



# Accounting for Haiti Aid Funds 2013

2015



# Accounting for Haiti Aid Funds 2013

**Original title**

Verantwoording van de hulpelden 2013 voor Haïti. Den Haag: Algemene Rekenkamer.

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Figure 1 Haiti Action key figures

**Earthquake**

12 12 January 2010

220,000 deaths

In excess of 300,000 injured

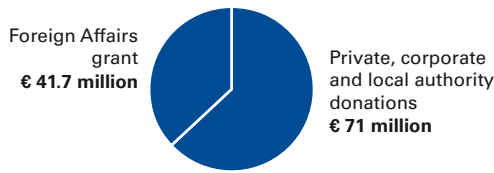
1.5 million Haitians homeless

The infrastructure of the capital, Port-au-Prince, was largely destroyed

**Financial**

Donations to Haiti Action (2010 to 2014)

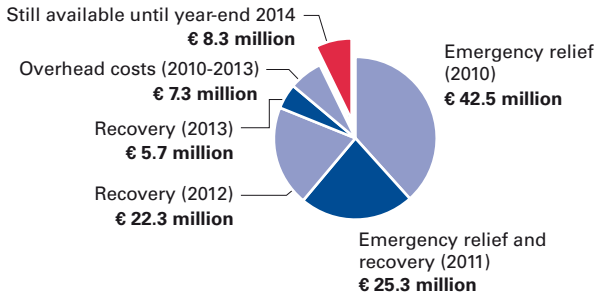
Total: € 112.8 million



Of this amount, € 111.4 million is available for Haiti

Expenditure (to year-end 2013)

Total: € 103.1 million (93%)



**Participants in Haiti Action**

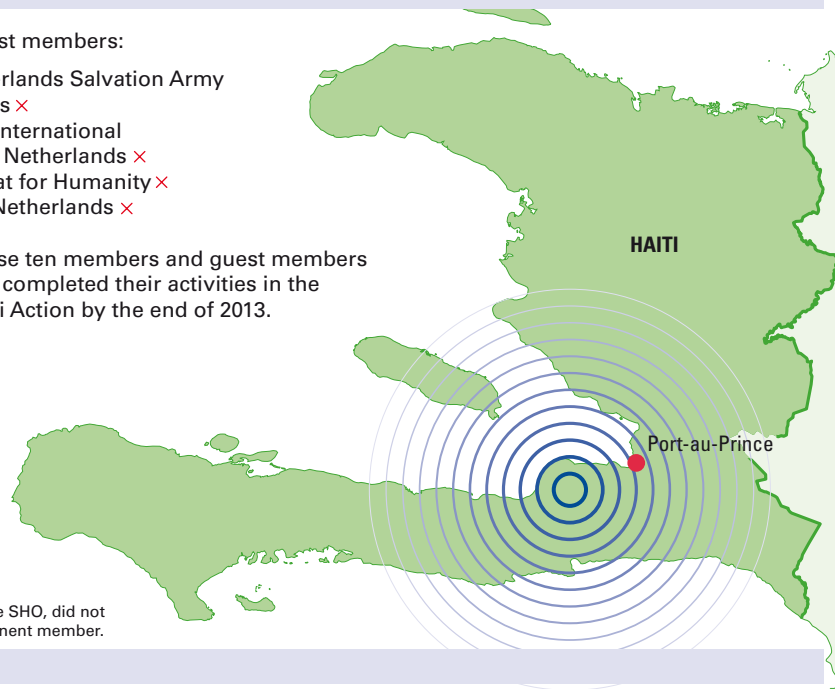
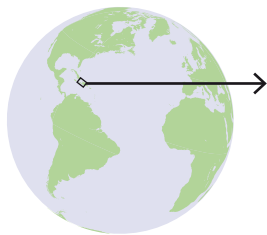
Nine\* permanent members:

- Cordaid ✗
- Netherlands Red Cross
- ICCO & Kerk in Actie
- Oxfam Novib ✗
- Save the Children ✗
- Tear ✗
- Terre des Hommes ✗
- UNICEF Netherlands
- World Vision ✗

Six guest members:

- Netherlands Salvation Army
- Dorcas ✗
- VNG International
- CARE Netherlands ✗
- Habitat for Humanity ✗
- Plan Netherlands ✗

✗ = These ten members and guest members had completed their activities in the Haiti Action by the end of 2013.



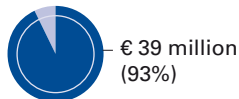
\* Stichting Vluchteling, also a permanent member of the SHO, did not take part in the Haiti Action. Tear is no longer a permanent member.

**Grant from the Ministry of Foreign Affairs**

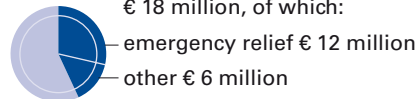
Grant:



Advance payments made to the end of 2013:



Settled at year-end 2013:



## Preface

A devastating earthquake struck Haiti in January 2010. A national television fundraising appeal organised by the Dutch Cooperating Aid Organisations (SHO) subsequently raised in excess of € 112 million to provide aid for and in Haiti. The Dutch Ministry of Foreign Affairs (FA) awarded a grant of € 41.7 million to the appeal.

Shortly after the disaster and following consultation with the SHO and the Ministry of FA, we decided to audit how the grant awarded by the government was used and the accountability thereof. We recognise the importance of aid organisations offering full transparency regarding how the funds are being spent and to what effect, so that the Dutch public is informed of how their donations are being used. We have audited not only the transparency of the funding flows, but also of the results: what have the aid organisations achieved in comparison with what they had planned to achieve?

At the end of 2013, ten of the fifteen organisations had completed their activities funded by the Haiti Action and 93% of the Haiti Aid had been spent. Several guest members and members will continue to carry out activities funded by the Haiti Action in 2014. As such, the SHO will draw up the final balance in 2015, once all activities have been completed. We have already drawn up an interim balance sheet detailing expenditure and results based on interim data until the end of 2013. We applied the established nine-cluster division of SHO: Shelter, WASH (water and sanitary facilities), Food Security, Economic Support, Health Care, Education, Protection, Disaster Management and Programme Management.

