



Operations Manual

HAITI RECONSTRUCTION FUND

This Operations Manual is not a legal document. The Manual describes the governance structure and the operating principles, guidelines and procedures for the day-to-day operations of the Haiti Reconstruction Fund.

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1. INTRODUCTION

1.1 The devastating January 12 earthquake in Haiti has generated an enormous outpouring of international support. Governments, private entities, non-governmental organizations (NGOs), creditors, and multilateral agencies around the world have mobilized substantial volumes of resources to support relief and recovery. Some of these contributors have the capacity and desire to manage their own resources on the ground with the Government of Haiti (GoH). Others prefer to combine their support in a multi-donor effort to help finance the reconstruction process.

1.2 In response to a March 2010 request from the GoH, the Inter-American Development Bank (IDB), the United Nations (UN) and the World Bank, along with contributing donors, established a multi-donor fund called the Haiti Reconstruction Fund (HRF or “the Fund”). The role of the HRF is to support the GoH’s post-earthquake Action Plan for the Recovery and Development of Haiti and related initiatives. At the GoH’s request, the International Development Association (IDA) of the World Bank Group will serve as Trustee for the Fund.

1.3 The advantages of this multi-donor approach are that it:

- Increases harmonization by pooling resources from many donors in support of the Government’s Recovery Plan;
- Draws on the comparative advantages of proven international (IDB, UN, World Bank, and the International Finance Corporation (IFC)) and locally-active partners that are eligible to implement according to a Partner Entity’s rules and procedures;
- Reduces transaction costs for the Government and donors by working through one funding facility;
- Avoids overlapping initiatives and duplication of effort; and
- Helps to meet strategic financing needs in the reconstruction process as identified by the Government of Haiti.

1.4 Contributions to the Fund are expected from individual sovereign governments, the Caribbean Development Bank and the European Commission. Private sector partners, foundations, international organizations, local governments, and non-governmental organizations may also contribute resources to the Fund, subject to the terms and conditions agreed by the Trustee and the Steering Committee.

2. DESCRIPTION OF THE HAITI RECONSTRUCTION FUND

2.1 Objective. The objective of the Fund is to support the mobilization, coordination and allocation of resources in the form of contributions to improve basic living conditions in Haiti and assist in building the capacity of the Government of Haiti in the longer term consistent with Haiti's Action Plan for Reconstruction and Development. To meet this objective, the HRF will coordinate its activities with the Government of Haiti, and especially the Ministry of Planning and External Cooperation (MPCE) as the entity designated by the Government of Haiti as the HRF counterpart. The HRF is administered by the International Development Association (IDA) as Trustee, and constitutes pooled contributions to provide grant financing for priority activities identified by the Ministry of Planning and External Cooperation (MPCE) and approved by the Council of Ministers following consultation with the Prime Minister, as consistent with the GoH Recovery Plan.

2.2 Activities. Activities will be financed to achieve the objective of the Fund, including: (a) technical assistance and capacity building; (b) infrastructure investments; (c) delivery of basic services; (d) community development; (e) environmental protection and clean-up; (f) income generation activities; (g) budget support. This can include one or more facilities to make small grants that support these activities. Other activities may be agreed by the HRF Steering Committee when consistent with the overall mandate of the Trustee.

2.3 Guiding principles. Building on good practice from other multi-donor funds for recovery and reconstruction, the HRF will adhere to the following principles:

- **Government leadership** – the governance structure and the process for approving grants will be led by the Government of Haiti as chair of the HRF's governing body
- **Strategic finance** – the HRF resources can increase flexibility by providing reconstruction finance that is not being furnished through earmarked funding from other sources
- **Standards** – the HRF and its financed activities will adhere to international standards and good practice in key areas such as financial management, procurement, poverty alleviation, good governance, environmental sustainability, and gender equity
- **Build on existing capacity** – the HRF will seek to work with and finance existing successful programs including those building social capital, e.g. through community-driven development programs, and enhancing the capacity of line ministries, local governments, private enterprise, and NGOs with a proven track record
- **Good governance** – the HRF and its financed activities will enable the participation of different levels of government, civil society, the private sector, the diaspora, and development partners and promote a transparent, accountable reconstruction process

- **Speed and risk management** – the HRF will ensure the speedy and efficient delivery of its activities while managing risks to produce high-quality results.

