Spring 2013
Industry Study

Final Report
Reconstruction and Nation Building Industry Study

The Dwight D. Eisenhower School for National Security and Resource Strategy

National Defense University

Fort McNair, Washington, D.C. 20319-5062

RECONSTRUCTION AND NATION BUILDING INDUSTRY STUDY

ABSTRACT: The Eisenhower School's Relief, Reconstruction and Development (RRD) Industry Study Seminar analyzed domestic and international companies and organizations that provide RRD services globally and receive funding from a variety of sources, including U.S. and foreign government agencies, international organizations, foundations, religious groups, and individual donors. The seminar concluded that while some sectors of the industry will suffer from the effects of sequestration and the drawdown in Iraq and Afghanistan, the industry overall will remain competitive and resilient. Challenges for the industry include coordinating efforts to avoid unnecessary duplication, applying lessons learned, adapting to reduced availability of appropriated funds, and ensuring the industry as a whole meets international standards. For the RRD industry to have a positive sustainable impact, the U.S. government and the industry must improve collaboration with all stakeholders, respecting the host nation's needs, policies and priorities.

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PLACES VISITED

Domestic:
Department of State, Bureau of Conflict and Stabilization Operations
Department of State, Office of U.S. Foreign Assistance (Washington, D.C.)
Joint Force Development Directorate, Joint & Coalition Operational Analysis Div (Norfolk, VA)
Millennium Challenge Corporation (Washington, D.C.)
Miami-Dade Emergency Operations Center (Doral, FL)
National Geospatial-Intelligence Agency (Springfield, VA)
NATO Civil Military Fusion Center (Norfolk, VA)
United Nations Peace Building Support Office (New York, NY)
U.S. Agency for International Development, Office of Civilian-Military Cooperation (Washington, D.C.)
U.S. Senate, Senate Foreign Relations Committee
U.S. Southern Command (Doral, FL)
U.S. Institute of Peace (Washington, D.C.)
World Bank (Washington, D.C.)
DAI (Bethesda, MD)
DynCorp International (Falls Church, VA)
Fluor Corp. (Arlington, VA)
KBR (Arlington, VA)
Lion Leaders (Washington, D.C.)
Louis Berger Group Inc. (Washington, D.C.)
Management Systems International (Washington, D.C.)
Noetic Solutions (Australia)
Americas Relief Team, Division of Outreach Aid to the Americas, Inc. (Miami, FL)
American Friends Service Committee (Miami, FL)
Catholic Charities (Miami, FL)
Center on International Coordination, New York University (New York, NY)
Council for Foreign Relations (New York, NY)
Food for the Poor (Coconut Creek, FL)
International Rescue Committee (Miami, FL, and (New York, NY)
The RAND Corporation (Arlington, VA)
Transparency International (Washington, D.C.)
World Vision (Miami, FL)

International:
None

INTRODUCTION

The current U.S. National Security Strategy (NSS) identifies four primary national security interests: security of the United States and its citizens, allies, and partners; U.S. economic prosperity in an open international economic system; respect for universal values; and an international order promoted by U.S. leadership and cooperation.[1] Following publication of the NSS, President Obama signed a Presidential Policy Directive (PPD) on Global Development Policy in September 2010 identifying development as a core pillar of American power and elevating it to a position alongside defense and diplomacy in an "integrated comprehensive approach to national security."[2] Given development's stated importance to U.S. national security interests, the Relief, Reconstruction and Development (RRD) industry has a significant role to play. For the RRD industry to have a positive, sustainable impact in furtherance of national security interests, the U.S. Government (USG) and the industry must improve coordination and collaboration with and among all stakeholders, respecting host nation needs, policies, and priorities. To further this goal, the USG must empower a single USG office responsible for developing, implementing and monitoring a comprehensive strategy for RRD, improving unity of effort, and integrating interagency RRD efforts across the government.

The need for a comprehensive RRD strategy and greater USG interagency integration are all the more important because of shrinking USG budgets due to the drawdowns in Iraq and Afghanistan, sequestration, and potential further cuts in federal discretionary spending. Moreover, overseas foreign assistance is politically charged and generally unpopular even during positive economic times. The RRD industry is competitive, challenged, and resilient. The USG can increase the likelihood of continued RRD industry sustainability by developing an integrated strategic vision and ensuring USG leadership among RRD industry stakeholders, both foreign and domestic.

THE INDUSTRY DEFINED

As RRD industry efforts span a spectrum of operations, involve various business sectors, and include an array of actors, it is not easily defined. For purposes of this paper, relief, reconstruction, and development includes immediate humanitarian assistance following a disaster, reconstruction and stabilization operations after a disaster or a conflict, and long-term development in emerging and fragile economies. Haiti, for example, provides a case study for the full range of RRD efforts as the industry provided immediate humanitarian relief following that country's devastating earthquake in January 2010, continued reconstruction efforts thereafter, and continual long-term development assistance prior to and following the earthquake to improve life in the Western Hemisphere's poorest country.

In addition to spanning a spectrum of operations, the RRD industry draws from numerous and diverse business sectors such as construction, education, health, water and sanitation, governance and rule of law, and economic development, to name but a few. Moreover the industry involves an array of actors. For example, within the USG the U.S. Agency for International Development (USAID) is the lead agency for overseas humanitarian assistance and development aid.[3] Though an independent federal agency, the White House-appointed USAID Administrator reports to the Secretary of State. Department of State (DoS) also has an important role in RRD with its mission to "advance freedom for the benefit of the American people and the international community by helping to build and sustain a more democratic, secure, and prosperous world composed of well-governed states that respond to the needs of their people, reduce widespread poverty, and act responsibly within the international system."[4] In recent years, the Department of Defense (DoD) had greater involvement in RRD operations in fulfillment of national security objectives in Iraq and Afghanistan supported by significant appropriated funding streams.

Beyond USAID, DoS and DoD, many other USG agencies and entities also play a role in the RRD mission. For example, Congress founded the Millennium Challenge Corporation (MCC) in 2004 with a mission to "deliver smart U.S. foreign assistance by focusing on good policies, country ownership, and results."[5] Other agencies such as the Departments of Treasury, Health and Human Services, Commerce, Justice and Agriculture and the Overseas Private Investment Corporation (OPIC) also provide assistance to RRD programs, though frequently in less visible, integrated, or appreciated ways.

In addition to the numerous USG actors in the RRD industry, multiple international organizations also participate in, contribute to, and influence the industry. For example, foreign governments in developed and emerging countries, multi-lateral organizations such as the United Nations and the World Bank, as well as regional organizations such as the Organization of American States, all have roles to play. International and U.S.-based non-governmental organizations (NGOs) also serve as key players in the industry. From secular charitable organizations, to faith-based groups, university-affiliated organizations and, increasingly, philanthropic foundations, the array of non-profit NGOs provide opportunities and challenges within the industry.