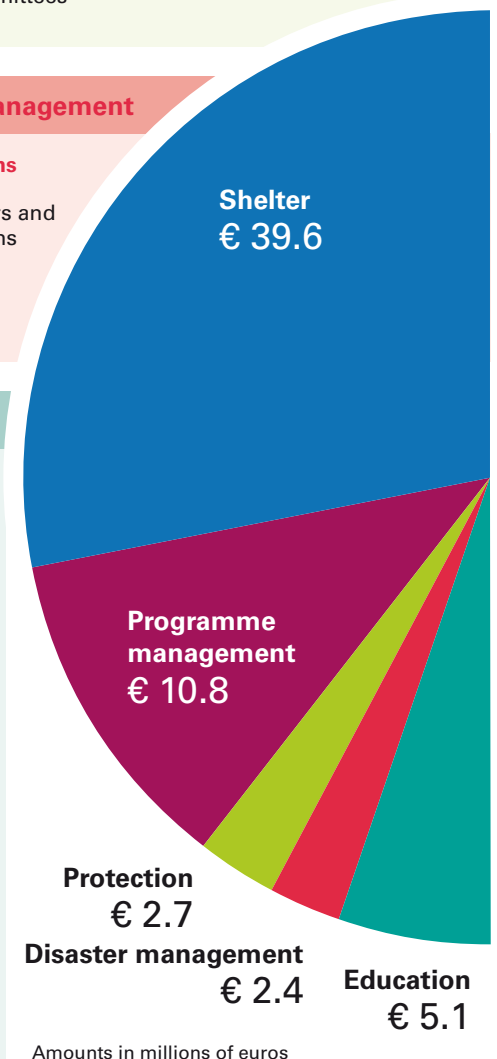
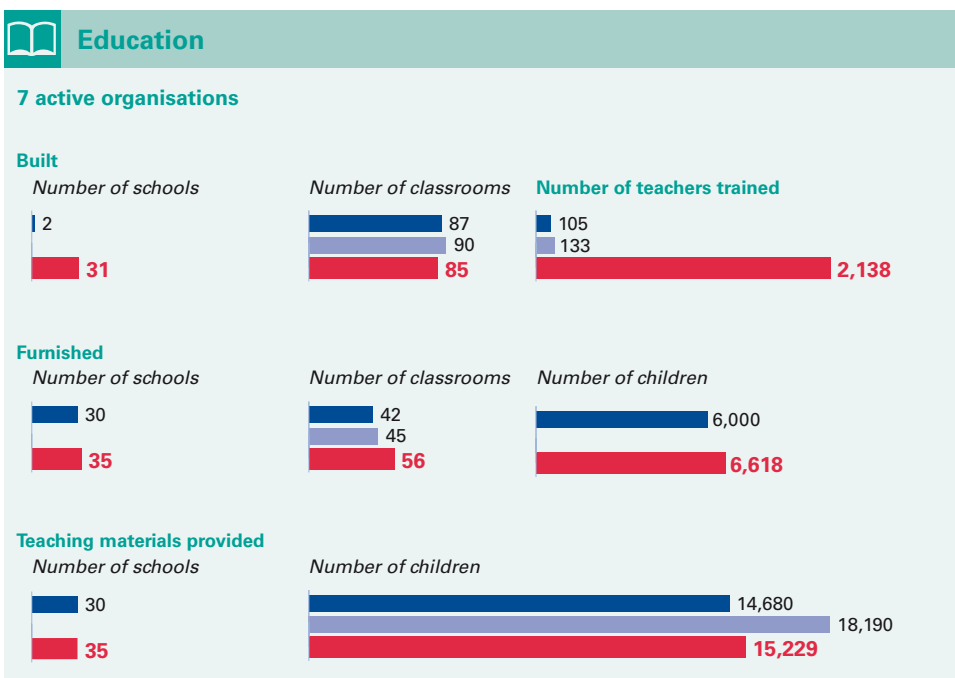
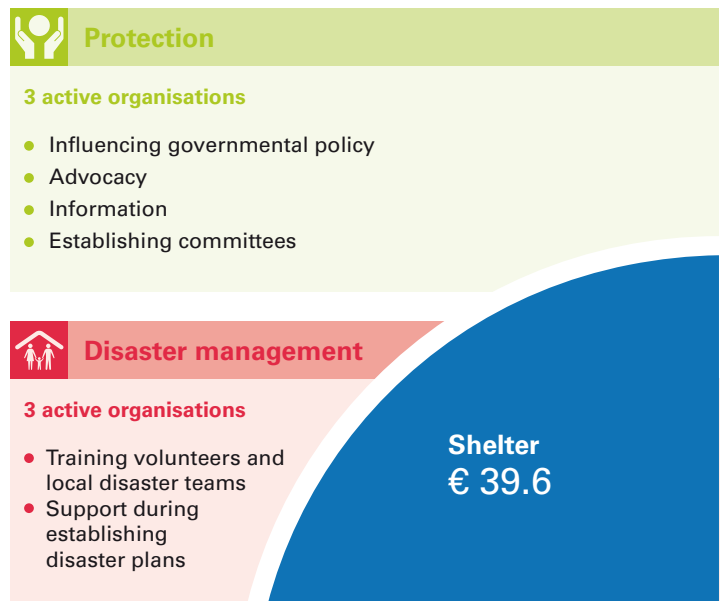
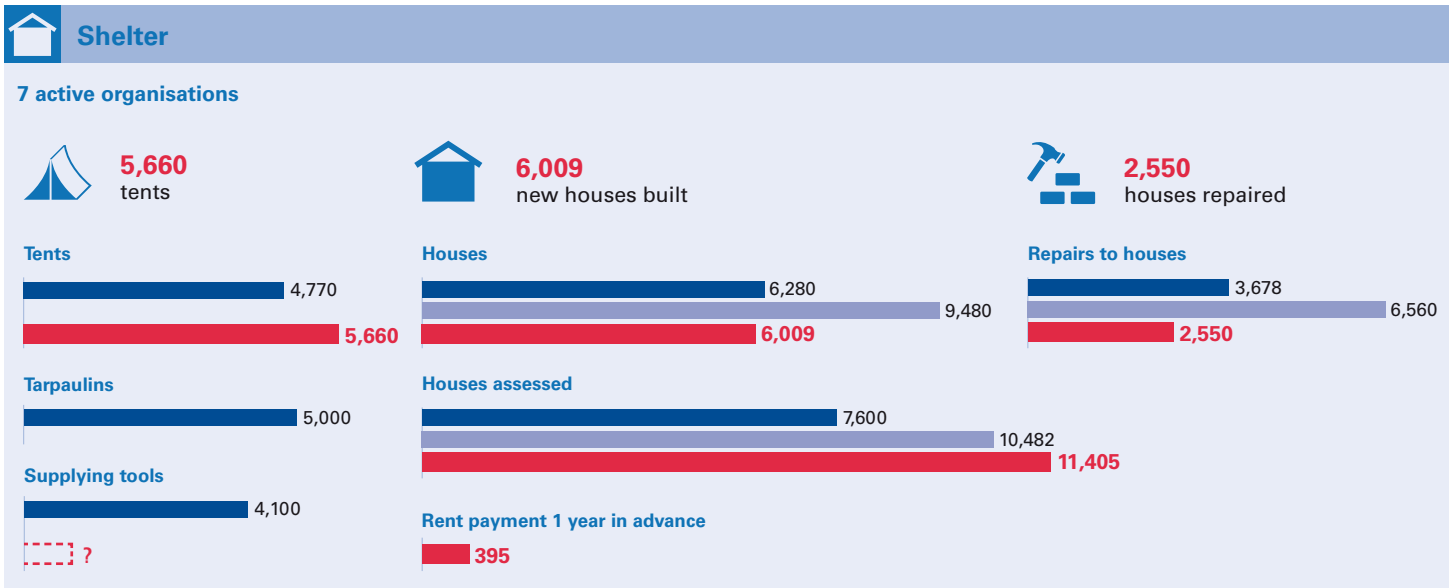
We are keen to emphasise that our interim balance sheet is based on the SHO's reporting of results. We neither have access to the actual reported results, nor do we offer an intrinsic evaluation of them.

### Organisation of this chapter

Our fourth report into the Haiti Action focuses on the interim expenditure and results. Section 1 presents an overview of the interim results as reported by the SHO from 2010 to 2013. This analysis is based on the SHO 2013 accountability report (SHO, 2014). In section 2, we offer a breakdown of the types of expenditure up until 2013, including an analysis of the nature of the costs. We conclude with the responses from the Minister of Foreign Trade and Development Cooperation (BHOS) and the SHO Directors.

Our audit of how the SHO funds were allocated in 2013, the 2013 SHO report and the supervision offered by the Ministry of Foreign Affairs (FA) are all outlined in a separate background document (available on [www.rekenkamer.nl](http://www.rekenkamer.nl)).

# Expenditure and interim results per



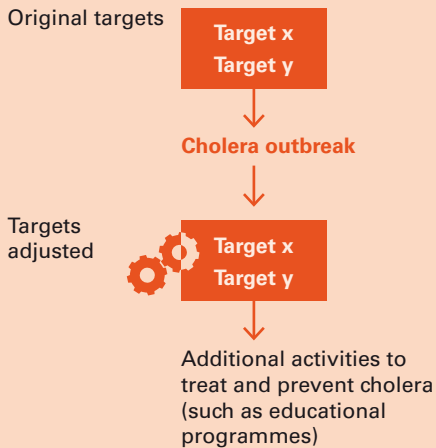
# cluster – SHO Haiti Action 2010-2013

Key to graphics: ■ Original target ■ Adjusted target ■ Result

## Health care

5 active organisations

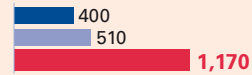
### Plans adjusted due to cholera epidemic



### Number of people treated in medical clinics



### Number of local relief workers trained



### Number of vaccinations



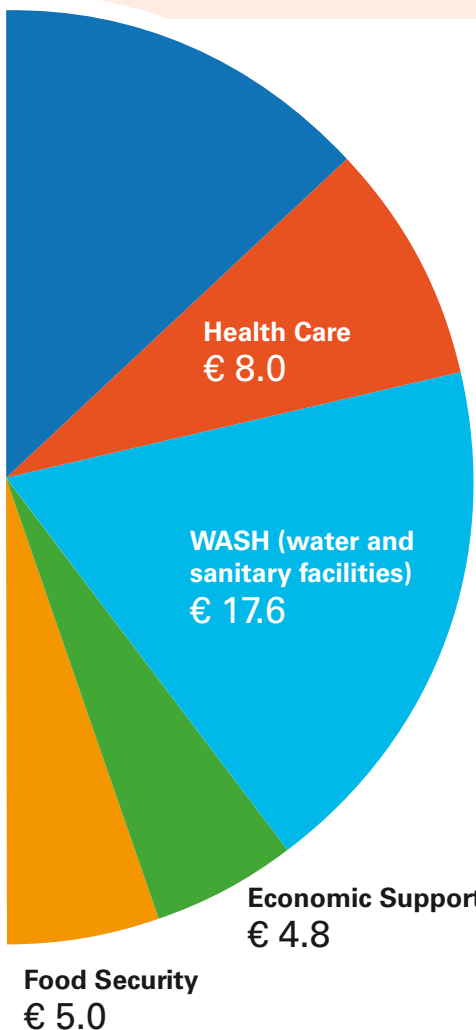
### Number of houses disinfected



### Number of cholera treatment centres opened or supported



### Number of people advised



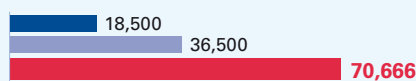
## WASH (water and sanitary facilities)

9 active organisations

### Number of people who received hygiene education



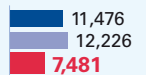
### Number of people with access to sanitary facilities



### Number of people with access to safe drinking water



### Number of latrines



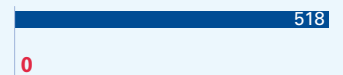
### Number of pumps



### Number of water systems



### Number of washing stations



## Economic support

4 active organisations

- Cash for work
- Microcredit
- Training programmes

## Food security

2 active organisations

- Food/nutritional supplements for children and pregnant women
- Education





# I Results of the Haiti Action 2010 to 2013

## I.1 Conclusion regarding interim results

We have ascertained that each organisation named in the SHO's report issued its own detailed report regarding the outputs achieved in each of the SHO's nine thematic clusters. The organisations provide concrete figures.

However, we have also concluded that it remains difficult for a donor using the current reports to interpret the figures in order to gain a comprehensive overview of the results. After donating money to a single entity, the SHO, the donor is subsequently faced with the results of fifteen different organisations in the SHO report.

