expected aid and coordinating countless reconstruction programs. Many government institutions were very weak prior to the earthquake. In the aftermath, government institutions have seen many of their staff perish and their physical infrastructure crumble; and as a result, they have become virtually nonfunctional. Many Haitians and external observers have pointed to the lack of leadership in the government as a hurdle to the reconstruction efforts.

Thus, while the international community is quick to propose that Indonesia's post-tsunami reconstruction framework serve as a blueprint for Haiti's post-quake efforts, [the conditions of the public sector in Indonesia were significantly superior to those in Haiti today](#).

The international community has disbursed over \$2.2 billion in relief and humanitarian assistance in the three

months following the earthquake; although most of it, \$980 million, has been through private donations. Most of the funds, whether from donors or private entities, bypassed the Haitian government as well as Haitian civil society, in favor of large international NGOs.

In contrast to the initial relief phase, the Haitian government and a number of donor countries anticipate that higher levels of aid will be channeled through the government during the reconstruction phase, arguing that it is imperative to support a stronger and more capable Haitian government.

The case for institutional capacity building may have some merits, but betrays a glaring omission—the government of Haiti is not merely very weak, but for a long time has been afflicted by “state capture.” The phenomenon of state capture, which we first studied in [Russia and other former Soviet states](#) (with Joel Hellman) after the fall of the iron curtain, is obviously not unique to Haiti. State capture takes place when powerful elite interests, often from well-connected private individuals or corporations, exercise undue influence or outright control in the shaping of the rules, laws and policies of the state. Such capture can also extend to influence the public procurement system and its bid awards, as well as take the form of elite interests “capturing” influential government positions.

Such capture is not confined to bribery of public officials, but extends to undue (and at times legal) influence over the executive or legislative branches. Therefore, the international community’s obsession with bribery and other forms of petty corruption obscures the relevance of other important forms of exerting influence, such as the use of (legal and illegal) political contributions and lobbying to influence policies, legislation and access to lucrative contracts; the exchange of favors, scholarships and special trips; nepotism and the promise of lucrative future employment (i.e. the revolving door).

State capture constitutes a sophisticated form of high-level political corruption, which too often is overlooked by the much easier-to-identify (and report) petty bribery. Petty bribery is clearly prevalent in Haiti and elsewhere but tends to be a symptom of very weak public institutions and of high-level political corruption.

Thus, in Haiti, excessively focusing on these forms of bureaucratic and administrative bribery at the expense of state capture is counterproductive. It is no secret that the “elite” are comprised of members of a limited number of powerful families that have wielded an enormous amount of undue influence for a very long time. Importantly, some sitting government ministers in potentially influential positions for the reconstruction effort appear to continue having substantial business interests.

While efforts to address petty corruption and bribery are laudable, unless the broader issue of state capture is adequately addressed by the Haitian government and international donor community, the reconstruction strategy and aid delivery framework will remain flawed. State capture is a politically sensitive issue, but it needs to be tackled in order to achieve successful physical and institutional reconstruction.

In countries where weak public institutions prevail, and state capture is not a serious concern, a technocratic strategy of public-sector capacity building makes eminent sense as does channeling an increasing portion of aid resources through public institutions. However, where public institutions and policies are subject to capture, such as in Haiti, capacity building alone would not ensure the delivery of high-quality goods and

services to citizens.

Undoubtedly, Haiti is in dire need of a concrete and large reconstruction aid commitment by the donor community. The various transparency, accountability and state capture concerns do not justify a reduction in donor pledges or disbursements, nor do they imply that the government should be bypassed during reconstruction.

Rather, the donor community and the Haitian government should commit to address the challenge of state capture and misgovernance, and tailor reconstruction plans and aid frameworks to mitigate the risk of these realities. This will require courageous political will and concrete actions by both the donor aid community and the main stakeholders in Haiti.