Not unlike more traditional and well-defined industries, the RRD industry also includes a variety of for-profit firms, both U.S.-based and foreign, as well as both publicly-held and private. Heavily reliant upon USG contracts for as much as 90% of total revenue, these firms provide critical support to RRD operations worldwide. While many of these companies have been in business since before World War II, several emerged over the past ten years in response to the USG's greater reliance upon contractor support and increased spending in Iraq and Afghanistan for RRD operations.[6]

A final critical stakeholder in the RRD Industry is the host nation (and its people) receiving RRD assistance. Although the host nation is the primary beneficiary of the industry, too frequently the array of other industry actors fail to consider, or simply disregard, local needs and conditions, resulting in industry inefficiencies and limiting industry effectiveness.[7]

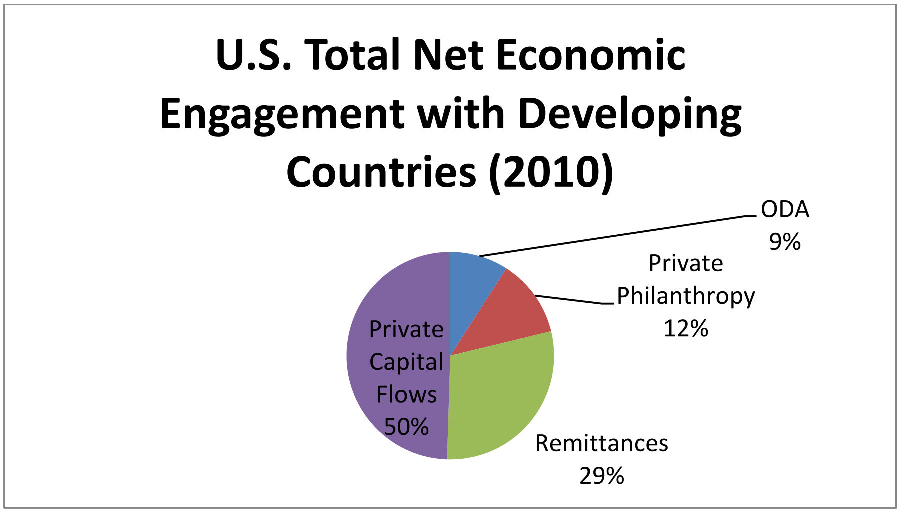
CURRENT INDUSTRY CONDITION AND OUTLOOK

Generally, the RRD industry demonstrates monopolistic competition, though this varies based on local conditions and complexity of the requirement. For example, RRD operations in a non-permissive environment such as Iraq or Afghanistan tend to attract larger, for-profit firms, whereas in permissive environments such as Haiti large and small firms, as well as thousands of NGOs, are better able to participate in industry RRD efforts. In the former situation, the bargaining power of "buyers" (e.g., the USG, multi-lateral organizations, or the hostnation) may be diminished as there are fewer firms capable, willing and able to operate effectively in such an environment. By contrast, in a permissive environment such as Haiti, the "buyers" have greater bargaining power as many supplier firms and NGOs possess the necessary capabilities and have needed access. However, the complexity of the requirement may, even in a permissive environment, impact the amount of competition. For example, the requirement for construction of a waste-to-energy facility in Haiti will garner far less competition due to fewer capable suppliers than a simple service requirement to remove trash and debris.

As there is no single North American Industry Classification System code defining the RRD industry, it is difficult to assess with precision firm concentration. That said, considering the list of top recipients of USG official development assistance (ODA) funds in a 6-month snapshot from October 1, 2010, through March 31, 2011, suggests no single firm or group of firms dominate industry market share. Among traditional USAID firms the top five contractors accounted for approximately 10% of the roughly $30B in ODA funds, and the top 20 private industry firms combined accounted for roughly 23% of USAID's contract dollars. These firms also must compete for USAID funding with NGOs, the top five of which similarly accounted for approximately 8% of USAID funding, and the top 20 NGOs totaled nearly 20%.[8]

Understanding the scope of funding associated with RRD industry activities is also helpful when evaluating competitiveness within the industry. The USG is the largest donor country within the global RRD industry, contributing more in ODA than any other country in whole-dollar amounts. Interestingly, the U.S. foreign assistance budget has remained stable over the past several years despite the 2008-2009 economic downturn, with the United States allocating $30.4B in 2010, $30.9B in 2011, and $30.5B in 2012 to ODA.[9] The President's fiscal year (FY) 2014 budget request for DoS and USAID proposes a slight increase to $31.8B for foreign assistance programs.[10]

Though many Americans believe the amount of foreign assistance represents a far greater percentage of USG spending, the ODA appropriation actually accounts for less than one percent of the total federal budget.[11] Moreover, U.S. ODA appropriations represent just 13 percent of total capital flows from the United States to developing countries.[12] A significant source of non-official development assistance from the United States to developing countries flows through charitable donations. Philanthropic giving from U.S. foundations and other NGOs, corporations and individual citizens exceeded U.S. ODA funding despite financially challenging times. In 2010, philanthropy from U.S. sources to developing countries amounted to $39 billion.[13] But the most significant and, arguably, the most important capital flow is foreign direct investment by U.S. firms in developing countries. In 2010, private capital flows from the United States to developing countries rose to $161.2 billion, a more than $90-billion increase over 2009.[14] The amount equaled appropriated ODA, philanthropy, and remittances combined, representing approximately 50 percent of total U.S. "economic engagement" with the developing world.[15]



http://www.hudson.org/index.cfm?fuseaction=publication_details&id=8841

Over the last decade, the operations in Iraq and Afghanistan provided additional monies for RRD efforts that have not generally been included in ODA funding calculations. Excluding funding for security assistance training in Iraq, funding related to more traditional RRD activities amounted to $30.1B through September 30, 2012, through the Iraq Relief and Reconstruction Fund, Economic Support Fund and Commander's Emergency Response Program.[16] Similarly, for RRD activities in Afghanistan, again excluding funding for security assistance-related training and law enforcement activities, the United States has appropriated roughly $31.8B for RRD efforts from FY2002 through March 2013.[17]

The large increases in USG-appropriated funding for RRD-related projects and programs in Iraq and Afghanistan have provided additional profit opportunities for certain segments of the RRD industry, particularly larger, traditionally DoD contractors willing to respond to U.S. requirements for RRD services in non-permissive environments, as well as large international development firms that have traditionally worked with USAID. Returns on investment (ROI) for USG service contractors and international development firms historically have been in the modest 3-5% range, though the industry more recently enjoyed a higher ROI because of RRD efforts in Iraq and Afghanistan. In 2012, the industry averaged a 5.9% ROI and a 5-year average ROI of 6.1%. The Earnings before Income Tax and Depreciation (EBITDA) ratio was at a healthy five-year average of 17%.[18]

Given the drawdown of operations in Iraq in 2010 as well as the projected withdrawal of U.S. military forces from Afghanistan in 2014, a further reduction in appropriated funds for RRD efforts in both locations is likely. RRD-related companies are developing strategies to deal with the changes in the U.S. economy and ensure their business remains strong. For example, Tetra Tech is a large provider of construction, engineering, and consulting services in the international RRD industry. Tetra Tech had a 9% ROI in 2012 and a 10.45% 5-year average ROI. They also had an EBITDA of 11.1% in 2012 and 5-year average of 10.5%.[19] The firm is focusing on its core competencies, including strong technical skills and implementation of end-to-end solutions. But it has also diversified its portfolios, focusing less on USG contracts and more on foreign government opportunities, including the developing regions in Africa and Asia. This strategy has allowed the firm to remain healthy despite the global economic downturn.