It is also extremely difficult, if not impossible, to aggregate these results due to incongruences in how various organisations report their results. For example, some organisations report the number of toilets and water pumps that have been installed, while others only report how many people have access to safe water and sanitary facilities. The same output can even vary within a single organisation. For example, one house built by organisation Y may be more sustainable and cost more than another house built by the same organisation. Additional elucidation in the final report could explain these discrepancies. We recommend that the SHO ask that members and guest members avoid any form of ambiguity when submitting their results for the final report. The account of the results will become significantly more transparent if the organisations submit results for next year's final report in a uniform manner.

After comparing the SHO planning for their recovery activities in Haiti to the situation on the ground, we observed two salient concerns. Firstly, it is difficult to gain a comprehensive overview, because some organisations use different units to report the planning and actuality of the same activity. For example, the planning states the number of classrooms that they aspire to build, while the figures submitted for the report indicate how many schoolchildren have access to education. Secondly, in some areas we observe that less has been achieved than planned - for example, with regard to the construction of houses and installation of water pumps. However, in other areas, more has been achieved than planned - for example, in the Health Care cluster. Organisations indicate that the deviations observed in the actuality are to a large extent a consequence of the cholera outbreak. They also point to procedural delays and required programme adjustments as causes. However, none of the organisations report internal setbacks or errors.

That being said, our on-location audit of several programmes in 2012 did identify a number of obstacles within the aid organisations themselves, such as the wide scope of the activities and organisational issues (Court of Audit, 2012). This raises the question of whether organisations do not recognise or acknowledge internal setbacks or whether they are reluctant to report them to the public.


As such, we also recommend that these obstacles are also included in the final report. Our expectation is that embracing the existence of these issues will enhance transparency and provide the general public with more clarity, thus creating more confidence in the appeal. This introspective professionalism would also contribute to the SHO's learning capacity.

## 1.2 Overview of SHO clusters

The SHO divides its activities in Haiti into nine clusters (as shown in diagram 2). We will now elaborate on the information introduced in diagram 2, offer details for each cluster and analyse the results. We will answer the following questions:

- What has been achieved per cluster? Where possible, we provide a summary of the reported figures.
- Have the determined targets been achieved? And if not, do the members or guest members offer an explanation? What is their explanation?

Table 1 Expenditure and interim results for the Shelter cluster



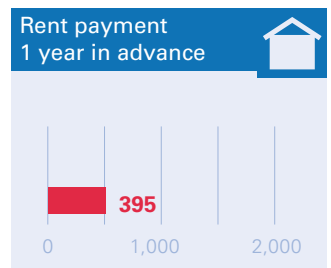
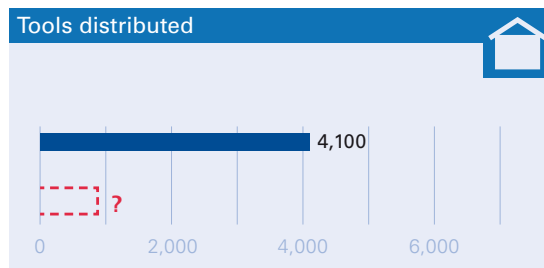
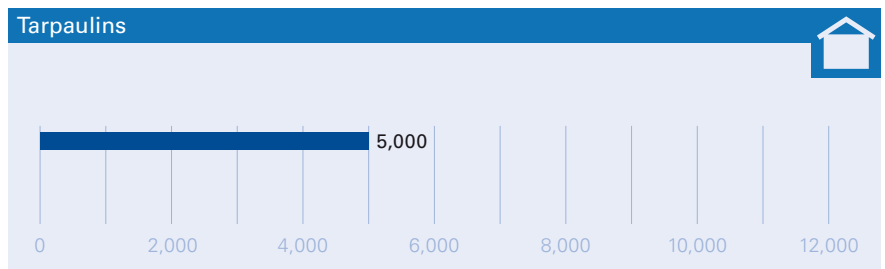
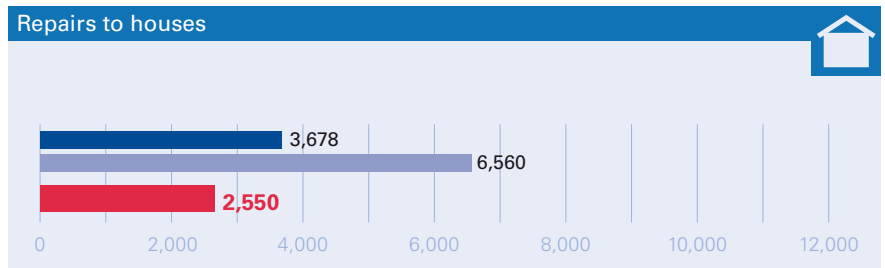
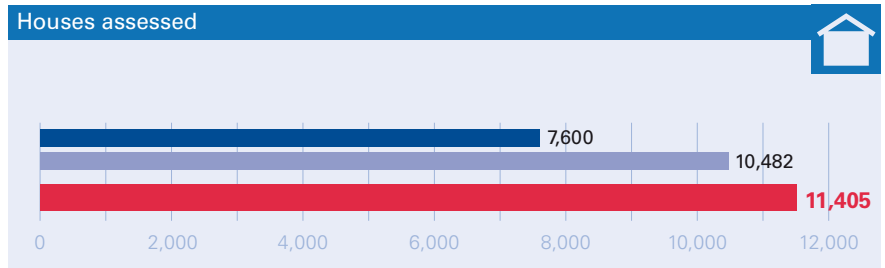
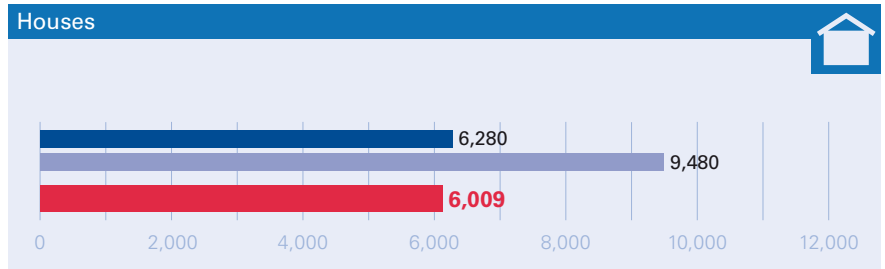
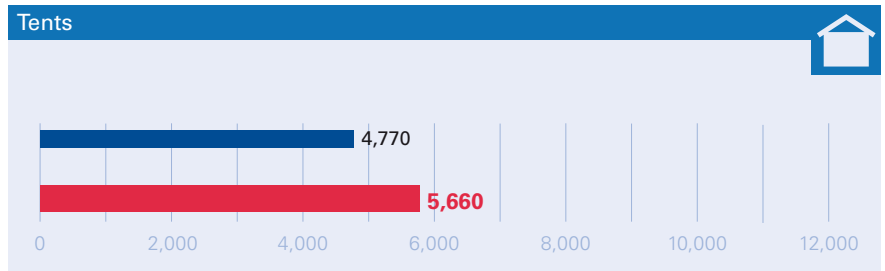
Expenditure 2010 - 2013	Spent on
€ 39.6 million	<ul style="list-style-type: none"> <li>• 6,009 new houses</li> <li>• 2,550 houses repaired</li> <li>• 5,660 tents</li> </ul>
41.4%	<ul style="list-style-type: none"> <li>• Technical assessment of damaged houses</li> <li>• Training in sustainable building</li> <li>• Distribution of tools</li> </ul>

### Activities

In the initial phase of the emergency aid, the aid organisations focused on providing emergency shelter in the form of tarpaulins and tents. In recent years, the focus has shifted to repairing and constructing houses. Organisations report the numbers of repaired or constructed houses in their results, and this appears to be an accessible means of reporting progress to the public at large.

Figure 3 Quantifiable targets and interim results for the Shelter cluster

Original target Adjusted target Result

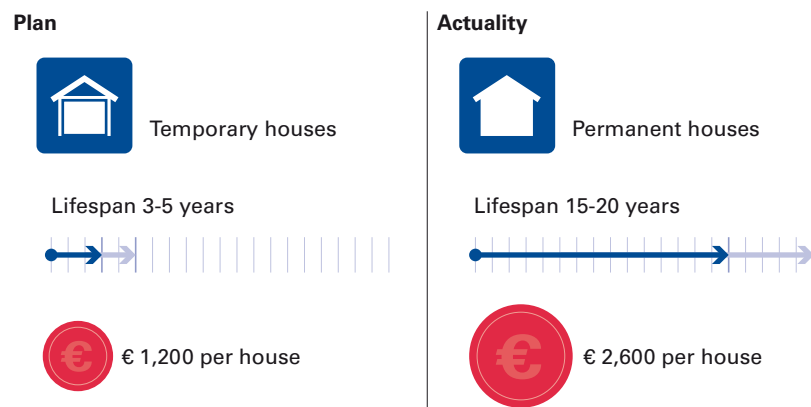


### Planning versus actuality

Some organisations are progressing according to plan, while others adjusted the plan after working methods proved to be ineffective in the changing context. The most commonly stated external cause of setbacks is that the local situation demanded an alternative approach to that planned and that the cost of building houses caused setbacks. For example, the cost price of houses varies dramatically depending on the location where construction is required. Some locations required additional foundations and fortification, where houses needed to be built on steep inclines.

