



HRF QUARTERLY UPDATE / No 6: SPRING 2013



Welcome to the sixth issue of the HRF Quarterly Update. Our objective is to keep you informed about how the HRF is supporting Haiti's reconstruction process. The update is released three times a year and is intended to supplement the HRF annual report. Your comments and inquiries are welcome.

HIGHLIGHTS OF THIS ISSUE

- **HRF Financial Reserve increased to USD 99.78 million with additional USD 32.28 million for budget support (p.2)**
- **HRF supports private sector development, particularly small and medium businesses (p.3)**
- **Neighborhood Reconstruction Project relocates more than 10,000 people from « Parc Jean Marie Vincent » and « Pétiyon Ville club » camps (p.5)**
- **16/6 Project has economic and social impact on communities (p.5)**
- **Disaster Risk Reduction in the South Department Project closes (p.5)**
- **HRF continues to play a significant role in Reconstruction Financing (p.4)**



Soil Conservation Project in Port Salut, Courtesy of HRF

SUMMARY

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Young people playing basketball under solar lamp. Courtesy of HRF.



HRF GOVERNANCE

During the first quarter of 2013, the HRF Steering Committee held two meetings (February 6 and February 20) to respond to the Government's request to finance five activities and donor requests to reserve funds. The requested financing would be for: 1) rehabilitation of the electricity transmission line from the Peligre dam to Port-au-Prince; 2) operation of the new Mirebalais Hospital; 3) urbanization of the Canaan-Jerusalem settlement area; 4) construction of a radio-chemotherapy center; and 5) job creation.

The key outcomes of the Steering Committee meetings are:

- The HRF's Financial Reserve was increased by USD 32.28 million, to a total of USD 99.78 million, with an acknowledgement of France's preferences for use of the newly-reserved funds for general budget support and projects in the education sector.
- Endorsement of the Minister of Finance's proposal to use USD 48 million reserved for budget support to finance priority projects proposed by the Government to the HRF.

- The use of USD 7.5 million in the Financial Reserve (initially intended for targeted budget support) was changed to support a project in the energy sector and an additional USD 5 million would be added to the Financial Reserve for a project in the energy sector when a contribution in this amount is received from the US.
- The HRF will begin preparing for an independently-contracted mid-term review of its performance to take place in the second half of the year.

During this period, the Steering Committee also approved the extension of Spain's membership on the Committee through the end of 2014, pending receipt of its outstanding contribution of USD 10 million.



DONOR SPOTLIGHT : JAPAN



Japan is tied as the sixth largest contributor to the HRF, having made a contribution of USD 30 million in 2011. A preference has been expressed that USD 15 million be used for education and capacity building and the remaining USD 15 million be used for health and medical care, food and agriculture, and debris removal. To date, the HRF Steering Committee has allocated USD 15 million for education projects, USD 42 million for debris management and USD 2 million for an agricultural project.

Overall, Japan is Haiti's eleventh largest donor for reconstruction. Including humanitarian relief, Japan pledged, committed and disbursed over USD 145 million for reconstruction as of December 2012 (including its contribution to the HRF).

Japan is furnishing bilateral support in four areas: 1) health and hygiene (rehabilitation of the Jacmel Hospital in Sud-Est Department, emergency goods to combat cholera, hospital and clinic reconstruction at the grass-root level); 2) education and capacity development (primary school reconstruction, training); 3) food and agriculture (food aid, assistance to poor farmers, training); and 4) other reconstruction assistance (roads and drainage in Leogane, electoral support, border security, knowledge sharing, donation of the heavy equipment for construction). In addition, a total of 2200 Japanese Self-Defense personnel have been deployed with the Engineering Unit of MINUSTAH where they have supported debris removal, road repair and land leveling.

The Haiti Reconstruction Fund (HRF) is financing projects that support the private sector, with a particular focus on small and medium-sized enterprises, a recognized source of sustainable economic growth and job creation in Haiti. These are: (i) the USD 12.5 million Partial Credit Guarantee Fund, which was restructured into three smaller private sector support projects, namely, the Pilot Program to Support Small-Scale Businesses, Pilot funding for leasing facilities and Support for smallholder agriculture; and, (ii) a USD 2 million project to support milk production and transformation in Haiti.