Kellogg Brown & Root Inc. (KBR) is another example of a company diversifying its business base. KBR had several large logistics contracts in Afghanistan and Iraq and is now looking outside the USG to grow its business. At its July 2012 earnings call, KBR leaders discussed the strength of its businesses in the Middle East and Canada and highlighted it's work in the hydrocarbon, oil and gas business with strong expectations for growth in that sector.[20] KBR's strategy appears successful based on a 1-year ROI of 7.70%.[21] AECOM, another company in the international RRD sector, is diversifying geographically by acquiring companies in emerging markets that provide similar services,[22] but it had a ROI of -1.61% for the last 12 months, demonstrating the difficulties some companies will have making the transition away from USG business.[23]

Other firms have sought to restructure their operations in response to anticipated funding reductions and lower ROI. For example, L3 Communications, a large DoD contractor, acquired the engineering and development firm International Resources Group in 2008 but divested this business segment in July 2012 in an effort to exit the RRD industry.[24] Another development firm the group visited indicated it had reorganized its headquarters staff in an effort to reduce reliance upon USG contracts and become more competitive in new markets.

While charitable NGOs do not pursue profits to sustain and advance operations, these organizations must also adapt their business models to remain competitive for government grants and charitable donations. The competition for such funding remains intense, though philanthropic giving has risen in recent years. Save the Children exemplifies how organizations relying primarily on charitable donations have continued to increase revenue and expand operations despite economic downturns and government austerity programs. Operating revenue has steadily increased from approximately $445M in 2009,[25] to $542M in 2010, to $618M in 2011,[26] with the majority of funding coming from private donations. Despite these increases, in 2012 STC reorganized, centralizing its fund-raising and administration functions at its international headquarters in an effort to achieve greater economies of scale. Food for the Poor, a faith-based NGO that focuses on humanitarian needs in the Caribbean and Latin American countries, primarily through gifts-in-kind, in recent years sought to increase cash donations and its ability to contribute to longer-term development needs. Instead of purchasing food in the United States and sending it to Haiti, for example, Food for the Poor is researching the establishment of an agricultural program to help Haiti develop sustainable agricultural practices.[27]

Firms and NGOs must also adjust to other USG policy changes, such as the policy USAID announced in 2010 called USAID Forward.[28] By embracing local partnerships and innovation, this global initiative seeks to increase to 30% by 2015 the amount of USAID ODA funding awarded directly to developing country governments, civil society NGOs and local enterprises. A means of increasing host-nation/local "ownership" of development programs, the initiative results in fewer large contracts with large development firms and international NGOs. Various development companies and NGOs consulted during the seminar's research visits generally agreed with USAID Forward's goal but cautioned that the quality of local governance and business capacity, as in Haiti, is not always present for program success. As such there are still mentoring and training opportunities in the short-term for traditional firms and NGOs to bridge the capacity gap.

CHALLENGES

The primary challenges to greater effectiveness and efficiency for the RRD industry include the lack of coordination among industry stakeholders, the need for a formal process to codify lessons learned into new doctrine, the effects of present and likely future funding constraints, and the need to adopt and promulgate best practices and standards applicable to the industry.

Coordination: Coordination challenges for the RRD industry are present at the USG, U.S. "whole-of-nation"[i] and international levels. A lack of clearly defined roles, responsibilities, and authorities across the USG creates challenges for interagency coordination of efficient and effective development and post-conflict/disaster reconstruction activities. While the roles and authorities for DoS, USAID, and DoD foreign assistance programs are articulated in a number of statutes,[ii] the RRD roles and authorities of other federal departments and agencies are not uniformly integrated into overarching annual foreign assistance authorizations and appropriations. Further, no single Interagency Policy Committee (IPC) has holistic oversight of all USG RRD industry-related programs, which inhibits the integration of development considerations across the USG and creates redundancies and inefficiencies in the industry.

The USG also lacks a comprehensive and strategic USG vision for an international development strategy, albeit the 2010 Quadrennial Diplomacy and Development Review (QDDR) attempted to fill this void. Until the USG develops a truly integrated whole-of-nation strategy with specific international RRD goals and objectives, civilian and military leaders, and as a result the industry as a whole, will struggle to achieve results because of incomplete and uncoordinated information and efforts.

The UN long sought to be the lead coordinator of international relief, reconstruction and development efforts. However, its complex bureaucratic structure, including a host of semi-autonomous specialized UN agencies and subsidiary bodies, has stymied its aspirations and effectiveness. In addition, dominant RRD industry actors like the World Bank, International Monetary Fund (IMF), and even the recently established Bank of the South provide access to greater resources than the UN, thereby further diminishing the UN's influence. In the area of policy formulation governing development assistance, the UN must contend with entities such as the Organization for Economic Cooperation and Development (OECD) and the political priorities of individual nations. The combination of these influences creates significant challenges for the coordination of RRD activities across the spectrum of international providers.

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[i] "Whole-of-nation" includes federal, state, local and tribal governments; for-profit, not-for-profit, and non-profit organizations; and individual citizens.
[ii] The Foreign Assistance Act of 1961 is the primary statutory authority for USG foreign assistance. The DOD has separate Title 10 and Title 50 foreign assistance authorizations. Foreign assistance authorities are revised through the Congressional authorization and appropriations process.

The lack of coordination can severely hamper RRD efforts, as the January 2010 earthquake in Haiti demonstrates. The sheer volume of logistics flowing into the island overwhelmed supply routes into Haiti, what was left of the Haitian government, and aid agencies on the ground. Health support organizations, for example, realized critical medical supplies and equipment were being lost at distribution hubs, hampering medical support operations.[29] Eventually, U.S. Southern Command was able to deploy specialized medical supply personnel to assist with identifying medical supplies and equipment destined for medical facilities around the island. Only then could the UN Office for the Coordination of Humanitarian Assistance locate and prioritize medical supplies for transfer to the most appropriate destinations. While this ad hoc arrangement worked, it underlines the need for better initial coordination among the USG, multilateral agencies and NGOs.[30]

The Government Goals and Role section of this paper will address the challenge of interagency coordination and strategy in greater detail.