- **Example 1 - Cordaid:** the planned results indicated that 6,300 new houses would be built and 2,220 would be repaired. The budget accounted for house frames with plastic sheet walls. These houses have a potential lifespan of 3 to 5 years and cost € 1,200 each. However, subsequent to new governmental policy, these plans were adjusted and the organisation decided to construct permanent houses with a potential lifespan of 15 to 20 years. As such, expenditure rose to € 2,600 per house.

Figure 4 Planning and actuality with regard to houses



- **Example 2 - Cordaid:** less new houses/shelters were ultimately constructed than originally planned. This is due to the fact that subsequent technical research revealed that 437 houses earmarked for demolition could in fact be repaired, negating the need for new construction (SHO, 2014).

During our on-location audit in 2012, we concluded that progress was at times hindered by great aspirations and inadequate coordination and collaboration (Court of Audit, 2012). The organisations are as yet to acknowledge these explanations. In addition, some organisations have completed more than planned.


### Complete summary of cluster

Based on the figures reported by each organisation, it is possible to report a total number of houses realised using SHO funds. However, it is not possible to compare the organisations based on their performance or the cost price per house. Such a comparison would not allow for due consideration of the significant differences between the types of houses, the costs associated with each house and the situation in which the work was conducted. After all, nearly all organisations use different designs, featuring an enormous range of variation in terms of sustainability: building materials used ranged from canvas walls to sustainable timber. This heterogeneity in design does not only apply to the SHO members, but also to the hundreds of non-governmental organisations (NGOs) and multilateral organisations that have built

houses in Haiti. A lack of coordination during the design phase appears to have resulted in numerous NGOs building houses in the same area using their own particular designs.

We must also consider the issue of incorrect attribution. During our on-location audit in 2012, it became apparent that 3,200 houses were reported as being built entirely using SHO funds. However, the SHO contribution only related to the walls and finishings (with a total value of 70%), while the remaining parts of the house were financed by international sister organisations and private fundraising initiatives. A proportional attribution of 70% of the total to the SHO results would have been a more accurate reflection (Court of Audit, 2012).

Table 2 Expenditure and interim results for the WASH cluster



Expenditure 2010 - 2013	Spent on
€17.6 million	<ul style="list-style-type: none"> <li>4 pumps and 438 water systems for drinking water</li> <li>7,481 latrines</li> </ul>
18.3%	<ul style="list-style-type: none"> <li>Hygiene educational campaigns and prevention</li> <li>Waste processing</li> </ul>

**Activities**

During the emergency aid phase, aid organisations focused primarily on providing drinking water using tankers, installing pumps and fitting other water systems. Subsequent to the cholera outbreak, major emphasis was placed on educational campaigns dedicated to hygiene, alongside ensuring access to safe drinking water and sanitary facilities.

Figure 5a Quantifiable targets and interim results for the WASH cluster

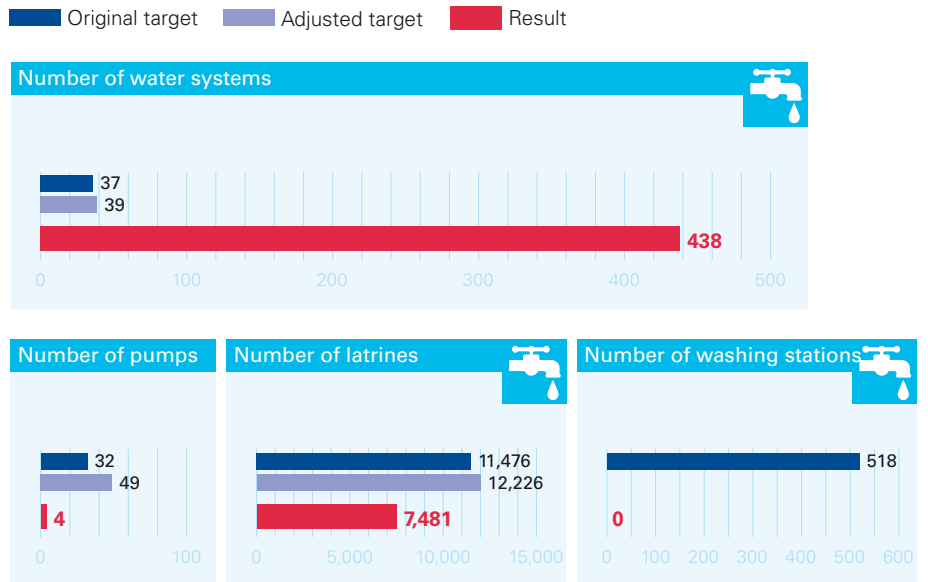
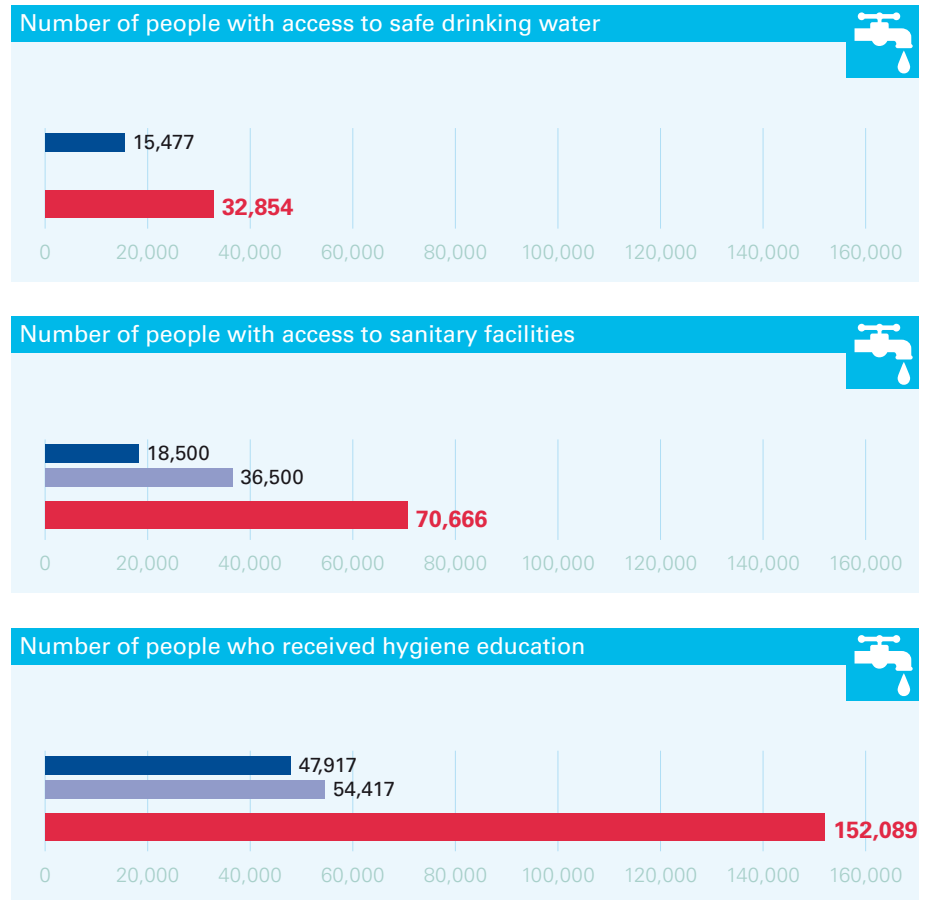


Figure 5b Quantifiable targets and interim results for the WASH cluster

■ Original target   ■ Adjusted target   ■ Result



### Planning versus actuality

The cholera outbreak late in 2010 significantly impacted the planning and activities in this cluster. Earlier in the year, it would have been extremely difficult to predict that water and sanitary facilities would become the highest priorities. In addition to their planned activities, members conducted supplementary activities such as repairing water supply systems and launching awareness campaigns. In general, more has therefore been achieved in the WASH cluster than originally planned.

### Complete summary of cluster

Organisations report their results using different units of measurement, which makes it difficult to gain a comprehensive overview. For example, some organisations report the number of water systems completed, while others report the number of people with access to water systems. As such, it is unclear how many water systems have been installed in total or how many people now benefit from these systems.

Table 3 Expenditure and interim results for the Food Security cluster



Expenditure 2010-2013	Spent on
€ 5.0 million	<ul style="list-style-type: none"> <li>Nutritional supplements for malnourished children and pregnant women</li> </ul>
5.2%	<ul style="list-style-type: none"> <li>Educational sessions</li> </ul>

### Activities

Food is less urgent in the recovery phase than in the emergency aid phase. Aid organisations were primarily occupied with this cluster in 2010 and 2011. The most significant activities are providing malnourished children and pregnant women with nutritional supplements. Educational meetings were also organised to inform people about healthy eating.

### Planning versus actuality

Some organisations exceeded the targets determined in 2010, while others failed to achieve them. The respective explanations offered for the discrepancy are the cholera outbreak and a programme adjustment implemented by head office.

### Complete summary of cluster

The detailed elucidation of the output results in addition to the number of children and women treated provide a clear overview of how funds in this cluster have been spent.

Table 4 Expenditure and interim results for the Economic Support cluster



Expenditure 2010 - 2013	Spent on
€ 4.8 million	<ul style="list-style-type: none"> <li>Cash for work programmes</li> <li>Microcredit</li> </ul>
5.0%	<ul style="list-style-type: none"> <li>Technical and entrepreneurship training</li> </ul>

### Activities

These activities help people to rebuild their lives and even provide them with a means of supporting themselves. Activities are focused on cash for work programmes during the emergency aid phase and microcredit, technical training and entrepreneurship training during the recovery phase.