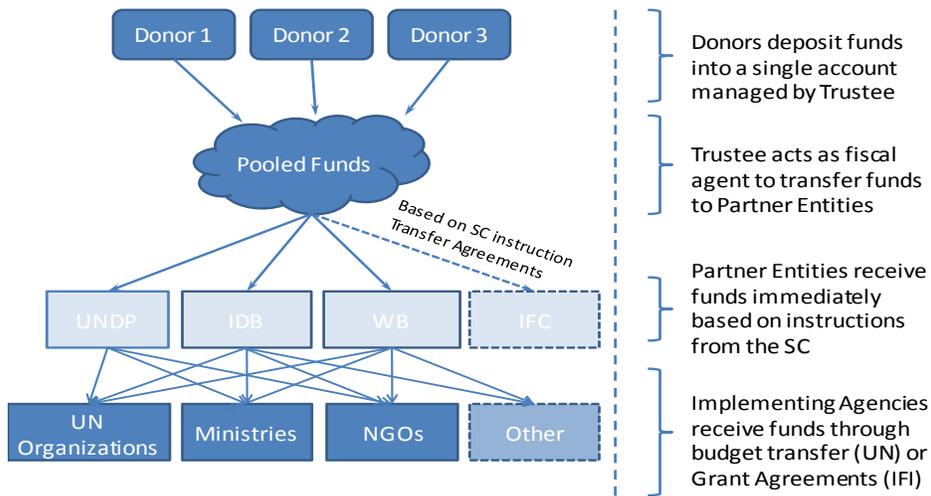
2.4 **Contributions.** The contributions shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Trustee. The contributions may be commingled with other trust fund assets maintained by the Trustee. The contributions may be freely exchanged by the Trustee into other currencies as may facilitate their disbursement.

2.5 The Trustee shall invest and reinvest the resources of the Fund pending their disbursement in accordance with the Trustee’s policies and procedures for the investment of trust funds administered by the Trustee. The Trustee shall credit all income from such investment to the HRF to be used for the same purposes as the Fund.

2.6 At the Trustee’s discretion, and following its own procedures and guidelines, it may enter into Administration Agreements with non-sovereign donors. The Trustee will consult with the Steering Committee prior to rejecting any contributions.

2.7 **Financing arrangements.** The HRF is a financial intermediary fund that is administered by IDA as Trustee and constitutes pooled contributions to provide grant financing for priority projects, programs and budget support for post-earthquake reconstruction and development. Donors enter into an Administration Agreement or arrangement with IDA as Trustee. The Trustee, at the instruction of the HRF’s Steering Committee (see Section III), then enters into Transfer Agreements with Partner Entities to finance HRF activities. The Trustee has no responsibility for the use of funds once transferred to the Partner Entity. Partner Entities currently include the IDB, UNDP (through its Multi-Donor Trust Fund Office) on behalf of the UNDG organizations, the World Bank, and the IFC. Partner Entities will meet the fiduciary and management standards as required by the Steering Committee and Trustee. Trustee consent is required for the addition of new Partner Entities. Partner Entities will work through one or more Implementing Agencies that are permitted by a Partner Entity’s rules and procedures to undertake reconstruction and development activities. The flow of funds is depicted in Figure 2.1 below.