Lessons Learned: The USG does not have a uniform interagency process for collecting and promulgating lessons learned from the past several decades of RRD activities. Individual agencies have the capacity to capture lessons learned, such as through USAID's recently re-established Bureau for Programs, Policy and Learning and DoD programs designed to analyze, process and promulgate lessons learned. Unfortunately, these efforts have not been linked into a consistent interagency process focused on assessing outcomes and establishing best practices to address both USG interests and the needs of developing countries and fragile states. The White House created the Global Development Council (GDC) in 2010 in part to address this strategic gap, but to date, the GDC has done very little in this regard.

Additionally, there currently is no overarching process to identify and assess the effectiveness of RRD activities carried out by stakeholders, including governmental organizations, NGOs, contractors, local businesses, civil society and host country counterparts. The lack of a unified public and private sector program assessment mechanism severely inhibits the ability to eliminate ineffective programs and to develop comprehensive whole-of-nation solutions that better utilize reconstruction and development funds.

Funding: The Budget Control Act of 2011 (BCA) with its across-the-board cuts will likely reduce USG funding for reconstruction and development programs over the next decade.[31] As noted above, this budgetary reduction and the assistance funding cuts associated with Iraq and Afghanistan will impact large for-profit companies, such as traditional DoD contractors FLUOR, DYNCORP and KBR,[32] and may also impact other private sector players that provide contracted goods and services across the RRD industry. In a worst-case scenario, budgetary decreases combined with the drawdown of military forces in Afghanistan could lead to a contraction of for-profit firms within the RRD industry.

The aftermath of the global economic recession resulted in reduced ODA from many donor nations. Official development assistance from members of the OECD's Development Assistance Committee fell by 4% in real terms in 2012, following a 2% fall in 2011.[33] However, the planned creation of a new development bank by the BRICS club (Brazil, Russia, India, China and South Africa) of rapidly industrializing nations could provide an important new source of alternate funding for development programs that will increase the global political influence of these nations and challenges the influence of the United States.[34]

Interviews with several charitable organizations indicated that reduced federal budgets and the current U.S. economic situation have not had a negative impact on their charitable donations. Even those non-profit NGOs visited which reported decreased revenues did not express concern, noting that industry debate regarding accounting standards, particularly with regard to in-kind gifts such as pharmaceuticals, resulted in some balance sheet changes over prior years. Additionally, a few NGOs with significant humanitarian relief operations said that following a major disaster, private donors respond immediately and generously (as do donor nations) with cash and in-kind donations.

Standards: There are no universally agreed upon standards for the provision of RRD assistance. The lack of international standards for the industry creates uncertainty between donors and recipient populations in the safety and quality of goods and services provided, regardless of how well-intentioned the providers of the goods and services may be. International standards could increase industry efficiency and assistance optimization, help reduce negative impacts on the environment, and facilitate the development of government regulations. Additionally, international standards could provide uniformity to accountability processes and aid in establishing expectations for the quality of goods and services provided through RRD programs and activities.

The International Organization for Standards (ISO) establishes guidelines and certified standards such as ISO 9000 *Quality Management*, ISO 14001 *Environmental Management System*, and ISO 31000 *Risk Management* that may serve as a useful starting point for RRD industry standards.[35] The International Code Council coordinates and publishes building codes that may also be applicable to the RRD industry.[36] The Sphere Project Handbook *Humanitarian Charter and Minimum Standards for Humanitarian Response* proposes "internationally recognized sets of common principles and universal minimum standards for the delivery of quality humanitarian response."[37] These sources can establish appropriate standards for the RRD industry.

GOVERNMENT ROLES AND GOALS

As noted above, the NSS identifies four national security interests, and the PPD on Global Development elevates development to a position of parity with diplomacy and defense as an integrated comprehensive approach to secure U.S. national security interests. Previously, in December 2005, President Bush signed the National Security Presidential Directive (NSPD)-44 to improve the coordination, planning and implementation of USG stabilization and reconstruction missions and designated the DoS as the lead agency for this process.[38] The 2010 Quadrennial Diplomacy and Development Review (QDDR) then established the Bureau of Conflict and Stabilization Operations (CSO) at the DoS to integrate USG interagency efforts.[39] The Executive Order on Establishing the President's Global Development Council issued in February 2012 is the most recent attempt to foster whole-of-society integration of development efforts by bringing together government, academia, non-profit and philanthropic organizations, civil society, and private industry.[40]

While these documents provide guidance and some direction, the USG must address several overarching areas for effective implementation of RRD programs and activities, including:

- the USG has not prioritized the establishment of a coherent global development strategy, a framework for reconstruction of fragile states, nor a single IPC for holistic oversight of interagency RRD activities as defined in the PPD on Global Development;[41]
- RRD lacks a coherent voice with defined Executive Branch department and agency roles and responsibilities in USG foreign and national security policy;
- multiple USG implementing agencies pursuing different agendas dilute the focus of RRD and exact a high transaction cost on the industry;
- DoS and USAID lack sufficient personnel and funding to effectively implement RRD programs;
- RRD planning does not consistently include economic and trade implications, which fails to leverage a promising source of U.S. economic engagement through FDI.

As a result of the above assessment, the following recommendations are provided for consideration:

1) The USG should prioritize the establishment of a coherent global development strategy, a framework for RRD programs and activities, and a single IPC as defined in the PPD on Global Development. The IPC as lead should assign USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) to staff these efforts. Since USAID is the lead agency for development, disaster relief and humanitarian assistance, the locus of integrated interagency efforts should be in USAID. DCHA's current organizational structure includes the Office of Civilian-Military Cooperation, the Office of Transition Initiatives and the Office of Foreign Disaster Assistance, among others, making it the logical choice to serve as the lead interagency coordinator.

2) The President's Budget should request and Congress should appropriate sufficient funds to staff and resource DCHA to ensure it can integrate interagency RRD efforts, collect, disseminate and implement lessons learned, define roles and responsibilities, serve as interagency coordinator in the IPC process and advocate for whole-of-society solutions across the spectrum of RRD efforts.

3) The USG should leverage the recently established "whole-of-government/society" approach represented by the U.S. Global Development Council (GDC). The GDC was supposed to hold its first meeting on May 17, 2013, to discuss its vision, roles, efforts and key issues, but the meeting was canceled.

4) The United States should support the OECD's recently-launched initiative, the Global Partnership in Effective Development Cooperation (Global Partnership), which intends to merge OECD and UN coordination efforts.