### Planning versus actuality

The planning of the activities was approximate and not formulated according to the SMART criteria, hampering an effective comparison of the planning and the actuality. Organisations account for deviations due to the revision of numerous plans following consultation with the target groups and subsequent to the organisations gaining a better understanding of the local context. During our on-location audit in 2012, we ascertained that a cash for work programme had 80% less participants than planned, even though the funds had been used (Court of Audit, 2012). An account of these disappointing results in next year's final report could explain how these funds were actually used.

### Complete summary of cluster

Some organisations report the number of people that have received aid for each activity, while others only report the supplied resources or expenditure linked to a programme.



Table 5 Expenditure and interim results for the Health Care cluster



Expenditure 2010 - 2013	Spent on
€8.0 million	<ul style="list-style-type: none"> <li>• Cholera treatment</li> <li>• 28,074 vaccinations</li> </ul>
8.3%	<ul style="list-style-type: none"> <li>• Education regarding hygiene and pregnancy</li> <li>• Psychosocial assistance</li> <li>• Training 1,170 local relief workers</li> </ul>

### Activities

Health care became a higher priority following the cholera outbreak late in 2010. Organisations acted immediately by establishing cholera treatment clinics. The focus gradually shifted to prevention and education. The most significant activities are vaccinations, awareness campaigns and schooling.

Figure 6a Quantifiable targets and interim results for the Health Care cluster

Original target Adjusted target Result

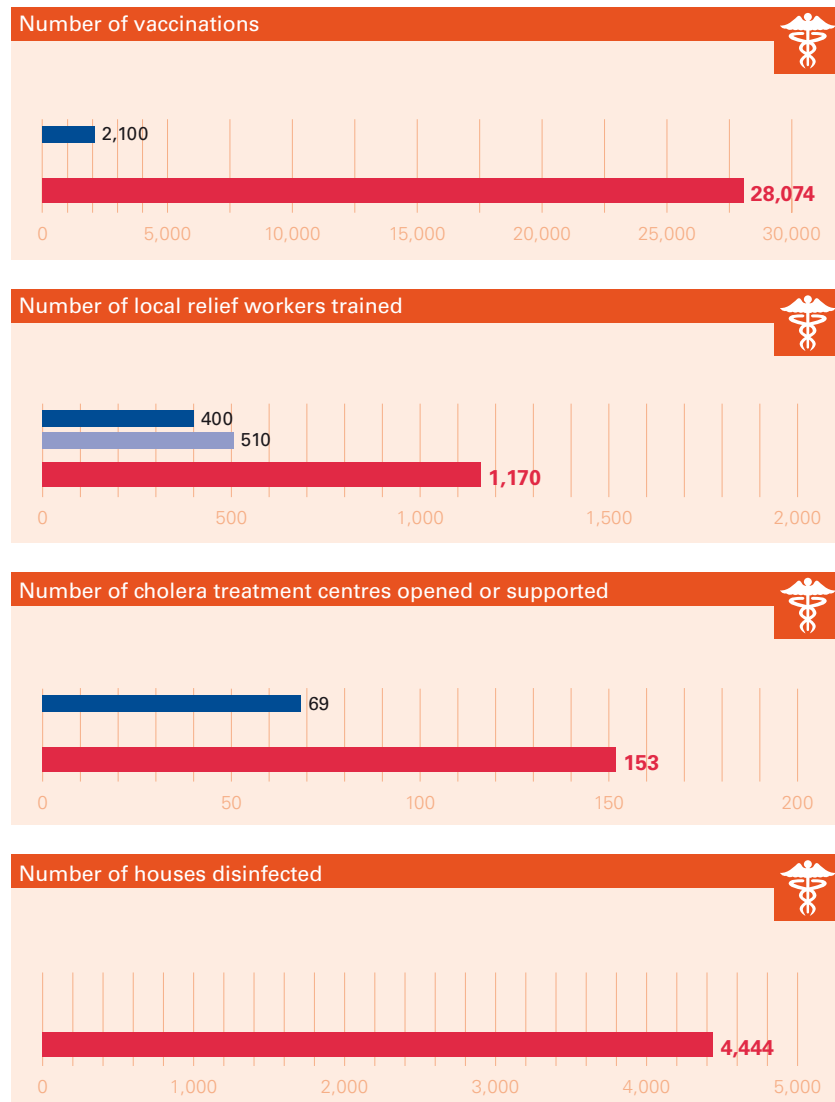
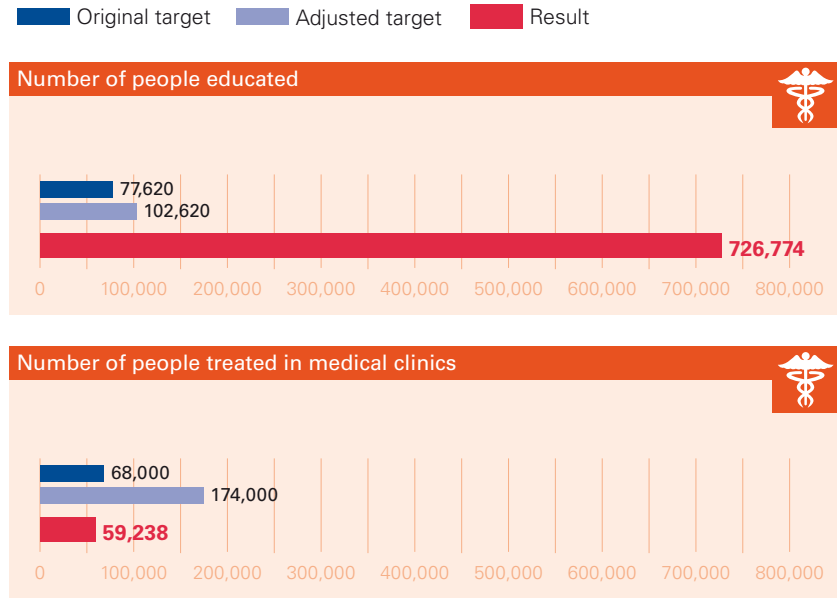


Figure 6b Quantifiable targets and interim results for the Health Care cluster



**Planning versus actuality**

The targets for the Health Care cluster were increased following the cholera outbreak. This epidemic accounts for the discrepancy between planning and actuality, and it has primarily resulted in an increase in prevention, education and vaccinations.

**Complete summary of cluster**

Some organisations report the number of people that have received aid for each activity, while others report the number of clinics or health care centres that received aid.

Table 6 Expenditure and interim results for the Education cluster



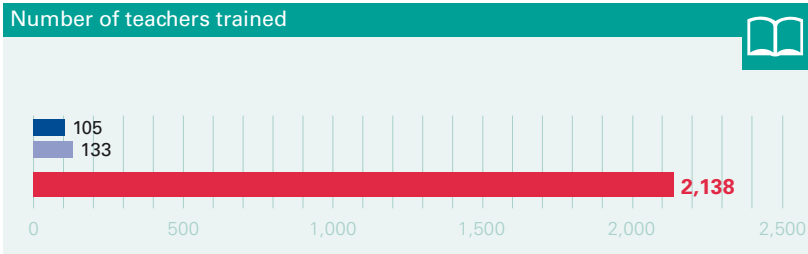
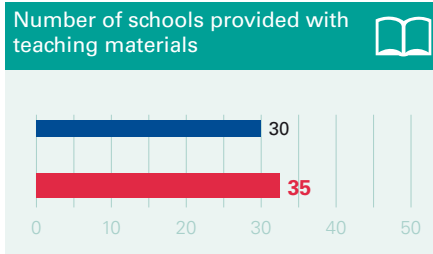
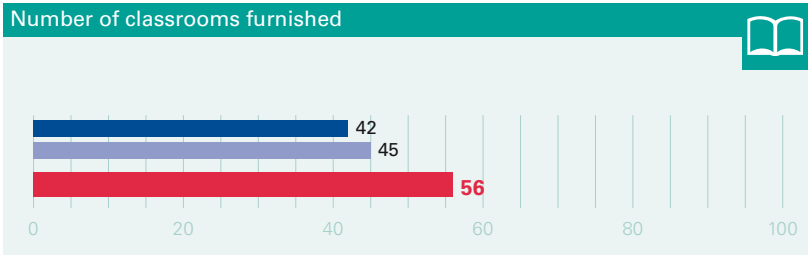
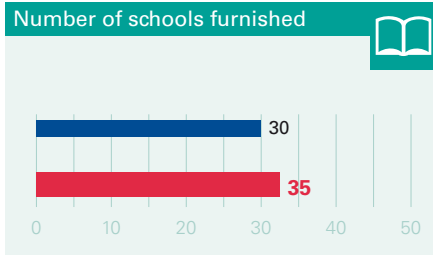
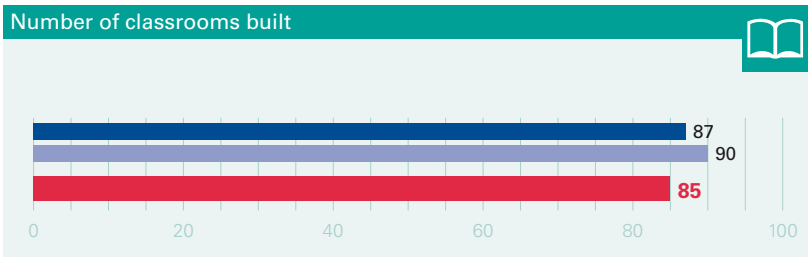
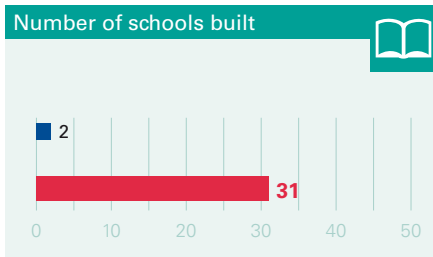
Expenditure 2010 - 2013	Spent on
€5.1 million	<ul style="list-style-type: none"> <li>• 85 classrooms built</li> <li>• Repairs to classrooms</li> </ul>
5.3%	<ul style="list-style-type: none"> <li>• Training 2,138 teachers</li> <li>• Teaching materials</li> </ul>