Figure 2.1: Flow of HRF Resources



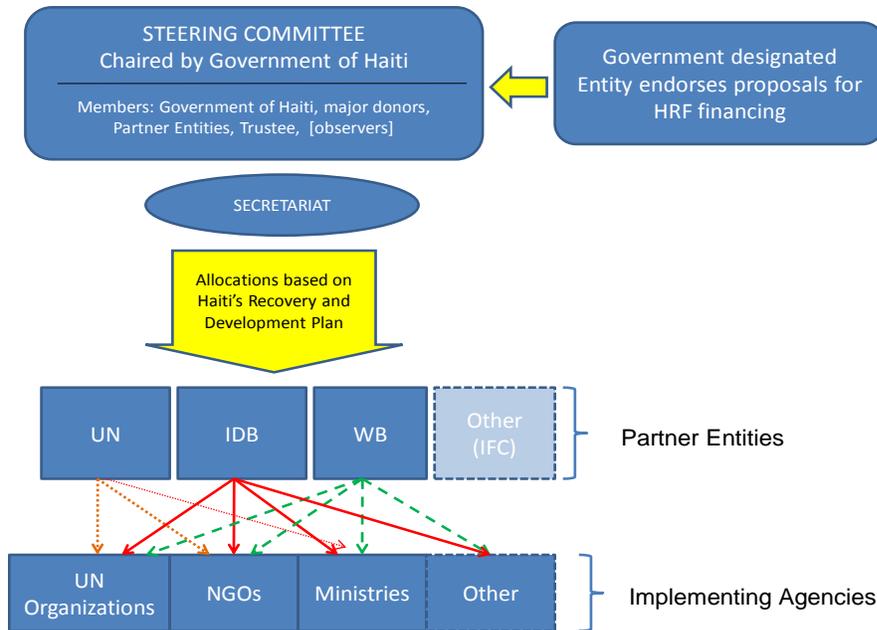
2.7 Commencement: the Haiti Reconstruction Fund became effective upon signature of the first Administration Agreement with Brazil on May 11, 2010.

2.8 End Disbursement: It is expected that the HRF funds will be fully disbursed by the Trustee by December 31, 2017. The Trustee shall only disburse after such date with the written approval of the Donors. IDA, as Trustee, will then undertake all actions necessary, including accounting, auditing and reporting, to wind up the activities of the Fund in an expeditious and orderly manner. Following the final disbursement date, the Trustee shall, as instructed by each Donor in writing, return any remaining balance of the resources to the relevant Donor or to the relevant Donor Balance Account or transfer such balance to another trust fund or fund administered by the World Bank Group on a pro rata basis based on the Donors' paid Contributions, provided this has been agreed with the donor.

3. GOVERNANCE AND STRUCTURE

3.1 The HRF has a governance structure consisting of: a Steering Committee, Partner Entities, a Trustee, and a Secretariat. Their relationship is graphically presented in Figure 3.1.

FIGURE 3.1: HRF Governance Structure



A. STEERING COMMITTEE

3.2 The Steering Committee will be established to oversee the activities of the Fund, and will consist of the following members (the Members):

- (a) Two representatives of the Government of Haiti, one of whom shall be the Chairperson;
- (b) a representative of each Donor making the minimum aggregate contribution to the Trust Fund of USD 30 million;
- (c) a representative of each Partner Entity; and

- (d) a representative of the Trustee¹.

A representative of the Government of Haiti will serve as the chair of the Steering Committee and will convene its meetings. The Steering Committee will decide on any changes to its size and composition.

3.3 Observers on the Steering Committee shall consist of the following:

- (a) a representative of international non-governmental organizations;
- (b) a representative of the private sector;
- (c) a representative of the Haitian diaspora;
- (d) a representative of other development partners;
- (e) a representative of Haitian civil society; and
- (f) a representative of local government.

3.4 Members referred to in paragraphs 3.2 (a) and (b) above will be the decision-making Members in all matters relevant to the Steering Committee. The Members in paragraphs 3.2 (c) and (d) above will be non-decision making Members. The composition, selection process and role of observers will be decided upon by the Steering Committee.

3.5 In order to be selected as a Member representing a Donor (or group of Donors) on the Steering Committee pursuant to paragraph 3.2(b) above, a Donor (or group of Donors) will be required to make a commitment, by way of entering into an Administration Agreement(s) with the Trustee, to contribute to the Fund an aggregate amount not less than the minimum amount of USD 30 million, or such other amount decided by the Steering Committee.