CONCLUSION

Given the U.S national security interests identified in the NSS and the importance of development, along with diplomacy and defense, in securing these interests, the RRD industry has a significant role in serving U.S. and global interests. Although the industry faces challenges, it is relatively healthy and must remain resilient, as U.S. interests and the global community will continually face requirements for relief and reconstruction following disasters and conflicts and the need for development in emerging and fragile states to improve living standards of all people. Those RRD industry firms and organizations heavily reliant upon USG contracts and funding related to operations in Iraq and Afghanistan over the last decade will face revenue challenges in the short-term and must look for new sources of revenue and develop new business strategies to generate profits long-term in this competitive industry. The industry as a whole faces other challenges, including how to learn lessons and apply them, how to coordinate efforts with the host nation and among organizations working in a country to better ensure consideration of local inputs and "buy-in," and how to implement standards of effectiveness.

As an influential stakeholder in the industry, the USG must develop a comprehensive RRD strategy that supports U.S. national security interests and provides direction to RRD industry participants. The broad outline for an effective whole-of-government strategy is present in various documents such as NSPD-44, the NSS, the PPD on Global Development, and the QDDR, but the USG must take steps to articulate a comprehensive RDD strategy to better inform the RRD industry and the American public. Moreover, the USG must make implementation of this strategy a priority. A single IPC with staffing is required to develop such a strategy and integrate RRD efforts across the whole-of-government. The IPC as lead should assign USAID's DCHA Bureau to staff these efforts, as USAID is the lead agency for development, disaster relief and humanitarian assistance and DCHA's current organizational structure makes it a logical choice to serve as the lead interagency integrator. But effective implementation is not possible without adequate resourcing. Funding must be requested and appropriated to staff and resource DCHA to ensure it can integrate interagency RRD efforts and leverage whole-of-society funding and solutions across the spectrum of RRD efforts. All of these steps are politically possible, even in challenging economic times, and will affirm development as a pillar of U.S. national security.

ESSAYS

Microfinance in Haiti

By Daria Darnell, Dept of State

Giving local populations in developing countries greater opportunity for input into and ownership of means to better their economic condition is always a challenge. One approach to meet this challenge is microfinance. Poor people around the world have difficulty obtaining financial services, including establishing savings accounts and getting loans and insurance. Microfinance programs include loans in very small amounts (as little as $50), savings accounts that accept as little as a few cents in deposits and still pay interest, and insurance at low premiums for small amounts of property.

While research has not shown that small loans, known as "microcredit", help people lift themselves out of poverty, microsavings helps households navigate crises and turn their attention from daily survival to long-term planning. When the poor have access to easy-to-use savings mechanisms, the rate of savings rises dramatically.[42] The microfinance industry has also taken the lead on developing technology to ease the distribution of money through mobile networks, an innovation that makes financial services accessible to the poor, even in remote locations that have never had either banks or telephone lines.

Haiti, for example, desperately needs good financial services: the banking sector is weak, Haitians have little access to capital, and fewer than half of Haitians have a bank account.[43] The Microfinance Information Exchange lists nine active microfinance institutions (MFIs) providing microcredit in Haiti. ACME has the largest gross loan portfolio of $19,783,531 and 30,333 active borrowers (as of 2011), which averages out to a loan of $652 per borrower. Fonkoze Financial Services has the largest number of active borrowers with more than 51,000; its average loan per borrower is smaller than ACME's at $276.

NAME	**DATE OF INFO**	**Gross Loan Portfolio**	**Number of Active Borrowers**
ACME	2011	$19,783,531	30,333
CEC / Le Levier	2008	--	25,814
FINCA – HTI	2011	$784,374	--
Fondespoir	2011	$1,024,564	--
Fonkoze	2010	$2,864,933	15,866
Fonkoze Financial Services	2011	$14,186,558	51,330
IDM	2010	$858,665	4,590

MCN	2011	$19,032,528	13,523
SOGESOL	2011	$17,137,711	21,642

Source: http://www.mixmarket.org/mfi/country/Haiti

USAID has been involved in microfinance in Haiti since the early 1980s, when it helped start a small MFI to provide microcredit. In 1995 USAID developed a five-year Program for the Recovery of the Economy in Transition (PRET) which included microfinance. Through PRET, USAID tried to interest commercial banks in microfinance, to support organizations using village banks, to develop relationships with credit unions, and to provide technical assistance to MFIs.[44] Today USAID is working with the Gates Foundation on the Haiti Mobile Money Initiative (HMMI) to implement the provision of financial services by mobile phone. HMMI is part of a five-year USAID-sponsored project in Haiti called Haiti Integrated Finance for Value Chains and Enterprises (HIFIVE), which began in July 2009. HIFIVE is "an integrated strategy to develop [Haiti's] financial services sector in a way that promotes employment generation, improves livelihoods, and boosts the economy." It has a microcredit component and focuses on technology as a way to improve the provision of financial services.[45]

Development Funding "Wisely Administered"

By Col Kevin Huyser, USAF

"*Foreign aid is neither a failure nor a panacea. It is, instead, an important tool of American policy that can serve the interests of the United States and the world if wisely administered*."

Former U.S. Congressman Lee H. Hamilton[46]

Discussions of development funding focus too narrowly on U.S. official development assistance (ODA) appropriations without recognizing the relationship of ODA funding to other non-government financial sources impacting foreign development. To ensure development funding is "wisely administered," the USG should consider policy and regulatory changes to encourage and integrate all development funding sources.

ODA appropriations represent just 13 percent of capital flows from the United States to developing countries.[47] In fiscal year (FY) 2012 that meant Congress provided approximately $30.5B in ODA appropriations.[48] Though there is a perception among many Americans that the amount of foreign aid is a far greater percentage of USG spending, the ODA appropriation accounts for only one percent of the total federal budget.[49] Yet that is not the full extent of U.S. capital flows to developing countries.

Philanthropic giving from U.S. foundations and other NGOs, corporations and individual citizens also represents a significant share of funding from the United States to developing countries. In 2010, philanthropy giving from U.S. sources to developing countries amounted to $39B, or 12% of the total capital flow.[50] Another significant source of non-official development assistance is migrant remittance payments. Recent studies demonstrate that such transfers can act as a development tool, particularly in the poorest of countries.[51] In 2010 U.S. remittances totaled $95.8 billion.[52]

The most significant and, arguably, the most important capital flow is foreign direct investment of U.S. firms in developing countries. In 2010, private capital flows from the U.S. to developing countries rose to $161.2 billion, a more than $90 billion increase over 2009.[53] The amount equaled appropriated ODA, philanthropy, and remittances combined, representing approximately 50 percent of total U.S. "economic engagement" with the developing word.[54]

Although ODA funding represents an increasingly smaller percentage of capital flows from the United States to developing countries, some level of ODA funding remains necessary to maintain U.S. presence and leadership in the international community. Moreover, at times ODA funding may be necessary because other development assistance funding is not present or is inadequate. For example, an insecure environment may hamper philanthropic efforts or discourage direct foreign investment. Additionally, as ODA appropriations represent a very small percentage of the overall federal budget and an even smaller percentage of U.S. GNI, it is a discretionary spending item the USG can and must afford. As former Secretary of Defense Robert Gates stated, "Development is a lot cheaper than sending soldiers."[55] Though belt-tightening by all agencies is required in the current budget and fiscal environment, any cuts to ODA funding should be minimal and based on conditions on the ground vice an across-the-board approach.