**Activities**

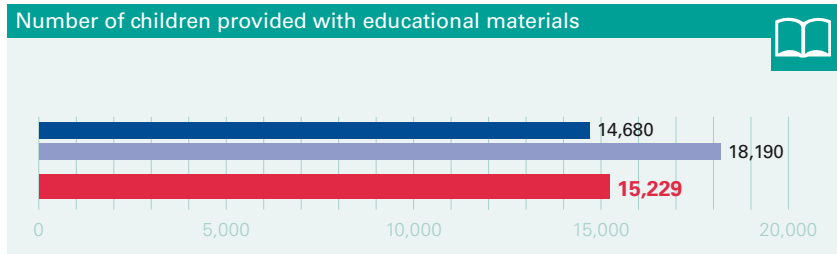
The Education cluster encompasses activities including repairing or building schools or classrooms, furnishing the classrooms, providing teaching materials and training teachers.

Figure 7 Quantifiable targets and interim results for the Education cluster

Original target Adjusted target Result



Original target Adjusted target Result



**Plan versus actuality**

Organisations use different means of reporting the results, either stating the number of classrooms, schools or children. Lack of clarity regarding land rights delayed the construction of schools and classrooms. The organisations offer a range of external and internal reasons to account for the discrepancies between the planned and actual results.

#### External reasons:

- The cost of building a school was twice as high as originally estimated in the 2010 planning.
- Some classrooms were not built due to issues with land rights. These funds were used in other educational projects.
- Less remuneration per teacher and the fact that some teachers covered part of the expenses means that 75 teachers were trained instead of 50.
- More activities were implemented as a result of the lower National Insurance contributions for personnel.
- The shift of focus of schools to children aged 3 and 4 years old led to a programme adjustment.

#### Internal reasons:

- The provision of less furniture per child meant that school furnishings were provided to more children than originally planned.

### Complete summary of cluster

Organisations use different reporting methods and as such, it is not possible to provide a comprehensive overview of the number of classrooms that have been built and the number of schoolchildren that use them. Some organisations report the number of classrooms that have been built and renovated, some fail to distinguish between renovation and new construction, while others report the number of schoolchildren that use the new facilities.

As with the Shelter cluster, comparing the cost of new classrooms is not possible in light of the range of designs used by the organisations. Variation in expenditure per classroom is too considerable to enable effective comparison.

Table 7 Expenditure and interim results for the Protection cluster



Expenditure 2010 - 2013	Spent on
€ 2.7 million	<ul style="list-style-type: none"> <li>• 206 children reunited with their parents</li> <li>• Education and training regarding land rights</li> </ul>
2.8%	<ul style="list-style-type: none"> <li>• Lobbying activities for a new adoption law and for regulations regarding child protection</li> <li>• Activities to protect children</li> </ul>

### Activities

Organisations develop a range of activities designed to protect people. For example, regarding housing (land rights), sexual violence and children's rights. In practice, these activities are conducted through lobbying, providing training and reuniting children with their parents. Expressing the progress of these activities in figures can prove difficult and in these cases, a qualitative description of the activities is sufficient.

### Planning versus actuality

To a large extent, the actuality deviates from the planning. This is quite understandable, as it is difficult to predict which activities can (and should) be implemented in order to offer protection to vulnerable groups. One external reason that can be identified for the discrepancy is the Haitian legislative process, which caused delays in the ratification of the adoption law.

### Complete summary of cluster

The organisations report concrete output - a positive development in light of the fact that this cluster encompasses a limited amount of quantifiable activities.

Table 8 Expenditure and interim results for the Disaster Management cluster



Expenditure 2010 - 2013	Spent on
€ 2.4 million	<ul style="list-style-type: none"> <li>• Training households, volunteers, local disaster teams</li> <li>• Support during developing disaster plans</li> </ul>
2.5%	

### Activities

Haiti is frequently affected by natural disasters such as hurricanes and earthquakes. The activities in this cluster are focused on helping the government and its citizens to prepare for an equivalent disaster and to make them aware of their vulnerability. Progress in these activities is often difficult to express in figures, due to the fact that they involve support and advice. A qualitative explanation is sufficient to account for the activities.

### Planning versus actuality

Numerous targets were adjusted and some additional activities were implemented, such as training volunteers. This is due to the 2012 hurricane and political upheaval, which led to a number of projects being perforce adjusted in order to meet the requirements of the citizens.

### Complete summary of cluster

In contrast to the planning, the explanation of results is unambiguous.

Table 9 Expenditure and interim results for the Programme Management cluster

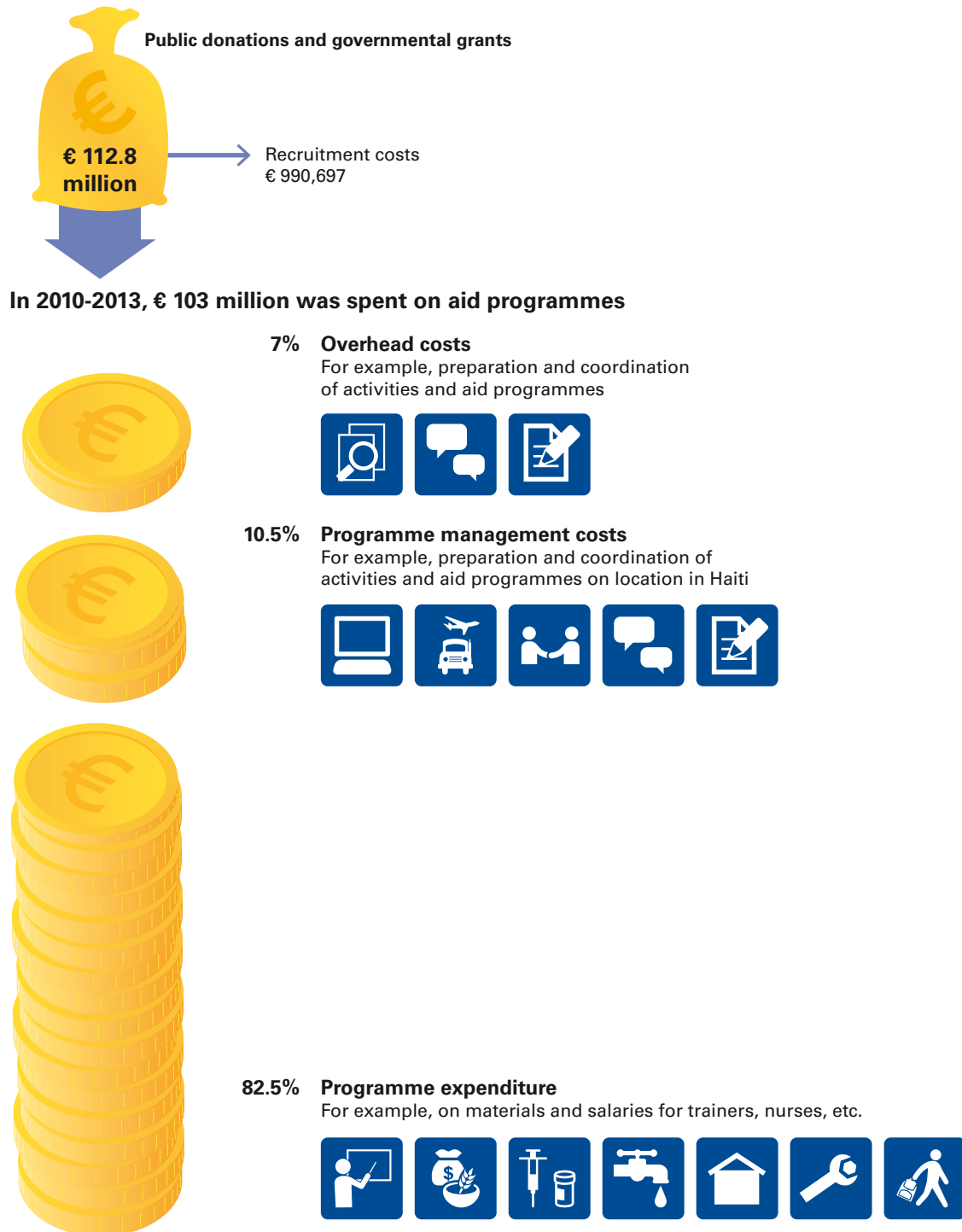


Expenditure 2010 - 2013	Spent on
€ 10.8 million	<ul style="list-style-type: none"> <li>• Office expenses</li> <li>• Salary</li> <li>• Transport</li> </ul>
11.3%	

Unlike the other clusters, this cluster is not linked to a theme. This is a catch-all for expenditure required to implement activities. This category is addressed in greater detail in the following section.