I. Partial Credit Guarantee Fund (PCGF) – USD 12.5 million

The objective of the PCGF is to contribute to the rehabilitation of the Haitian productive sector which had been negatively affected by the earthquake (personal and property damages), especially small and medium enterprises (SMEs). The PCGF enabled such enterprises to restructure bank-debt obligations they were unable to meet immediately following the earthquake, preventing viable enterprises from going into liquidation and facilitating their continued access to finance to rebuild and operate their businesses. The PCGF is co-financed by the World Bank, the IDB and the HRF. **Under the PCGF, guarantees were issued for USD 3,333,289 which included eight medium-sized enterprises and 245 small enterprises to guarantee US\$10.6 million in loans (these loans were concentrated in Unibank, Capital Bank and Sogebank).**

“Without this credit, those businesses would have closed and bank would have losses, but with the Guarantee Fund, those businesses were able to get back to business and reimburse their credits...We saved a lot of jobs within those businesses...They are services businesses, from agro-industry sector, merchandising businesses. In terms of financial impact, it is satisfactory because nobody declared bankruptcy, just a few micro-enterprises that were already facing difficulties even before the loan. The rate of loss is lower than the perceived rate guarantee fee. We have less than 1% of loss.” said Mr. Lhermite Francois, General Director of the Industrial Development Fund (*Fonds de Développement Industriel* (FDI)).¹

Despite efforts made by the FDI to identify new operations, by December 31, 2011 no further guarantees were issued due to lack of demand for guarantees as the emergency situation had stabilized. An informal assessment was conducted in February 2012 to explore the possibility of extending the operative function of the guarantee. The FDI and the IDB concluded that the guarantee was no longer needed. As such, the IDB at the

request of the Government of Haiti, provided a partial reformulation of the undisbursed resources (USD 5 million out of the total USD 12.5 million undisbursed) to address the financial and nonfinancial needs of small enterprises and smallholder agriculture. A partial reformulation of the PCGF was submitted for consideration of the HRF Steering Committee and approved on November 22, 2012.

The partial reformulation consisted of: 1) extension of the Pilot Program to Support Small-Scale Businesses and 2) pilot funding for leasing facilities. The remaining balance of undisbursed funds (USD 7.5 million) will be applied to the Program to support smallholder agriculture under the Ministry of Agriculture (MARNDR), which will be submitted to the HRF Steering Committee and IDB Board for approval in mid-2013.

Support for Small-Scale Businesses

The Support for Small-Scale Businesses features a business accelerator mechanism to provide technical, managerial and financial support to micro, small and medium enterprises (MSMEs), primarily in agribusiness, tourism, and industrial value chains. Through the business accelerator mechanism, the project will finance the preparation and funding of business plans of selected MSMEs, technical support and “seed capital” funding. This activity will be carried out under the guidance of the Center for the Development of Entrepreneurs and Entrepreneurship (CDEE) at the Ministry of Commerce and Industry. The program is designed to improve opportunities for MSMEs to overcome barriers that result from market failures for skills development, technology transfer and knowledge generation. It is expected that the pilot program will be mobilized by April 2013.

Funding for leasing facilities

The pilot funding for leasing activities would support the ongoing work of the Central Bank, the MEF and the International Finance Corporation (IFC) to develop leasing mechanisms in Haiti. Leasing is an important financial instrument for small and medium enterprises permitting them to use over the long-term an equipment or good from a leasing agent without needing to buy it, but rather effect regular payment over the life of the contract. Leasing is an innovative and alternative way for SMEs to access financing, improve their productivity, revenues, and increase employment in their sector. This component will give subordinated loans/seed capital up to USD 1.0 million (equivalent to up to 25% of the equity) for the creation of leasing companies. The amounts allocated for this activity are USD 2.0 million. A portion of the funds will be used to provide technical assistance to the market (especially those interested to create these companies).