On the other hand, significantly increasing ODA funding is not required. As discussed, ODA appropriations represent a small portion of U.S. development assistance as whole. USG efforts should focus on integrating and encouraging non-government funding sources in overall development strategy.

Additional flexibility in ODA appropriations is necessary. In recent DoS appropriations, Congress has provided Overseas Contingency Operations funding, as well as more liberalized transfer and reprogramming authorities.[56] Congress should make permanent these authorities to permit DoS and USAID greater flexibility to move funds within and between accounts in response to changed circumstances in the field. For example, if an NGO has sufficient funding available for a requirement in a particular country for which the USG had previously appropriated funds, DoS or USAID could defer to the NGO and then seek to transfer or reprogram the specified funds to a higher priority need within the country or another country.

The USG should also encourage and maximize philanthropic contributions. During the current budget debates, some revenue-generating proposals have suggested eliminating or curtailing the charitable donations tax deduction.[57] But given that philanthropic funding provides substantial development assistance, the need for ODA funding increases may be mitigated. Additional changes to tax regulations could further boost philanthropic efforts. For example, last year the DoS's Global Philanthropy Working Group announced a regulatory initiative for "equivalency determinations," which currently serve as an IRS obstacle to donors seeking to transfer funds to overseas non-profit organizations.[58] If successful in the effort, the initiative will lower administrative burdens and costs on U.S. nonprofits.[59] Given the size of the current U.S. tax code, no doubt additional regulatory hurdles exist that could be identified and modified to encourage further giving and investment in overseas development assistance efforts.

Developmental funding from whatever source can never be a "panacea" nor should it be a "failure." But if the USG "wisely administers" such funding while integrating and encouraging funding from appropriated and non-government sources, development will be enhanced as a national security pillar of power.

Obstacles to United Nations Leadership in Reconstruction and Development

By Stephen O'Dowd, Dept of State

"[Development assistance] *should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies whenever practicable."*
President Harry S. Truman, Inaugural Address, January 20, 1949

Its founding members envisioned the United Nations (UN) having a preeminent role in managing international coordination on economic and social affairs. The UN's consensus-driven decision-making process and its fragmented organizational structure, however, have stymied UN aspirations. In addition, the rise of rivals for influence in development assistance, such as the World Bank and International Monetary Fund (IMF), as well as the proliferation of multilateral, bilateral, non-governmental organizations (NGOs), and private companies intent on advancing their own individual agendas and programs have further diminished presumed UN primacy in coordinating international assistance.

Even in the area of development assistance policy formulation the UN must contend with the Organization for Economic Cooperation and Development (OECD), the membership of which is primarily comprised of affluent developed nations with far greater resources than the UN can muster. As a measure of the often disjointed approach to international assistance, in September 2000 the UN stewarded agreement on the Millennium Development Goals (MDGs) calling for coordinated efforts to achieve by 2015 targeted results in development areas such as child mortality, poverty, hunger, and education. On a parallel track, the OECD's Development Assistance Committee (DAC) in 2005 assembled over 100 donors and developing countries that, in an agreement known as Paris Declaration on Aid Effectiveness, committed to greater coordination, key principles, and defined targets in pursuit of making aid more effective.

Periodic attempts have been made to improve UN effectiveness. The United Nations Development Program (UNDP) was established in 1965 through a merger of existing UN aid offices in an attempt to improve efficiencies among UN development programs. With a presence in over 170 countries and territories, UNDP currently coordinates all country-level UN development activities through its Resident Coordinator system, which also works directly with host governments, major multilateral and bilateral donors, NGOs, and the private sector. In recent years the UN has attempted to stave off conflicts between aid agencies by employing a "Cluster System" which assigns key UN agencies responsibility for coordinating relief efforts in 12 sectors, including water and housing.

Haiti's failure to recovery from multiple natural disasters and political calamities provides ample evidence of the significant flaws in the international aid coordination architecture, particularly in the UN’s attempt at asserting a leadership role. The UN has a long history in Haiti and is represented there by over 20 of its agencies, but its record has been decidedly mixed. The UN’s largest presence has been in the form of The UN’s United Stabilization Mission in Haiti (MINUSTAH) authorized by the UN Security Council in 2004 to restore order, provide security and stability and remain in Haiti for not more than three months. Still attempting to fulfill its mandate, MINUSTAH has recently come under fire for having introduced Cholera into Haiti when human waste from its Nepalese troops leaked into a major river used for drinking water. Over 8,000 Haitians have died, thus far.

Insufficient assistance coordination and feeble aid effectiveness were even more pronounced following the January 2010 earthquake, as Haiti, suffering from its own capacity challenges, was flooded with international assistance, money and foreign personnel. Most of the money dispersed went to UN agencies, and international NGOs, much of which resulted in outflows to pay for goods and services provided as part of the emergency relief effort.

While impressive on paper, the UN system failed to bring about the necessary coordination amongst the disparate and numerous aid entities on the ground. UN coordination efforts tended to be UN-centric, even initially excluding Haitians. UNDP achieved some modest success in working with foreign relief efforts in some areas, such as rubble removal, but its overall performance was disappointing.

Well-meaning nations, multilateral organizations, foundations, and NGOs will continue to disburse international development assistance and implement programs as they deem best, even at times to the detriment of aid coordination and effectiveness. In an effort to improve aid effectiveness, the UN and the OECD recently agreed to work together on a new initiative, the Global Partnership in Effective Development Cooperation (Global Partnership). It is unclear to what extent this process will enhance the UN’s role in aid coordination, but major donor nations, including the United States, should lend support to the initiative while also exerting greater effort to coordinate with UN agencies whenever possible.

The NGO Network: Building Partnerships in Support of Development in Fragile States

By Dr. Charles Oliver, USAID

An “NGO Network” is a development assistance model that builds local partnerships and sustainability, fosters innovation and best practices and strengthens local capacity to deliver results affordably and with cultural effectively approaches. These are some of the essential elements of USAID Forward, a development reform initiative USAID launched in 2010.[60] Its overarching goal is to ensure that at least a third of all USG international development assistance is targeted toward local governments, small-to-medium enterprises and non-governmental organizations (NGO).[61] An NGO network consists of a consortium of like-minded local NGOs that share a common mission statement and are registered formally under host government laws and regulations. Typically, such networks often benefit from one or more international NGOs that serve in a mentoring capacity, have access to their own external sources of funding, and usually are eligible to apply for development assistance funds from international donors. International donors often have strict regulations that make it difficult for them to provide funding directly to local NGOs, which may not have yet developed fiduciary track records with these agencies, but they can give funds to international NGOs. While NGO networks are hardly novel, they may be rare enough to have been overlooked by the development community over the past decade.