## 2 Cost of Haiti Action 2010 to 2013

Figure 8 Overview of types of costs associated with the Haiti Action



## 2.1 Conclusion regarding costs and programme expenses

The 2013 SHO report features three categories of costs incurred by the members and guest members: recruitment costs, overhead costs and programme management costs. We conclude that the recruitment costs (less than 1%) and the overhead costs (7%)<sup>1</sup> are well-defined: both concern administrative expenses in Europe. The low recruitment costs for the Haiti Action indicate that joint fundraising allows aid organisations to save money. The SHO subsequently relates the programme management costs, a collective name for general costs incurred in Haiti that cannot be allocated to a specific project. Organisations calculate an average of 10.5% of their costs for programme management. One significant stumbling block is that programme management costs are not concretely defined and as such, each organisation allocates different expenditure to the category.

The sum remaining after deduction of the aforementioned costs (an average of 82.5%) is allocated for expenditure linked to projects that together form each organisation's aid programme. This category of programme costs is not explicitly released by the SHO, even though it encompasses the most quantifiable expenditure: funds that provide direct aid to those who need it (for example, in the form of materials, training, microcredit and medicine).

While maximising the direct programme costs by keeping other costs as low as possible is important for efficiency, it is not an objective in itself. Relatively high programme management costs are sometimes required as part of the drive to offer the correct aid to those identified as being in need. We raised this dilemma in previous reports and recommend that the SHO consider this matter in the final report.

In the following section, we outline and exemplify the three types of costs included in the SHO report on 2013 before elaborating explicitly on the category of programme costs.

## 2.2 Recruitment costs

Recruitment costs are those incurred by the SHO during implementation of the 555 Haiti Action, such as outlay associated with the website, advertisements, the televised campaign and a Press Officer. Thanks to the voluntary support and services offered free of charge by the broadcasting companies, the costs for fundraising (including the televised campaign) were limited to € 990,697 (SHO, 2014). That represents 0.8% of the funds raised. As such, the recruitment costs are well within the CBF norm of 25% for charitable organisations.<sup>2</sup>

<sup>1</sup> A percentage of 6.5% for overhead costs featured in the draft report submitted to the Minister for Foreign Trade and Development Cooperation and the SHO Supervisory Board to allow them to offer their respective responses. Subsequent recalculation revealed that this percentage was in fact 7%. In the aforementioned draft report, programme management costs were calculated as 11%. This has been adjusted to 10.5% in this report. These adjustments have no influence on the conclusions presented in this report.

<sup>2</sup> The Central Bureau on Fundraising (CBF) norm prescribes that costs incurred by charitable organisations for fundraising may not exceed 25% of the raised amount ([www.cbf.nl](http://www.cbf.nl)).

## 2.3 Overhead costs

Overhead costs are those associated with the preparation and coordination of the aid: assessment, coordination, inspection and accounting of the aid programmes. These costs are incurred by the SHO itself, by SHO members and guest members and by involved international umbrella organisations and sister organisations.

### Examples of overhead costs

Once on location, aid organisations determine the required activities, draft plans for the desired activities and seek parties to implement the plans. Implementation may proceed via the organisation's field office, an international sister organisation or via local partners and NGOs. Agreements are reached and contracts are signed with these external parties. The SHO member or guest member is responsible for how the funds are spent and is subsequently required to monitor the activities and make any necessary adjustments. It is also required to conduct all necessary financial supervision and give account of the funds and activities. Staff in the Netherlands are therefore required to monitor the activities and frequently travel to Haiti for field visits.

If an SHO member or guest member forms an alliance with a programme headed by a sister organisation or international umbrella organisation, they are only required to evaluate their own contribution. The sister organisations or international umbrella organisations are responsible for project identification and project assessment, as well as for monitoring, financial supervision and reporting. The SHO member or guest member only monitors the substance and financial aspects of their part of the programme. Responsibilities and costs are formalised during contract negotiations between the SHO and the sister organisations or international umbrella organisations.

In order to facilitate the implementation of activities in Haiti, the member or guest member in the Netherlands, the sister organisation or the international umbrella organisation also incurs costs at their headquarters (e.g. office space, furnishings, staffing). This also includes costs incurred by the organisations associated with maintaining external relations with donors, the media and the government.

The SHO has agreed that, in principle, a maximum of 7% of the total actual aid expenditure may be allocated to overhead costs. However, an alternative percentage of a maximum of 6.7% of the total actual aid expenditure was agreed with the participants in the Haiti Action. The remaining 0.3% is reserved to cover the SHO's preparatory and coordination costs associated with this action. Guest members are permitted to calculate 5.7% of their resources as overhead costs. 1% of their overhead costs is transferred to the SHO host as remuneration for the additional administrative burden associated with guest membership. If the SHO members or guest members are active via a sister organisation or an international umbrella organisation, their preparatory and coordination costs are also included in the determined 6.7% overhead costs.

As shown in diagram 8, up until now a total of 7% has been calculated for overhead costs. While this is higher than the 6.7% norm, it is an interim calculation - the final percentage will be calculated following completion of the Action in 2014. A percentage of 7% is currently accepted within the development cooperation sector for this type of costs - regarded internationally as 'overheads'. The United Nations and the World Bank have also developed cost recovery guidelines<sup>3</sup>, in which a percentage of 7% or 8% has been determined.

**3**  
Alongside general contributions, the United Nations (UN) and World Bank (WB) also receive earmarked contributions for specific projects. A surcharge is levied (cost recovery) for these earmarked projects to cover the overheads of the UN and WB organisations responsible for implementing the projects (<http://www.unsceb.org/content/cost-recovery-extra-budgetary-activities>).



## 2.4 Programme management costs

In order to implement the programmes, the SHO members and guest members require personnel, equipment, transport, office premises and storage space on location. Expenditure associated with these requirements is referred to as programme management costs. The SHO has developed a general guideline for these costs: all expenditure incurred in the affected country directly associated with the provision of aid counts as programme management costs. As such, each aid organisation is able to apply their own cost allocation and accountability methodology to programme management costs. As a result of this inconsistent method of allocation, the members and guest members report programme management costs ranging from 0% to 28% of the total expenditure up until year-end 2013. We have converted this figure into an average of 10.5% to enable us to provide a complete overview of programme management costs associated with the Haiti Action up until year-end 2013.

### Examples of programme management costs

#### Office space

Costs associated with the office premises in Port-au-Prince include the rent, 24-hour surveillance, furnishings, computer equipment, electricity and internet connection.

#### Logistics

Logistical costs include those associated with transport aircraft and sea transport as well as clearing goods through Customs. The extremely complex and time-consuming Customs procedures in Haiti involve significant investment of hours and expenditure to cover the charges for the obligatory rental storage space at the Customs depot.

#### Coordination expenses

Due to the involvement of numerous local partner organisations, involved organisations incur cluster-transcending costs for the monitoring and evaluation of programmes.

#### Personnel

Organisations hire both local and international staff members (expats). Alongside the salaries and travel costs to and from the country in question applicable in the case of international staff, there are also several other financial considerations. Expats receive bed and board, either in kind or as financial allowances, allowing them to arrange matters once on location. In countries where extreme situations apply, such as dangerous circumstances, the threat of war or devastation, international staff also receive leave in the form of Rest and Recuperation (R&R). R&R allows expats to travel to another country for 1 or 2 weeks' holiday at the expense of their employer, once they have worked for a certain period of time. Once the situation in the affected country has sufficiently improved, R&R ceases. Such an R&R regulation also applies to, for example, embassy staff and employees of the United Nations and World Bank.<sup>4</sup>

In our 2011 and 2012 reports, we recommended that the SHO provide improved insight into the allocation of programme management costs per member or guest member. In the fifth report covering 2012, the SHO acted upon this advice by including an appendix accounting for programme management costs per organisation alongside an explanation of how these were calculated. The sixth SHO report (2010-2013) also included this information. However, this inclusion still offers insufficient insight.

<sup>4</sup> [www.un.org/depts/OHRM/salaries\\_allowances/allowances/orb.htm](http://www.un.org/depts/OHRM/salaries_allowances/allowances/orb.htm) & [siteresources.worldbank.org/INTSTAFFMANUAL/Resources/StaffManual\\_WB\\_web.pdf](http://siteresources.worldbank.org/INTSTAFFMANUAL/Resources/StaffManual_WB_web.pdf)

The SHO and the members and guest members would be well-advised to offer optimal transparency regarding all of their costs. Linked to this is the aspiration to concretely define programme management costs. It is important to note that not all fifteen SHO members and guest members report programme management costs. For example, two guest members focus all of their activities on a single cluster and allocate all programme management costs to this cluster. The programme management costs incurred by another guest member are covered by a sister organisation located in the United States of America. Formulating and utilising a uniform definition would in any case ensure that each organisation registers the same programme management costs.

## 2.5 Programme costs

Programme costs are those which can be directly allocated to, or associated with, an activity. With an average of 82.5% from 2010 to 2013, they represent the bulk of expenditure. Inherent in this percentage is the same issue as with programme management costs: the lack of a well-defined delineation separating programme costs and programme management costs.