¹ The FDI is a financial intermediary and project execution unit at Central Bank of Haiti. The Director of FDI is appointed by and accountable to the Board of the Central Bank. The FDI was the implementing agency of the PCGF.

II. Development of Milk Production and Transformation in Haiti

The other private sector support project financed by the HRF is the USD 2 million project “Development of Milk Production and Transformation in Haiti”. The Project, which is implemented by the Ministry of Agriculture and supervised by the FAO, aims to improve conditions of small farmers and develop the milk production industry in Haiti. The specific objectives are to: (1) recapture the internal milk product market and strengthen a network of enterprises involved in transformation of milk, offering a new, stable and profit-making outlet for milk farmers; (2) Increase the productivity of milk production; (3) Contribute to the structuration of the livestock farming sector by strengthening cattle farmers’ and milk producers’ organizations and create productive and commercial alliances between the different actors involved in the milk industry; and, (4) Favor the consumption of milk products by Haitian school children.

Results to date:

Increased production and productivity of dairies

- Ongoing construction of three dairies in three communes (Torbeck, Thomazeau and Cote de Fer) by SOCAP SA and Rotho’s Construction, two national firms.
- As a result of a socio-economic analysis of the three communes, an NGO (VETERIMED) was recruited to accompany producers to better structure themselves and legalize their status through milk producer associations. This assistance includes training by VETERIMED to approximately 450 livestock farmers and producers over a four-month period.

- The Ministry of Agriculture’s Milk Industry Projects Department organized on November 29, 2012, a workshop whose objective was to discuss the different themes of training for the milk industry and to propose the strategic ways of carrying out the training.

Improved commercialization

- Preparation for the procurement of material and equipment that will be installed in the dairies. These material and equipment will help bring about innovations in the transformation of milk to products including: pasteurized milk, butter, cream, cheese and yogurt. A particular emphasis will be placed on the commercialization of these products.

Strengthening national capacity

- Training sessions have been held with producer organizations in the selected zones, on issues such as organization strengthening, animal health, animal nutrition, livestock farming conduct, and breeding.

Upcoming activities:

- Continue accompaniment of milk producer associations;
- Finalize construction of the three dairies;
- Training of trainers for all actors in the milk production chain (“from field to fork”).
- Delivery of refrigerators for the commercialization of milk products
- Launch of bid for procurement of equipment for the dairies.



HRF ROLE IN RECONSTRUCTION FINANCE

The HRF is an important source of strategic reconstruction financing for the Government of Haiti. To date the HRF has mobilized US\$396 million from 19 donors, allocated or put aside \$278 million for 17 activities and disbursed \$131 million through its partners. According to the Office of the Special Envoy’s figures, of the \$5.33 billion pledged for programmes from 2010-2012 at the New York Conference, 53.2 percent (\$2.83 billion) had been disbursed by December 2012. **Funding made available through the HRF represents 14 percent of total funding disbursed by bilateral and multilateral donors for post-earthquake reconstruction** (based on New York conference pledges).

As of January 2013, the OSE was replaced by the Office of the Secretary-General’s Special Adviser on Community-Based Medicine & Lessons from Haiti (www.lessonsfromhaiti.org). As such, the new reference for external aid tracking is the Ministry of Planning and External Cooperation’s External Assistance Management Module (EAMM) (<https://haiti.ampsite.net/showDesktop.do>).

HRF funding is strategic not only because it supports and is aligned with the Government of Haiti’s Action Plan for National Recovery and Development but also because the Government of Haiti is in the driver’s seat, in setting priorities for reconstruction as well as Chair of the HRF Steering Committee and as a voting member of the Steering Committee. The HRF is also an important source of budget support for the Government of Haiti. The first funding allocated by the HRF was \$25 million in co-financing of a \$30 million World Bank budget support operation to fill the 2009-2010 fiscal budget gap and an additional \$99.78 million has been set aside by the HRF Steering Committee to finance upcoming budget support operations. The total value of the HRF portfolio is \$551 million, meaning that an additional \$277 million has been leveraged in co-financing.

