

FRONTLINE

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HAITI: The Aid Dilemma
Reported by: Adam Davidson

ADAM DAVIDSON, NPR's *Planet Money*: [voice-over] Melissa Hubert Florville survived the earthquake in Haiti just fine. Her problems came later, and now they're only getting worse. And if Haiti's going to recover from this disaster, the country needs to solve problems like Melissa's, slow-moving problems, problems that are hard to see.

Melissa sells rice wholesale. Well, she used to.

MELISSA HUBERT FLORVILLE, Mini-Wholesaler: [subtitles] These times, since the earthquake, are a time of loss because now there is nothing anyone can do to make money.

ADAM DAVIDSON: Before the earthquake, these shelves were full of food— rice, spaghetti, milk. But let's focus on rice because in Haiti, nothing is as important as rice. Every meal here has to have rice.

And right now, Melissa can't get any rice. She talked to the big guys, the importers and large wholesalers, and most of them don't have enough. And the ones that do have some are charging ridiculously high prices. So for now, she only sells soda, and that means she's lost most of her customers.

MELISSA HUBERT FLORVILLE: [subtitles] There could be 20 percent left.

ADAM DAVIDSON: Melissa's problem, which is really Haiti's problem, is exactly the kind of thing that can turn a one-time disaster into a crisis that lasts years. There are tens of thousands like Melissa, small rice wholesalers who make up Haiti's food supply chain. If they go out of business, this delicate system could collapse. Haitians could starve.

I'm a reporter for NPR's *Planet Money* team. We've been studying the economics of poor countries. And one issue we wanted to understand better is something we've heard a lot about, that sometimes the way well-intentioned aid groups respond to a disaster can so disrupt local economies that it can cause more harm than good. We wanted to know, is that what's happening here?

Let's take a look at Haiti's food supply chain. Melissa is a mini-wholesaler. She sells to street vendors like this one, named Marie Michelle. Before the earthquake, Marie Michelle would come here, buy a sack of rice and sell it on the street.

MARIE MICHELLE: *[subtitles]* I just can't do anything right now. I can't do anything. I'm not working. I'm not making money. I'm not selling anything. I don't have any money on hand.

ADAM DAVIDSON: Marie Michelle has demand-side problems. The folks on the street don't have money to buy. But she also has supply-side problems. Melissa is right near her house, so when Melissa is out of rice, Marie Michelle has to travel by bus to another wholesaler. That bus fare eats into her very tiny profit margin.

MARIE MICHELLE: *[subtitles]* I pay around 6 [Haitian] dollars. I sometimes pay 10 dollars to bring it here.

ADAM DAVIDSON: So why doesn't Melissa, and therefore Marie Michelle, have enough rice to sell? Most rice in Haiti, more than 80 percent, is imported from the United States in big ships.

[on camera] This is like the front door of Haiti's economy. This is where everything imported comes down this road or that one over there.

MATTHEW HAHNE, U.S. Navy Commander: Right. Between the south pier and the north pier, pretty much everything that comes into Haiti comes through one of these two piers.

ADAM DAVIDSON: *[voice-over]* The earthquake nearly destroyed Haiti's main port, the one that Port-au-Prince is named after. The U.S. Navy is fixing the crucial piers, mainly by strengthening underwater cement support pillars. It's a slow process. For months after the earthquake, the port could only handle a tiny fraction of what it used to.

Because the port can only handle so much traffic, every morning, there's this little drama. What is more important today, military supplies to help keep Haiti safe, humanitarian relief, or commercial goods, things that private companies can sell?

For the first few weeks after the earthquake, it was clear. Military and humanitarian supplies trumped everything else. But lately, there's been a dramatic shift.

PORT OFFICER: This is a commercial port. It's commercially functional. If you look at the cargo loads and what we're doing, we're a fraction of what they're doing now. We're supporting the commercial process.

ADAM DAVIDSON: For most of U.S. history, the military was not in the habit of letting private commercial shipments take precedence over military cargo. It just didn't happen. Then the U.S. learned an important lesson in Iraq, a lesson that we learned has had a great impact on operations here at Port-au-Prince.