The following initiatives need to be integrated into Haiti's reconstruction strategy:

*1. Address conflicts-of-interests among government officials and members of the legislature and judiciary:*

Haiti's government should require that all senior public officials declare their and their dependents' income and assets; and have them available on the Internet. Second, the government should implement strict conflict-of-interest legislation, preventing senior public officials from maintaining private business interests. Under such legislation, officials would be required to either divest their business interests and holdings and/or place their funds and equity in blind trusts.

*2. Mitigate the risk of capture of the development and reconstruction agencies in Haiti:* It is expected that the government will introduce legislation in order to attain approval for the creation of the Intermediary Commission for the Reconstruction of Haiti (CIRH) and subsequently for the Authority for the Development of Haiti (ADH).

First, leadership of these institutions is expected to be critical to their success. Finalizing arrangements for the CIRH entails clarifying how such leadership arrangement will work in practice. The proposal that the CIRH be co-chaired by the prime minister of Haiti and an eminent respected outsider, such as former U.S. President Bill Clinton, is promising. It may be also be worth considering a prominent role for a respected Latin American outgoing leader, such as former President Bachelet from Chile or President Lula from Brazil.

Second, it is also important that leadership is shared in practice, not only on paper. For this reason, granting veto power over programs and projects awarded by CIRH to the government may undermine power-sharing.

Third, the selection of the CIRH administrator is critical for success, as illustrated by the stellar performance of the reconstruction agency in Aceh, following the Indonesian tsunami. The administrator, from the outset, ought to be independent from the local elite families that have wielded disproportionate influence in Haiti and should possess impeccable integrity and professional credentials.

Fourth, modern transparency standards ought to be an integral part of this new agency from its inception, including full financial and other disclosure of projects considered and implemented by the agency.

*3. Implement a competitive and transparent procurement system:* Fully transparent procurement is an

important tool in mitigating the risk of corruption. Over time, it will be necessary to modernize and reform the entire public procurement for the country. Irrespective of the precise location of procurement award decisions in the initial (and subsequent) periods, such process ought to be subject to highly transparent and competitive standards. Donor countries and agencies should all subscribe to such transparent and competitive standards, and support Haiti by helping create an e-procurement online portal where all projects would be included.

4. *Ensure donor transparency:* The commitment to the principle of transparency by official donors and NGOs should be put into practice; and the formation of the Multi-Donor Fund through which a portion of donor assistance would be transparently coordinated is a good start. Whether through the Multi-Donor Fund or not, all official and private/NGO donors ought to also engage in on-time and full online reporting of all commitments and disbursement to the country, including financial statements of detailed expenditures and public procurement contracts. Spot audits should be undertaken and funding should be publicly disclosed. Further, donors should also disclose irregularities in the context of project procurement and implementation, including disclosure of irregularities regarding bribe demands, diversion of funds, and political interference.

5. *Empower local communities and civil society:* Significant progress in reconstruction can be made by cooperating with local Haitian communities that have proven their leadership and dynamism during emergency relief operations. These leaders and communities could play a larger role in the implementation of many local-level projects. They ought to be involved in the design of projects affecting them and in the monitoring of the implementation. They should be instrumental in a new system to provide quick feedback online and in person regarding implementation problems or unkept project promises.

6. *Promote transparency in policymaking:* At a broader level, the urgent challenge of reconstruction presents an opportunity to strengthen institutions, and to make the overall development, policy and business environment more transparent in Haiti and for its donors. Specifically, it is necessary to ensure that there is transparent decision-making about key social and economic policies, including regulatory reforms as well as regarding the national budget. Similarly, there should be scrutiny regarding the risks related to insider lending in the banking system.

Haitians should be empowered to lead their reconstruction efforts, supported by effective aid from the donor community. While the central government ought to play a role, the contributions made by the local-level community, a more competitive private sector, the Diaspora and civil society should not be underestimated.

Although the problem was neglected until now, Haiti's development strategies need to address the challenge of state capture by vested interests. Capture thrives where there is opacity and lack of economic and political competition. Donor aid programs not only need to exhibit much higher standards of transparency, but those programs and projects ought to support improved democratic governance, competition, and transparency reforms in Haiti.