Reconstruction and development is a long-term effort and the HRF will remain in place until at least 2017. The HRF is an important mechanism for the international community to continue providing pooled funding for reconstruction and development priorities.

HIGHLIGHTING PROJECT RESULTS

Of the 17 reconstruction projects financed by HRF, four are completed, two are in the process of closing, three are being restructured and eight are currently under implementation. For more information on projects under restructuring, please refer to bulletin no 5/Winter-2012 available on HRF website in the Documents Section.

Port au Prince Neighborhood Housing Reconstruction Project (PREKAD)

Parc Jean Marie Vincent:

- Of the approximate 9,000 families targeted (about 45,000 people) 1897 families have been moved to a rental unit (about 9,485 people or 21%)
- People are moving back to different neighborhoods, not only in Port-au-Prince.



Camp Jean Marie Vincent evolution as of March 31, 2013. Courtesy of IOM

Pétion Ville Club Camp:

- Of the approximate 2,800 families targeted (about 14,000 people) 173 families have been moved to a rental unit (about 865 people or 6%).

16 Neighborhoods/6 camps Social and Economic Impact

The yellow houses repairing project has allowed to :

- Create more than 9500 working days of which 75% were for the local population of the targeted neighborhoods and 40% for women ;
- Hire 6 local building companies ;
- Offer housing repair solutions to 1304 families for their houses ;

Community Infrastructures

- **Nérette Neighborhood:** 1.1km of road built in Nérette Neighborhood will allow 1002 families to take advantage from social and economic benefits of this road. Pedestrian security, mainly students, was enhanced by the building and readjusting of 2.2 km of sidewalks.
- **Lamps:** 308 solar lamps were installed in 8 neighborhoods of 16/6 which contributes to enhance security conditions on the targeted neighborhoods.
- **Drinking water:** 2 Haitian firms are executing works to build and rehabilitate 11 fountains in 3 neighborhoods of the 16/6 project.



Nightlife back in Nérette thanks to the new solar lamp. Courtesy HRF.

Debris Removal and Recycling:

The ILO workshop on recycling at the Haut-Turgeau Grand Seminar was launched. Managed by Archi-Technie, it produced paved stones and other materials, in response to market needs. It is used as a technical training center and for the organization of potential micro-enterprises to undertake paving stones production. Some results for the first quarter of 2013:

- 113 workers trained in recycling and construction techniques, of which 35 on business management;
- 9 local businesses supported;
- 250 square meters of rehabilitated corridors;
- 23,819 paving stones produced.

Disaster Risk Reduction in the South Department (Project Completed)

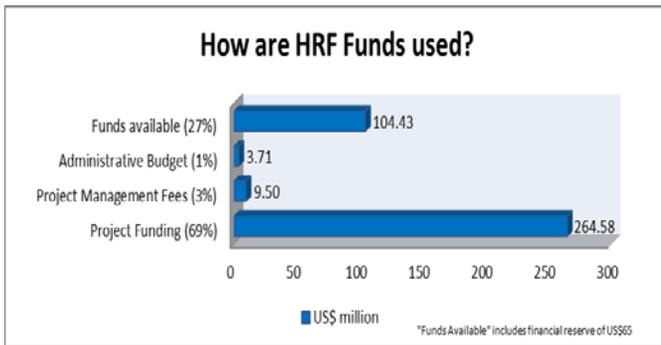
- 3600 temporary jobs created per month in the areas of intervention;
- 730 meters of canal drained;
- 1300 hectares reforested with different types of trees;
- 1320 meters of banks protected with gabions in order to reduce disaster risks in communities next to rivers;
- 13,949 meters of ravines and water retention dikes built;
- 30,550 meters of irrigation and drainage canal cleaned;
- 144,000 vitroplants banana suckers distributed to farmers to improve food security.