In 2003, the U.S. took over the southern Iraqi port of Umm Qasr. They fired all the local workers and brought in American contractors to run things. Some of the locals found a new way to make money, planting bombs targeting U.S. soldiers.

MATTHEW HAHNE: A lot of the families of those longshoremen, they still have to eat. So whether they get paid by somebody else for less than desirable work — putting IEDs on the side of the road — or they work at their traditional job, it matters not.

ADAM DAVIDSON: The U.S. military learned that a functioning economy helps keep a country safe. It has invaded Haiti many times in the past to impose order. Now the hope is that by getting commercial shipping up and running, getting the economy back, the military can avoid other invasions.

MATTHEW HAHNE: Once we finish repairing south pier, we think that they can deliver 1,350 containers a day. Pre-earthquake, they probably managed about 500, 600 containers a day.

ADAM DAVIDSON: *[on camera]* Wait. You're going to be twice— the capacity is going to double?"

MATTHEW HAHNE: That's about right.

[www.pbs.org: More on Haiti's rice economy]

ADAM DAVIDSON: *[voice-over]* While the U.S. military is trying to solve the supply problem, trying to get commercial shipments of rice back, there are also problems with demand. Turns out it's hard to get people to buy rice when you're giving it away for free.

This, too, is a new lesson. Relief agencies until very recently focused solely on quickly getting enough food to hungry people. And that sounds good, right? Get food to people in need.

But in country after country, disaster after disaster, all that food aid destroyed the local food economy, put people like Melissa out of business. When the immediate crisis ended, long-term problems began. Without all the middlemen getting food from the port to the street, people went hungry.

The World Food Program, the WFP, is the U.N. agency primarily responsible for getting food to people in times of crisis. It has spent the past decade studying this problem. In fact, now when there's a crisis, the WFP doesn't just send food.

CEREN GURKAN, World Food Prgm. Analyst: The demand side is a problem.

ADAM DAVIDSON: It sends people like Ceren Gurkan, whose full-time job is to study how free food disrupts local markets and then to come up with fixes.

CEREN GURKAN: Our toolbox, if you will, has expanded in terms of the various things we can use to respond. And if the conditions are right, then we will go for cash, vouchers, things like that. And in fact, we are going to be transitioning into that.

ADAM DAVIDSON: *[on camera]* As the imports increase?

CEREN GURKAN: Exactly. There isn't enough availability on the market, so we have to ease into the cash.

ADAM DAVIDSON: *[voice-over]* It's a simple idea. If people are hungry, don't give them rice, give them money to buy rice, or vouchers, which amounts to the same thing. That way, instead of destroying businesses like Melissa's, you strengthen it.

CEREN GURKAN: So as your imports start coming back up, so as your traders start going back into normal business activity and in the same volumes and capacities, then you transition out of large-scale food distributions and you transition towards cash.

ADAM DAVIDSON: But handing out vouchers or cash, though, is quite delicate. If you give too many out, if you increase demand dramatically when there is still limited supply, then prices can shoot up, you get inflation. People who don't get vouchers or cash are even less able to feed themselves.

If you want to see at a glance if the U.S. military and the WFP programs are actually having an effect, visit Tony Bennett. Yes, that's his real name.

MICRO-WHOLESALE: *[subtitles]* They asked too much, so I couldn't buy it.

ADAM DAVIDSON: Tony Bennett is one of seven or so major wholesalers of rice, almost all of whom are light-skinned Haitians.

MICRO-WHOLESALE: *[subtitles]* There's no more? It's finished?

TONY BENNETT, Rice Wholesaler: *[subtitles]* Three weeks.

ADAM DAVIDSON: This is where, in normal times, micro-wholesalers like this woman and Melissa, buy their stock.

Let's review the rice supply chain. Most people get their rice from vendors on the street. Those vendors get their rice from people like Melissa, the micro-wholesalers.