3.6 In the event that all or a part of the Donor's contribution is subject to legislative approval, the Donor may enter into an Administration Agreement with the Trustee for the total amount of the contribution, but qualify all or the portion of the contribution that is subject to legislative approval ; provided that if that Donor has not unqualified the contribution in an amount no less than the minimum contribution within eighteen (18) months of the effectiveness of the Administration Agreement, that Donor country will not be eligible to apply for a seat at the Steering Committee for the subsequent term until and unless the minimum contribution is unqualified. In no case will a Donor country that has not unqualified an amount equal to or exceeding the minimum contribution to serve as a Member of the Steering Committee for a

¹ The World Bank plays three roles in the HRF: Trustee, Partner Entity and facilitator of the Secretariat. These roles have separate administrative accountabilities and two functions (Trustee and Partner Entity) are represented on the Steering Committee.

period exceeding two years.

3.7 The Steering Committee will be responsible for:

- (a) ensuring that the strategic orientation of the Trust Fund is guided by the principles of Haiti's recovery, reconstruction and development needs as defined by the Government of Haiti's Action Plan for Reconstruction and Development or a similar document for recovery reconstruction and development approved by the Government of Haiti and operationalized through the Ministry of Planning and External Cooperation (MPCE)(b) conducting discussions on a regular basis on the strategic orientation of the Trust Fund;
- (c) establishing the criteria and requirements for Project and Program Proposals for consideration for funding from the Trust Fund;
- (d) approving, rejecting or sending back for revision Projects and Program Proposals for consideration for funding from the Trust Fund;
- (e) approving all allocations of HRF funds for Projects and Programs, the administrative budgets of the Secretariat and Trustee, and fees, and informing the Secretariat and the Trustee thereof;
- (f) approving the common format for progress reports submitted by the Partner Entities;
- (g) receiving and approving progress and financial reports as well as receiving a mid-term review from Partner Entities;
- (h) ensuring that allocations to Partner Entities will be based on the Government of Haiti's Action Plan for Reconstruction and Development and based on requests by the Ministry of Planning and External Cooperation (MPCE) that have been approved by the Council of Ministers following consultation with the Prime Minister;
- (i) reviewing all unaudited or audited financial reports and any other relevant financial information and Single Audit reports on the finances of the Trust Fund received from the Trustee;
- (j) deciding to instruct the Trustee to withhold disbursements to Partner Entities under the Transfer Agreements for the following reasons including but not limited to: (a) a substantial deviation from work plans and budgets approved by the Steering Committee; (b) failure of the Partner Entity to

provide required reports;(c) evidence of financial mismanagement in Projects; or (d) noncompliance of any applicable terms as set forth in the Transfer Agreements;

- (k) approving this operations manual;
- (l) establishing any other subcommittee necessary for the Steering Committee to carry out its responsibilities effectively and efficiently;
- (m) exercising oversight of the Trustee;
- (n) considering and approving requests to reserve funds for future use; and
- (o) exercising such other functions as the Steering Committee may deem appropriate to fulfill the purposes of the Fund.

3.8 Decisions by the Steering Committee will be made by consensus of its decision-making Members. Consensus is a procedure for adopting a decision when no participant in the decision-making process blocks a proposed decision. For the purposes of the Fund, consensus does not necessarily imply unanimity. A dissenting decision-maker, who does not wish to block a decision, may state an objection by attaching a statement or note to the decision. If consensus is not possible, then a proposed decision will be postponed or withdrawn.

3.9 Decisions may be made and meetings may be held by means of telephone conference or electronic communication media. Any decisions of the Steering Committee will be made by: (a) consensus of all its decision making Members participating in a meeting; or (b) affirmative approval or no objection within ten (10) business days on the part of all the decision-making Members by virtual (email) correspondence.