Earthquake prevention in the North Project

- A counseling committee on « seismic risk » is working in each main city of the 3 departments of the North. It includes Haitian professionals who represent the local government, construction professionals, disaster response teams, etc.;
- Partial restitution workshops of the geological mapping of Cap-Haitian, Port de Paix and Ouanaminthe were held in Cap-Haitian and Fort Liberté with more than 140 participants;

As of March 31, 2013, **19 donors have pledged and signed administrative Agreements or arrangements amounting to USD 396 million to the HRF**, of which USD 381 million has been transferred to the Trustee. The **total funds held in trust is USD 119.54 million**, which includes USD99.78 million in financial reserve, USD15 million in funding decision pending transfer and USD 4.76 in unallocated resources. USD 15 million in contributions remain outstanding from Spain (USD 10 million) and the United States (USD 5 million). **Funds available for allocation by the HRF Steering Committee total USD 4.76 million.**

In the last quarter, the Steering Committee held two meetings and approved: (1) increasing the HRF's Financial Reserve by USD 32.28 million, to a total of USD 99.78 million, with an acknowledgement of France's preferences for use of the newly-reserved funds for general budget support and projects in the education sector; (2) the Minister of Finance's proposal to use USD 48 million reserved for budget support to finance priority projects proposed by the Government to the HRF; and, (3) the use of USD 7.5 million in the Financial Reserve (initially intended for targeted budget support) for a project in the energy sector. An additional USD 5 million would be added to the Financial Reserve for a project in the energy sector when a contribution in this amount is received from the US.

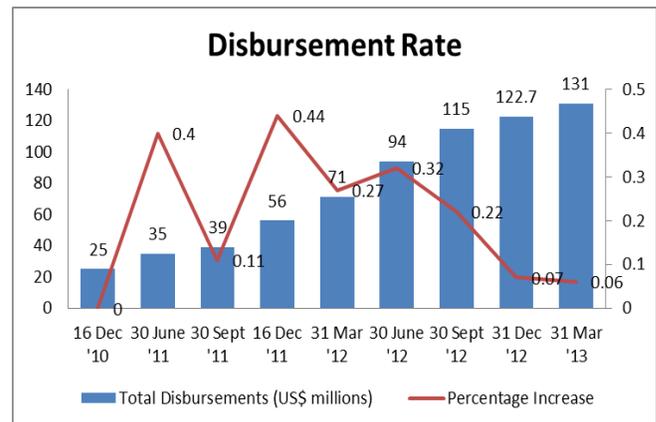


Of the 17 projects approved to date, four are now fully disbursed, ten are under implementation, two are being mobilized following restructuring, and one is pending cash transfer to Partner Entity. A concept note for the budget support operation is currently under preparation for submission to the MPCE.

The HRF Steering Committee, at the request of the IHRC and Government of Haiti², has allocated USD 278 million or 71 percent of committed funds for 17 reconstruction programs, including Partner Entity fees.

Total project-level disbursements are USD 131.36 million, representing 47 percent of total funds approved for projects. Project level disbursements by the Partner Entities increased by USD 8.7 million (6%) in the last three months.

Of the USD 278 million in project funds allocated, **95 percent or USD 263 million has already been transferred to the respective Partner Entity.** The United Nations serves as Partner Entity for ten out of the seventeen approved projects, representing 47 percent of total funds that have been transferred. The World Bank supervises three projects and the Inter-American Development Bank four projects, representing respectively 38 and 15 percent of project funding approved. **The majority of HRF funding, roughly 67 percent of total project allocations, is implemented through national or local government entities**, with remaining funds implemented by local and international NGOs, UN agencies and other entities.



² IHRC approved and submitted requests until the end of their mandate in 2011. In 2012, the Government of Haiti through the Council of Ministers approved and requested HRF funding from the HRF Steering Committee.

HRF FAMILY: WORLD BANK

The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) are two of the World Bank Group's five organizations. IBRD lends to middle-income and creditworthy low-income countries, while IDA provides interest-free loans and grants to governments of the poorest countries. All World Bank financing to Haiti is in grant form.



Alexandre Abrantes, Special Envoy. A Portuguese national, he worked at the University of Lisbon and the Portuguese Ministry of Health before joining the Bank in 1992. He holds a PhD in public health from the University of South Carolina.