Melissa gets her rice from Tony Bennett, who buys his from a ship that docks at the port— at least when ships can dock at the port. When the port was damaged, the ships weren't coming in, which hurt Tony, which meant Melissa almost went out of business, which meant less food on the street.

Tony says you can also see this whole story, supply and demand, in the price of rice. When none was coming in, the price skyrocketed. Now that the U.S. military is making progress at the port and the WFP is about to introduce vouchers, the price is starting to fall.

TONY BENNETT: I figure now — which is already what happened — is that there's a boat of rice coming in, and it's already dropped a dollar U.S. And the competition's rice is also on the way. And when's there competition, there's quantity, prices are definitely going to drop back down.

ADAM DAVIDSON: The evidence of the price drop came before we even finished the interview. Tony got a call from one of the other major wholesalers.

TONY BENNETT: She was telling me that she thinks that we're selling the rice a little bit high and that we need to lower the price because there's more and more coming in. So that's what I'm doing right now, I'm lowering my prices.

ADAM DAVIDSON: Despite the drop-off in supply and demand, Tony says he'll be fine. He's got access to credit to get him through the tough times, and after the earthquake, a whole new market.

TONY BENNETT: What has kept my business more or less alive, I guess it's churches and organizations that come and buy a certain quantity from us to give away.

ADAM DAVIDSON: This is actually exactly what has a lot of aid professionals worried. The big guys like Tony have the resources to survive this disruption, but Melissa doesn't. And you need both Tony and Melissa to keep Haiti fed.

STEFAN PRYOR, Intl. Rescue Cmte. Volunteer: You had more provisions in here than you do now, correct?

ADAM DAVIDSON: It was really surprising to meet the deputy mayor of Newark, New Jersey, in Melissa's shop. Stefan Pryor is doing some volunteer work for the International Rescue Committee, which, like the military and the WFP, is studying how to keep these micro-wholesalers, the people like Melissa, in business.

STEFAN PRYOR: We need to insure that, simultaneously, international aid organizations are providing food and shelter and water, and insuring that the businesses that are the lifeblood of the economy also survive.

ADAM DAVIDSON: The WFP and the military's efforts won't have an instant effect. Pryor says Melissa needs credit now, money to borrow to get her and her family through this tough time. She needs stock, rice. But even if she got credit, it would be scary for her to buy a lot of rice when she's not sure the demand has returned. And for now, at least, Pryor can offer her analysis but not much else.

[on camera] Are you going to lend her money? Are you going to buy her goods?

STEFAN PRYOR: We don't know what aid organization or what group in general is going to provide the assistance, but someone's got to establish a loan program or a grant program that solves for this problem. We don't know the precise scope, we don't know exactly how long the problem's going to last, but there needs to be a financial mechanism — a bridge loan, a small grant program — that solves for this.

ADAM DAVIDSON: We asked Melissa about all this, and she didn't really know what we were talking about. She didn't know about bridge loans and new strategies to support the supply chain. What she did know is that her business has to succeed. It's all she's got.

[on camera] If I come back in 10 years or 20 years, what's your dream for your business and your life?

MELISSA HUBERT FLORVILLE: *[subtitles]* Well, my dreams? That my business becomes— all my dreams are about business.

ADAM DAVIDSON: Will your business be the same size?

MELISSA HUBERT FLORVILLE: *[subtitles]* No, it would become larger. It would be bigger.

ADAM DAVIDSON: Will it be as big as the Presidential Palace?

MELISSA HUBERT FLORVILLE: *[subtitles]* I'm not saying that!

ADAM DAVIDSON: *[voice-over]* In the weeks since we left Haiti, the country is slowly getting back on its feet. Clean-up and construction are continuing. The WFP has launched its voucher program, and rice is again flowing through the repaired port— in fact, so much rice that the price of a sack is now less than it was before the earthquake.

But this increase in supply may have come too late for Melissa. In the months when she could not get any rice, she lost so much money that now when rice is available, she can't afford to buy any. It's not clear right now what happens if Haiti's rice supply chain is permanently damaged.