3.10 The Steering Committee shall meet as frequently as necessary, at a minimum twice every year, to discharge its responsibilities. The location of each meeting shall be at the discretion of the Chair. The Secretariat shall give notice of the date and venue for each meeting to the Members and official observers no less than five working days prior to the date of such meeting. The Steering Committee may invite other observers (e.g. representatives of potential contributors) to the meetings as it deems appropriate.

3.11 The Steering Committee shall be chaired by a representative of the Government of Haiti. The Chair will be responsible for:

- ensuring that the Government's voice is reflected coherently in Steering Committee meetings;
- intervening at high levels if necessary to ensure that HRF funds flow is not hampered by bureaucratic delays;

- preparing, in consultation with the Secretariat, a provisional agenda with necessary supporting documents; and
- identifying and recommending observers to take part in Steering Committee meetings.

3.12 The Secretariat shall prepare the provisional agenda for the meetings and the relevant documentation and shall provide these to the members of the Steering Committee by email and post them on the HRF website no later than five working days prior to the meeting. At the beginning of each meeting, the Steering Committee shall adopt the agenda for the meeting. Any item that was included in the agenda, but consideration for which was not completed at that meeting, shall be included automatically in the provisional agenda for the next meeting unless otherwise decided upon by the Steering Committee.

3.13 Following discussion of any agenda item, or other issue raised during the meeting that requires a decision of the Steering Committee, the Chair shall present a summary of the main discussions and determine whether there is a consensus. At the end of the meeting, the Secretariat shall summarize the decisions reached by consensus, including the funding decisions taken, and this summary shall be highlighted in the minutes of the Steering Committee meeting.

3.14 The Secretariat shall arrange appropriate minutes of the proceedings of each meeting. When the Steering Committee allocates resources for a proposal or preparation of a proposal concept, the minutes shall include an allocation number, the name of the project or program, the amount allocated subject to satisfactory appraisal, the name of the Partner Entity, and the name of the Implementing Agency and the funding mechanism/flow of funding for the proposal.

3.15 The minutes shall be circulated to members within 5 working days of the Steering Committee meeting and members shall be given 10 working days to comment on them from the date of such circulation. After that 10 day review period, the Secretariat shall include comments and circulate the final minutes. A draft version of the minutes, including any applicable revisions, shall then be circulated to members within ten working days of the next Steering Committee meeting. These draft minutes shall be formally approved at the next Steering Committee meeting. Upon being formally approved they will then be posted in English and French on the respective Haiti Reconstruction Fund websites (www.haitireconstructionfund.org and www.fondsdereconstructiondhaiti.org).

B. PARTNER ENTITIES

3.16 Each Partner Entity will be responsible for the use of funds transferred by the Trustee and activities carried out therewith in accordance with: (a) its own policies, guidelines, and procedures, including its framework to combat fraud and corruption; and (b) the applicable

decisions of the Steering Committee, including the purpose for which the allocations of the funds have been approved as set out in the Transfer Agreement.

3.17 The employment and supervision of consultants and the procurement of goods and works financed by the Contributions shall be the responsibility solely of the Partner Entity and shall be carried out in accordance with its applicable policies and procedures. The Transfer Agreement shall provide that the resources of the Fund shall be used by the Partner Entity to finance expenditures for goods, works and services, as the case may be, in accordance with the Partner Entity's procurement policies as in effect at the date of the Transfer Agreement.

3.18 For transfers to Partner Entities, categories of expenditure will be determined by the policies and procedures of the Partner Entity, and with the approval and instruction of the Steering Committee, and may include costs for Project and/or Program preparation and supervision. The Steering Committee may set guidelines as to acceptable costs for preparation and supervision costs.

3.19 Each Partner Entity will be responsible for monitoring and evaluation of activities financed by the HRF funds transferred to it in accordance with its regulations, rules, policies and procedures and in accordance with the Transfer Agreement.