Several very successful examples of NGO networks are PROCOSI in Bolivia, PACT in Cambodia, and Partners Senegal.[62] [63] [64] However, there are significant opportunity costs in terms of time and level of effort for NGO networks to become successful and sustainable. In the case of PROCOSI, it has been in existence for over 30 years, but it took at least half of that time developing its capacity and building confidence with the national government to ensure its sustainability. In some fragile states, such entities could even be perceived by local governments as competition for international development assistance for which they may have become dependent for their own sustainment. Yet, if developed sensitively, USAID can make a compelling case for such a network to serve to further the newly established best practices and policies of the host government. This is particularly true in a case such as Haiti, where the government (itself a primary victim of the January 2010 earthquake) cannot be expected to provide all of the basic human services to its population. In Haiti, such an arrangement has been (de facto) the case, and the government has essentially delegated to the NGO community the responsibility of providing basic services such as primary health care.

For the international donor community, the NGO Network model can also present opportunities to reduce administrative and management burdens by significantly lowering the number of individual management units. For USAID, this model would further the USAID Forward mandate. Therefore it can become a win-win alternative, if the NGO community has the will to enter into such a consortium arrangement. Providing basic incentives to several well-tested international NGOs to mentor a local NGO consortium in such practices as preparing proposals for block grants has been an acceptable contractual practice in the past. One successful example is PROCOSI, which eventually evolved over time to be able to apply directly to the international donor community for funds and even receives funding from the Bolivian government. Such a model could be considered in fragile states such as Haiti, but would require the sustained triangulated cooperation among the local and international NGO community, the Government of Haiti and international donors willing to invest in local solutions.[65]

Agricultural Diplomacy

By Henry Searcy, Jr., Dept of Agriculture

Policy-makers often mention the need for a “whole-of-government” approach to RRD challenges. But often such “whole-of-government” solutions reference only DoS, USAID, and/or DoD and exclude other federal agencies. One such agency is the U.S. Department of Agriculture (USDA), specifically the Foreign Agricultural Service (FAS), which promotes agricultural diplomacy. With its global network of 96 offices covering 169 countries, FAS promotes export opportunities and global food security throughout the world. U.S. agricultural attachés and locally hired staff who function as the eyes, ears, and voice for U.S. agriculture around the world staff these offices. The FAS staff identify problems, provide practical solutions, and work to advance opportunities for U.S. agriculture around the globe.[66]

Agricultural diplomacy programs like the Agricultural Extension System (AES) help improve the productivity, profitability, and sustainability of farming in reconstruction operations. AES can provide guidance on land disputes, provide training in conflict resolution techniques, and develop a process to reintegrate soldiers into farming after war.[67] USDA assists in whole-of-government reconstruction efforts by providing guidance on how to expand agricultural trade and providing agricultural best practices for countries recovering from natural disaster or conflict.[68]

U.S. land-grant universities and colleges have the authority to provide information on agricultural best practices in developing countries, including how to increase their agricultural exports. While this authority has been made available by USDA through the Morrill Act of 1862 and 1890, land-grant universities and colleges have been underutilized by think-tanks that support the UN, DOD, and DOS during reconstruction operations of underdeveloped countries, like Haiti.

On March 4, 2013, U.S. Secretary of Agriculture Thomas Vilsack met with Haiti's Minister of Agriculture, Thomas Jacques, to reaffirm USDA's ongoing commitment to help the Haitian agricultural sector recover from the devastating impact of the 2010 earthquake. Minister Jacques will work with USAID to carry out development agricultural processes for Haiti, a U.S. reconstruction operation.[69] According to Haiti's National Agricultural Investment Plan (NAIP), Haiti's food supply comes primarily from three sources: national production, private imports, and food aid, with imports being the primary source. The NAIP also notes that food insecurity remains particularly high in areas that are difficult to access, either because of violent conditions or the effects of natural disasters. Haiti may need assistance to ensure food supplies reach such hard-to-access areas.

A Strategic View of Education for Haiti - 2013 and Beyond

By Farris Welsh, Department of the Air Force

Interagency coordination within the USG is important, but the interests of the host government and the population must remain at the forefront. For example, Haiti's Ministry of National Education (MENFP) identified and coordinated six improvement goals for its education system.[70] Donor nations, multi-lateral organizations, and NGOs willing to assist the Government of Haiti (GoH) establish a national education program for its citizens should support the MENFP's goals.

Three strategic and fundamental components could enable the attainment of the above goals: a prioritized country-wide education infrastructure/facilities development plan, education and teacher standards, and a vocational training program plan. First, it is important the GoH have a prioritized country-wide infrastructure/facilities development plan so nations, organizations and other institutions can provide location-specific infrastructure and facilities.

Second, comprehensive and country-wide education standards and policy best serve a nation if established at the national level instead of by each individual donor organization. Additionally, establishing a qualified teacher corps is essential to long-term sustainment of an education system and the implementation of national education standards. Issuing a license or certification at the national level for teachers for all public and private institutions is essential to maintaining oversight into the quality and education level of teachers.

Third, vocational training programs would be of great value for secondary education students or current Haitian adults ages 18 to 35. The implementation of a basic vocational training program will enable Haitian citizens to become productive members of their society. Most vocational programs are one to three years and provide basic skills in a particular tradecraft or industry. Vocational training leading to apprenticeships could offer a shorter term solution to labor force issues and lay the foundation for the long-term solution - a skilled society. Apprenticeships, internships or other on-the-job training could be the carrot for a student to finish his or her vocational education. Specifically, Haiti's construction, tourist, agricultural and other service industries could all benefit from vocational training programs.

Finally, donor nations, multi-lateral organizations, NGOs or individuals willing to spend a few years training the Haitian workforce can best serve the GoH by first making contact with the MENFP prior to funding individuals or teams. This will enable the GoH to coordinate efforts nationwide. In the beginning, members of the Haitian diaspora could be valuable resources in establishing projects, planning, developing guidance, implementing the actual work, and/or teaching and project management. Private businesses may also be willing to hire a vocational graduate for an internship or apprenticeship. Over time, Haitian businesses could develop a competent and competitive workforce. However, the GoH must have ownership and control over its plans, standards and policy so there is accountability and ability to sustain and maintain these plans and policies over the long term. Educating and training the Haitian society will be hard work, and it will be several generations before Haiti has a literate and skilled society. The long-term dividends are positive: Haiti will be able to once again take its place in the world and contribute to international culture and the global economy.