Programme costs are required in order to implement programmes: consider purchasing, transporting and installing or distributing basic materials and purchasing services. Organisations need to monitor whether all processes are conducted correctly and whether the goods reach the correct people. Training and supervision also has associated costs for organisations, for example for paying trainers or purchasing teaching materials. All of these activities are conducted in consultation with the other organisations as well as local authorities and communities. This coordination and consultation demands a relatively high investment of man-hours.

### Examples of programme costs

Shelter cluster: vouchers distributed to pay rent or purchase building materials to repair a house.

WASH cluster: improving water drainage in the area by installing tracks with an integrated water system and building walls to prevent landslides.

Food Security cluster: education regarding nutrition and child health care.

Economic Support cluster: technical training in entrepreneurship and a subsequent contribution to enable a company to be founded and job creation (identification and training of potential entrepreneurs followed by personal guidance subsequent to the training course/loan).

Health Care cluster: vaccination of women and children against polio, measles, DTP and rubella.

Education cluster: repairing or building classrooms (building requires extensive consultation with the school governors; local contractors need to be sought, trained and supervised; materials need to be purchased and transported, etc.).

Protection cluster: reuniting children with their families.

Disaster Management cluster: producing an informational video about disaster management.



## 3 Response to the report and Court of Audit's afterword

The Minister of Foreign Trade and Development Cooperation officially responded to the draft report on 4 November 2014. An abridged version of her response is included below. The SHO Directors and Supervisory Board also responded on 4 November 2014. Abridged versions of their responses follow the response of the Minister of Foreign Trade and Development Cooperation. The full responses are available on [www.rekenkamer.nl](http://www.rekenkamer.nl) (in Dutch). This section concludes with our afterword.

### 3.1 Response of the Minister of Foreign Trade and Development Cooperation

The Minister of Foreign Trade and Development Cooperation is of the opinion that the constructive and open exchange of information between the involved parties has been conducive to the detailed reporting provided by the SHO partners regarding the achieved output.

The Minister appreciates our positive assessment of the supervision offered by the Ministry of FA. She is investigating how legal form can be given to our recommendations regarding interim assessment of organisations that cease their activities earlier than the final date of the Action. The Ministry of FA will deliberate further on the matter in light of the fact that the benefits of an interim assessment do not appear to outweigh the additional administrative burden placed on the Ministry. During policy consultation with the SHO, the Minister will continue to advocate that the SHO follow our recommendations regarding the prescribed format and uniform reporting to the best of their ability.

The Minister looks forward to continuing the constructive dialogue regarding the accountability of the Haiti Aid with a view to the publication of a clear and representative final report in 2015.

### 3.2 Response of the SHO

The SHO is embracing several new recommendations and acknowledges that the long-term collaboration has resulted in numerous improvements. The SHO will encourage the aid organisations to further boost efforts to ensure that results are more concrete and are uniformly reported. The final report will feature an increased focus on internal causes for disappointing results.

The SHO considers our focus on specific and concrete targets and results to be primarily a technical exercise and suggests that during the process, we take too little account of the unpredictable and complicated reality of emergency aid. No single crisis is the same. That is why flexibility is required and why it can be difficult to make plans and implement these in line with the logframe.

The SHO confirms our conclusion that the donor made a contribution to the 555 Haiti Action at a single entity, but afterwards is confronted with the results of fifteen different organisations. However, the SHO argues that processing donations through a

single entity improves the efficiency of fundraising, allowing more lives to be saved. The SHO also accepts that this approach using a single entity for donations does have its limitations, as there is currently a lack of clarity in the report. As such, the SHO calls on all parties to make a case for comparable definitions at an international level.

The SHO does not agree with our observation that they fail to explicitly report what the category of programme costs entails. According to the SHO, expenditure is classified according to cluster; the provision of more specific information is viewed as involving unnecessary additional work and higher overhead costs.

The SHO claims that the issue regarding incorrect attribution has been rectified in the meantime. The SHO would have welcomed additional explanation to accompany our observations regarding salary costs and programme management costs. The same applies to the certitude of accountants' audits and the statement of accounts of the Ministry of FA included in the background documents.

### 3.3 Court of Audit's afterword

The emergency aid phase ended in mid-2011. Good accountability of the activities, financial resources and results is a precondition for both emergency aid and recovery. Sound internal accountability within the aid organisations contributes to efficient and effective implementation on location.

The SHO should subsequently transparently report this accountability information to the donor as well as indicate why some of the activities have not been carried out. This forms the core of transparent accountability and is also vital if the aid sector is to learn what works, and what does not.

Our analysis of results and expenditure has been completed, ready for use in the 2015 final report. As such, we are pleased that the SHO will stimulate its members and guest members once again to improve the reporting of their results for the Haiti Action final report. The desired clarity indeed requires solid agreements and consultation, both within the SHO and at an international level. Such agreements are most effective when reached as new aid actions commence.

The incorrect allocation of one element of Cordaid's housing programme may now be corrected. However, this is not visible in the 2013 report due to the fact that it only features a total figure encompassing various elements. This can be resolved by featuring the correction in the final report.

The SHO does indeed report expenditure for each cluster. We are not concerned with more specific information for each cluster, but with offering a general overview of how funds are used. This will illuminate the fact that funds are required in the Netherlands to organise the aid, as well as in Haiti for the various aid programmes and the management of these programmes.

## Appendix I Audit methodology

### Audit questions

#### Exploratory questions

- How has the SHO reported on performance and the results achieved in recent years, in relation to the targets determined for the Haiti Action?
- How has the SHO reported expenditure for the Haiti Action in recent years?
- Which innovative instruments and processes for monitoring, reporting and auditing represent added value and could be implemented in future humanitarian actions?

#### Recurring questions

- In 2013, how has the SHO reported how the financial aid was spent and the results achieved in Haiti by the collaborating members and guest members?
- In 2013, were the agreements between the SHO and the aid organisations and between the Ministry of FA and the SHO observed regarding the accountability of the aid offered in Haiti?
- How has the Ministry of FA offered supervision of the grant provided to the SHO?

### Audit scope

The government grant of € 41.7 million cannot be distinguished from the private donations in the expenditure of the aid funds. Our audit therefore covered all expenditure and revenue in the SHO aid operation in Haiti, including donations made by local and central authorities, businesses and private individuals.

We analysed the SHO's accounts for 2013 and the supervision exercised by the Minister for Foreign Trade and Development Cooperation regarding the total sum of € 41.7 million that the Ministry of FA awarded to the SHO. We considered whether the accounting information and the supervision was adequate in 2013.

We utilised the 2013 accounts that the SHO prepared in April 2014 and the approved auditor's reports issued on the 2013 accounts of the fifteen participants in the SHO's Haiti operation. As in previous years, we also inspected the annual accounts of the SHO and the fifteen aid organisations that are certified by external auditors. We did not carry out our own audit of the reliability of the financial statements prepared by the SHO and the fifteen aid organisations but relied on the reports of the involved organisations' external auditors. This single audit principle, in which we relied on the work of previous auditors, reduces the audit burden.

## Standards

The criteria we applied were:

- the agreements between the SHO and the aid organisations as laid down in the SHO's management plan, organisational regulations, action regulations and audit protocol;
- the agreements laid down in the Ministry of FA's grant decision;
- international criteria for humanitarian aid.

We also applied our own criteria. These were:

*Standards applicable to the Ministry of FA's supervision*

- the grant decision for the SHO must comply with all conditions necessary for good accountability;
- the audit of the SHO's accounts to the ministry must satisfy the standards applicable to audits of the use of governmental grants;
- the Minister must inform the House of Representatives on time, in full and with relevant information about the goals set, the activities funded by the grant and the results achieved;
- standards on the presentation of policy information: relevant and true, understandable and comparable;
- standards on the preparation of policy information: reliable, valid, orderly/auditable and cost effective;
- standards on accounting information submitted to the House of Representatives: reliable, up to date, unambiguous and complete.

*Standards applicable to the SHO*

The following standards are relevant to disaster aid:

- the funds must be spent on their intended purpose;
- the funds must be spent regularly, in accordance with the grant decision;
- the funds must be spent effectively and efficiently in accordance with applicable standards in the Ministry of FA's grant decision;
- the SHO must inform the Minister in time, in full and with relevant information about the use of the SHO aid funds for Haiti, as laid down in the grant decision.

## Appendix 2 Abbreviations

BHOS	(Minister for) Foreign Trade and Development Cooperation
FA	Ministry of Foreign Affairs
CBF	Central Bureau on Fundraising
Cordaid	Catholic Organisation for Relief & Development Aid
ICCO	Inter-church Coordination Committee for Development Cooperation
NGO	Non-governmental organisation
Novib	Netherlands Organisation for International Development Cooperation
OCHA	Office for the Coordination of Humanitarian Affairs
Oxfam	Oxford Committee for Famine Relief
R&R	Rest and Recuperation
SHO	Cooperating Aid Organisations
UNICEF	United Nations International Children's Emergency Fund
UN	United Nations
VNG	Association of Netherlands Municipalities
WASH	Water, Sanitation and Hygiene
WB	World Bank



## Literature

Publications are listed under their original title, translated into English between brackets. Publications are available in the original language only unless stated otherwise.

Netherlands Court of Audit (2012). *Verantwoording van de hulpelden 2011 in Haïti* (available on [www.courtfaudit.nl](http://www.courtfaudit.nl): Accounting for Haiti aid funds 2011). House of Representatives, 2012-2013, Parliamentary Papers 32 293, no. 16. The Hague: Sdu.

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