3.20 Each Partner Entity through the Secretariat shall provide the Donors and Steering Committee with a report, annually or at such times as otherwise may be agreed by the Steering Committee, on the progress of Activities financed by the Contributions received by the Partner Entity and the results thereof. Within six (6) months of the final disbursement date specified in para. 2.8, each Partner Entity through the Secretariat shall furnish to the Donors a final report of the Projects and/or Programs.

C. TRUSTEE

3.21 IDA will serve as Trustee for the Trust Fund. IDA, in its capacity as the Trustee, will establish the Trust Fund to receive contributions from Donors to the Trust Fund, and will hold in trust, as a legal owner, and administer the funds, assets and receipts that constitute the HRF. The Trustee will be accountable to the Steering Committee for the performance of its functions.

3.22 The Trustee will make commitments and transfers of HRF funds, as set forth in Annex 1 of the Administration Agreement and provide reports to the Steering Committee on the financial status of the Fund as set forth in Annex 1 of the Administration Agreement or otherwise agreed between the Trustee and the Steering Committee.

3.23 The Steering Committee may instruct the Trustee to request return of funds transferred to Partner Entities as set out in Annex 1 of the Administration Agreement and

the Transfer Agreements and will send notices to Partner Entities pursuant to the Transfer Agreements as directed by the Steering Committee.

3.24 The Trustee will have no responsibility for the use of the Trust Fund funds transferred and Activities carried out therewith. In particular, the Trustee shall have no responsibility, fiduciary or otherwise, for the implementation or supervision of Activities financed by such funds, including without limitation, any duties and obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law.

3.25 The Trustee shall commit up to the maximum amount of uncommitted funds available in the Trust Fund allocated by the Steering Committee and transfer such amount: (a) to the Partner Entities, including the World Bank in its role as a Partner Entity, in accordance with the Transfer Agreements and (b) to the Secretariat in accordance with a Memorandum of Understanding between the Trustee and the Secretariat, and based on annual budgets approved by the Steering Committee.

3.26 The Trustee shall, as trustee on behalf of the Donors, enter into Transfer Agreements for the purposes of the Administration Agreement on the terms and conditions set forth in the Transfer Agreement. The Steering Committee shall approve any material change to the form of the Transfer Agreement. The Trustee shall furnish a copy of each executed Transfer Agreement to the Donors.

3.27 The Transfer Agreement(s) shall provide, at a minimum, that each Partner Entity shall be responsible for:

- (a) the use of the Trust Fund funds transferred to it and activities carried out in accordance with: (i) its policies and procedures (including those in respect of maintaining its tax exempt status, the procurement of goods and services, reporting arrangements and its framework to combat fraud and corruption); and (ii) the applicable decisions of the Steering Committee, including the purpose for which the allocations of the funds have been approved;
- (b) maintaining books, records, documents, and other evidence in accordance with its usual accounting procedures to sufficiently substantiate the use of the HRF funds transferred to it;
- (c) requiring the Government of Haiti to maintain a dedicated account for any funds used to provide budget support; and
- (d) reporting to the Steering Committee on the project and/or program of activities in accordance with the terms of the Governance Document in the Administration Agreement as elaborated in this Operations Manual.

3.28 Recognizing the obligations of the Donors under various United Nations Security Council Resolutions and the Donors' intent that HRF funds not be used to finance drug traffickers or terrorists or corrupt persons, and that the Trustee is not responsible for the use of funds transferred, the Trustee will include in each Transfer Agreement a requirement that the Partner Entity:

- (a) undertakes to use reasonable efforts, consistent with its policies and procedures, including those pertaining to combating financing for terrorists, to ensure that HRF funds provided to the Partner Entity by the Trustee are used for their intended purposes and are not diverted to terrorists or their agents;
- (b) will not use HRF funds for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions;
- (c) will confirm that, given the activities to be funded with the funds provided to the Partner Entity, the Partner Entity does not believe that any such funds would be diverted to drug traffickers and their conspirators; and
- (d) will include provisions corresponding to subparagraphs (a) – (c) above in any sub-grant agreements that the Partner Entity enters into with entities to which the Partner Entity makes HRF funds available.