The WB's 2013-2014 Interim Strategy aims to support the Haitian Government in reducing vulnerability and increasing resilience, ensuring sustainable reconstruction, building human capital, promoting inclusive growth, and strengthening governance and institutional capacity.



Michelle Keane, Lead Country Officer. A Dutch/US national, she managed refugee programs in Bosnia, Iraq, and Mali and worked at the EU before joining the Bank in 1997. She holds an MA in Public Policy from the College d'Europe, Belgium.

Haiti received an exceptional IDA allocation of USD 500 million for 2011-2014. Of this amount, USD 295 million were committed in 2011-2012 and USD 155 million are currently under preparation. The remaining USD 50 million are expected to be committed by the end of 2013.



Deo Ndikumana, Senior Country Officer. A Burundian national, he worked at Montreal University and in consulting before joining the Bank in 1992. He holds an MSc in development economics from HEC-Montreal.

The WB portfolio in Haiti includes 15 projects for USD 636 million, of which USD 244 million have been disbursed. The largest sectors are disaster risk management (\$208m), housing (\$111m), agriculture (\$106m), and electricity (\$101m). In addition, the WB also manages 38 externally-financed Trust Funds for a total USD 39 million, of which USD 17 million has been disbursed.



Kanae Watanabe, Country Officer. A Japanese national, she worked in the US Senate and USIP before joining the Bank in 2011. She holds a PhD in international law and conflict management from Johns Hopkins University.

The WB implemented the HRF's first project, a USD 25 million budget support operation which successfully closed on September 2011. It is currently implementing the Neighborhood Housing Reconstruction Project (USD 65 million).



Sarah Mondiere, Executive Assistant. A Haitian national, she worked at the EU, USAID and AfD before joining the Bank in 2010. She holds a Bachelor Degree in Law from the State University of Haiti.

The WB Haiti Country Office has 33 staff, including staff from the International Finance Corporation and the HRF Secretariat. The DC front office has a staff of 4, in addition to DC-based sector specialists.



Salimatou Drame-Bah, Assistant. A Guinean national, she worked in the health sector before joining the Bank in 1997. She studied socio-medical science at Lycée Bristol, France.

ABOUT THE HRF

The Haiti Reconstruction Fund (HRF) is a partnership between the international community and the Government of Haiti to help finance post-earthquake reconstruction. The HRF mobilizes, coordinates and allocates contributions from bilateral and other donors to finance high-priority reconstruction projects, programs and budget support. The advantages of this multi-donor approach are that it:

- Increases harmonization by pooling resources from many donors in support of the Government of Haiti's reconstruction priorities;
- Draws on the comparative advantages of proven international and locally-active partners;
- Reduces transaction costs for the Government and donors by working through one funding facility;
- Avoids overlapping initiatives and duplication of efforts; and
- Helps to meet strategic financing needs in the reconstruction process as identified by the Government of Haiti.

The HRF is the largest source of unprogrammed funding for reconstruction.

As of March 31, 2013, nineteen donors have committed US\$396 million to the Fund. This money is unprogrammed and can be used flexibly to meet the Government of Haiti's strategic reconstruction needs. 14 percent of all reconstruction funds disbursed to Haiti as of December 2011 was channeled through the HRF.

The HRF is chaired by the Government of Haiti, which also sets its priorities.

The HRF Steering Committee is chaired by the Minister of Finance. Every reconstruction activity financed by the HRF must be requested and approved by the entity designated by the Haitian Government as the HRF counterpart.

The HRF provides the largest amount of money for some of Haiti's top reconstruction priorities in the housing, debris removal and disaster risk management sectors.

The HRF is a low-cost, efficient mechanism for financing reconstruction.

Only 3 percent of committed resources are being used to cover the administrative costs of the HRF Secretariat, Trustee and Partner Entities. The HRF can approve fast track financing for small projects of up to US\$1 million in one week and larger amounts in as little as two weeks after receiving a request from the HRF government counterpart.

The HRF is a long-term partner for Haiti's rebuilding.

The HRF will continue to support the reconstruction until December 2017.

HRF SECRETARIAT

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For comments related to HRF-financed activities, please send a free text message to 3747