Identifying Factors Critical to Sustainable Road Development

By Steven Zenishek, National Geospatial-Intelligence Agency

The United States has spent decades and millions of dollars trying to help Haiti develop as a nation. In the 1930s, U.S. occupation forces built an extensive road system which fell into disrepair after the departure of the U.S. Marines in 1934. The U.S. has recently spent millions reconstructing roads only to have them fall apart in three years due to a lack of funding maintenance.[71]

Today Haiti is the poorest nation in the western hemisphere with a GDP per capita of $1300.[72] The history of the Dominican Republic is similar to Haiti's, but the Dominican Republic now has a modern toll road system and a GDP per capita of $9,600 after its leadership decided to diversify the economy.[73] The development of a farm-to-market road system in Iowa was a major factor in that state's economic development. An examination of these three cases illustrate the factors necessary for sustainable road development by the RRD industry and, more broadly, provides lessons to the RRD industry when planning development and reconstruction projects.

The first lesson is that it can take several generations to successfully build the infrastructure necessary to sustain economic growth. Iowa's development of its extensive farm-to-market road system took place over an 80-year period, from the 1880s to the early 1960s.

Good governance supported by the local population is required. Local leaders must define their vision for the country and must place the country's needs over their own interests to ensure progress. Leadership will not reject corruption unless the issue of impunity is resolved and the courts convict. The Dominican Republic did not turn around until President Salvador Jorge Blanco was convicted of corruption.[74] Poor governance also leads to economic stagnation. Haiti has suffered from a "brain drain" due to years of repressive governance. Haiti needs leadership programs and local groups such as churches, scouting, 4H and other civic organizations to instill service over self.

Context is critical and development must occur within the parameters of the culture. The use of volunteer labor and taxes worked successfully in Iowa, but failed in Haiti during the U.S. occupation because the U.S. failed to account for the history of slavery, Haitian nationalism and Haitians' resistance to the concept of "volunteer labor." Central planning of toll roads was successful in the Dominican Republic, but would fail in Haiti due to the corruption of the central government. Haiti requires a decentralized approach with the support of local people.

Haiti might find it useful to adopt a model similar to the Iowa Highway Commission and County Supervisors. Haiti's National Assembly could direct the Ministry of Public Works, Transportation and Communications to establish a highway commission to work with the local rural district governments (*Conseil d'administration de section communale*, or CASEC) to plan road reconstruction. The central government should direct NGOs to work through the highway commission and the CASECs which should coordinate funding and provide accountability mechanisms. Since Haitians are extremely poor, the Dominican Republic's use of the World Bank's Multilateral Investment Guarantee Agencies (MIGA) should be reviewed as a means to reconstruct the road network. Tolls could fund highway maintenance. Finally, the government with support of the people needs to define its vision. The Dominican Republic created a strategy for growth through globalization. The question for countries like Haiti is: can they overcome their nationalism to identify opportunities to compete in global markets. Unless the RRD industry accounts for these factors in planning, reconstruction will be a waste of time and money.

It Is A Matter of Sovereignty: Response to Haiti's Housing Crisis

By George Zimmerman, Defense Intelligence Agency

The January 2010 earthquake in Haiti destroyed more than 115,000 homes in and around Port-au-Prince and damaged more than 14,500 homes. More than one million people had to seek shelter in temporary camps.[75]

A recent study commissioned by the International Federation of the Red Cross (IFRC) found that "the Shelter Cluster [led by the UN Habitat to Coordinate Shelter], took the lead in providing emergency and … interim shelter solutions in Haiti. … [The Shelter Cluster] excluded … affected populations and Haitian institutions from the process. … One [Haitian] government official stated that [the ideas of the government and population] were not taken … into consideration. … [Haitians who attended the meetings] were there and tried, but [no one] would listen to [them]."[76] The IFRC "found that affected people were not consulted, nor their [capability] considered; the response was that those with the foreign money decided."

Journalists Kathie Klarreich and Linda Polman described the situation on the ground in Haiti as "the NGO Republic of Haiti, … [in which] on one side are the thousands of aid organizations [that] … came to Haiti … and built a powerful parallel state accountable to no one but their boards and donors. On the other hand are the many representatives of the Haitian people … who remain broke and undermined by the very NGOs that swooped in to help. … In between … [lie] the Haitian people themselves: impoverished, unemployed, homeless and trapped in a recovery effort that has all too often failed to meet their needs."[77] They went on to say, "From the very beginning NGOs followed their own agendas and set their own priorities, largely excluding the Haitian government and civil society. … The recovery effort was so poorly managed as to leave the country even weaker than before. The billions of dollars in earthquake aid … further marginalized the Haitian state, Haitian social organizations and Haitian businesses."[78] The Oxfam International country director in Haiti, Roland Van Hauwermeiren, observed in 2011 that "too many donors from rich countries have pursued their own aid priorities and have not coordinated amongst themselves or worked with the Haitian government. This seriously weakens the government's ability to plan and deliver on its sovereign responsibility to lead."[79]

The Haiti Shelter Cluster's strategic plan was flawed from inception in that:

- The plan did not consider the fact that a relatively small portion of the Haitian population owned their own land and homes. The majority of the population lived in rental properties or in shantytowns where they were squatters before the earthquake.
- Unless land ownership and property right laws were changed, T-Shelters built on property belonging to someone else would result in future disputes over legal ownership.
- Landowners were fearful that internally displaced persons living in the temporary camps on their property would eventually be able to establish and claim legal ownership of the land through the court system.
- The shelter cluster organizers underestimated "the original total cost of …T-Shelters [at] $187 million, with a timeframe to complete distribution of 12 months. In actuality, it would take over two years, … cost $530 million and even then the … needs of the population would not be met."[80]
- International NGO donor agencies, following the lead of the Haiti Shelter Cluster program, focused their finances and energy on delivering T-Shelters to the displaced population rather than aiding in the post-earthquake clean up.

The UN, USAID, IFRC, and the international donor community need to take a step back and encourage the Government of Haiti (GoH) to exert its sovereignty and take control of the housing effort. The GoH must bring all parties together to form a GoH-sponsored and controlled working group. The first agenda item for this working group should be the development of two, five, and 10-year strategies that include issues of law, housing reconstruction, and economic development. The GoH should put a moratorium on all outside philanthropic activities that might conflict with the activities of the working group. Part of this moratorium should include the reestablishment of border security and sovereignty; no one should enter the country without proper visas and credentials. The GoH should require NGO personnel entering the country following the lifting of the moratorium to register with the GoH within 72 hours of arrival, and any activities NGOs plan to undertake should have GoH approval prior to arrival in country. The GoH should require the international donor community and NGOs to coordinate all of their activities through the GoH.

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