3.29 Such Transfer Agreement shall also name the Donors as third party beneficiaries with direct rights on the part of the Donors to seek recourse under the Transfer Agreement and will provide the Trustee with the rights of novation and assignment to enable the Donors to seek direct recourse against a Partner Entity.

3.30 The Trustee shall also include in each Transfer Agreement that the Partner Entity may invite the Donors to participate in its supervision missions related to the Fund and that, if any Donor wishes to request to review or evaluate activities of a Partner Entity financed by the HRF, the Donor and the Partner Entity shall agree on the scope and conduct of such review or evaluation, and the Partner Entity shall provide all relevant information within the limits of its policies and procedures. It is understood that any such review or evaluation will not constitute a financial compliance or other audit of the Fund. All associated costs will be borne by the Donor, unless otherwise agreed.

3.31 The Trustee shall accept from the Partner Entities that have received HRF funds from the Trustee, periodic unaudited financial reports and/or an audited financial report, as well as other relevant financial information, as required by the Steering Committee.

3.32 For transfers to Partner Entities, IDA's role shall be solely as Trustee of the Fund, unless the World Bank itself is the Partner Entity. The Trustee shall have no responsibility for implementation of activities following disbursement of such funds to any Partner Entity.

3.33 The Trustee shall disburse funds to a Partner Entity based on the funding approvals of the Steering Committee, subject to availability of resources in the Fund. The disbursements shall be based on projects and/or programs and budgets submitted by a Partner Entity through the Ministry of Planning and External Cooperation (MPCE) to the Secretariat and approved by the Steering Committee.

3.34 In the event that the Steering Committee shall have decided to withhold disbursements for reasons set out in the Governance Document of the Administration Agreement, the Steering Committee shall instruct the Trustee to claim repayment in full or in part directly from the Partner Entity as set forth in the Transfer Agreement. The Trustee shall not be responsible for ensuring such repayment.

3.35 The Trustee shall maintain separate records and ledger accounts for contributions and other resources deposited in the HRF account and disbursements to Partner Entities.

3.36 The Trustee shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in United States dollars of the Fund. Within six (6) months after all commitments and liabilities under the HRF have been satisfied and the Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States dollars will be made available to the Donors.

3.37 The Trustee shall provide to the Donors, within six (6) months following the end of each Trustee fiscal year, an annual single audit report, comprising: (a) a management assertion together with an attestation from the Trustee's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (b) a combined financial statement for all cash-based trust funds together with the Trustee's external auditor's opinion thereon. The cost of the single audit shall be borne by the Trustee.

3.38 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Trustee's external auditors of the HRF, the Donor and the Trustee shall first consult as to whether such an external audit is necessary. The Trustee and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and

terms of reference, the Trustee shall arrange for such external audit. The costs of any such audit, including the internal costs of the Trustee with respect to such audit, shall be paid by the requesting Donor.

3.39 The Trustee shall furnish the Steering Committee and each Donor with: (a) copies of all unaudited or audited financial reports; and (b) any other relevant financial information received from the Partner Entities. The Trustee will disclose information under this Fund in accordance with the Trustee's policy on disclosure of information in effect at the time of such disclosure.

3.40 The Trustee may terminate its role as trustee of the Trust Fund at any time after giving the Steering Committee three (3) months notice in writing. Following termination, the Trustee shall carry on no business for the HRF except for the purpose of winding up its affairs. The Trustee shall, in consultation with the Steering Committee to the extent possible, take all necessary action for winding up its affairs in an expeditious manner, and for meeting the commitments already made by the Trustee.

D. SECRETARIAT

3.41 The Secretariat will be established to support the work of the Steering Committee. The Secretariat will comprise a small team of professional and administrative staff employed through the World Bank. The Secretariat will be headed by a program manager within the office of the Director of Strategy and Operations of the Latin America and the Caribbean Region of the World Bank.

3.42 The Secretariat will be based in Haiti and will be responsible for:

- (a) receiving project and program proposals and funding requests from the Ministry of Planning and External Cooperation (MPCE) for review by the Steering Committee;
- (b) notifying the Trustee of funding requests approved by the Steering Committee;
- (c) organizing meetings of the Steering Committee;
- (d) drafting and circulating minutes of Steering Committee discussions;
- (e) providing public information on Trust Fund Activities on a website to be created;
- (f) offering guidance to the Partner Entities on the processes and requirements as laid out by the Steering Committee;
- (g) receiving and consolidating annual reports on implementation results;
- (h) receiving periodic operational reports submitted by the Partner Entities for distribution to the Steering Committee and Donors;
- (i) drafting this operational manual;

- (j) collaborating with the Trustee to ensure that the Trustee has all the information necessary to carry out its responsibilities; and
- (k) performing any other functions assigned to it by a decision of the Steering Committee.

E. IMPLEMENTING AGENCIES

3.44 Projects for which funding is channeled through the Government's budget shall be implemented by a Government Line Agency or its designated Implementing Agency that is permitted by a Partner Entity's rules and procedures. Projects for which funding is not channeled through Government's budget may be implemented by entities other than Government line agencies that are permitted by a Partner Entity's rules and procedures.

F. COST RECOVERY ARRANGEMENTS

3.45 In order to assist in the defrayment of the costs of administration and other expenses incurred by the Trustee and the Secretariat, Trust Fund resources may be used to cover the administrative costs incurred by the Trustee and the Secretariat. Upon approval of any proposal by the Steering Committee for compensation for administrative costs, the Trustee may transfer to each party the respective amount of compensation approved for that party, provided that such amount of compensation transferred shall be subject to an end-of-year adjustment based on actual costs incurred.

G. AMENDMENTS

3.43 This operations manual may be amended by following the same decision making processes of the Steering Committee as described above in paras. 3.8-3.9. All amendments shall be consistent with the terms and conditions in the current version of the Administration Agreement.

4. MECHANISMS FOR FINANCING PROJECTS AND PROGRAMS

A. CONDITIONS FOR ELIGIBILITY

4.1 The Fund shall provide grant funding for projects and programs in support of the Government's Action Plan for Reconstruction and Development. Proposals should meet the following conditions:

- Be requested by the MPCE
- Comply with the Government of Haiti's Recovery Plan or a similar document for recovery, reconstruction and development approved by the Government of Haiti;
- Designed to meet a strategic financing need in the reconstruction;
- Consistent with the Fund's policies and strategies (as amended from time to time);
- Enable the efficient, speedy and sustainable recovery of Haiti, and be completed within the life of the Fund (May 2010 - December 2017);
- Be prepared using the Government's Project Concept Note template (herein after referred to as the "PCN") template; and
- Be fully compatible with the Partner Entity's policies and procedures and the Trustee's mandate, including those for emergency operations and follow the Partner Entity's internal quality assurance processes.

4.2 The provisions of the Administration Agreements and Transfer Agreements are binding, and in the event of any conflict between (i) any provisions of any such agreements and (ii) any provisions of the Recovery Plan or Government laws or regulations, then the provisions of the Administration Agreements and Transfer Agreements, as applicable, will prevail.

B. TERMS AND CONDITIONS GOVERNING HRF GRANTS

4.3 To facilitate swift disbursements from the Fund, each Partner Entity shall apply their own appropriate procedures including simplified project designs, use of emergency approval procedures, streamlined procurement and financial management procedures, and flexible project start-up support.

4.4 The following shall apply to all Fund grants:

- each grant shall be approved and administered in accordance with the guidelines of the applicable Partner Entity (IDB, UN, World Bank, IFC);
- HRF grants shall be denominated in United States Dollars; and

- the relevant Partner Entity shall, for purposes of each grant, conclude an agreement with the Implementing Agency, indicating in particular that the resources have been provided from the Fund.

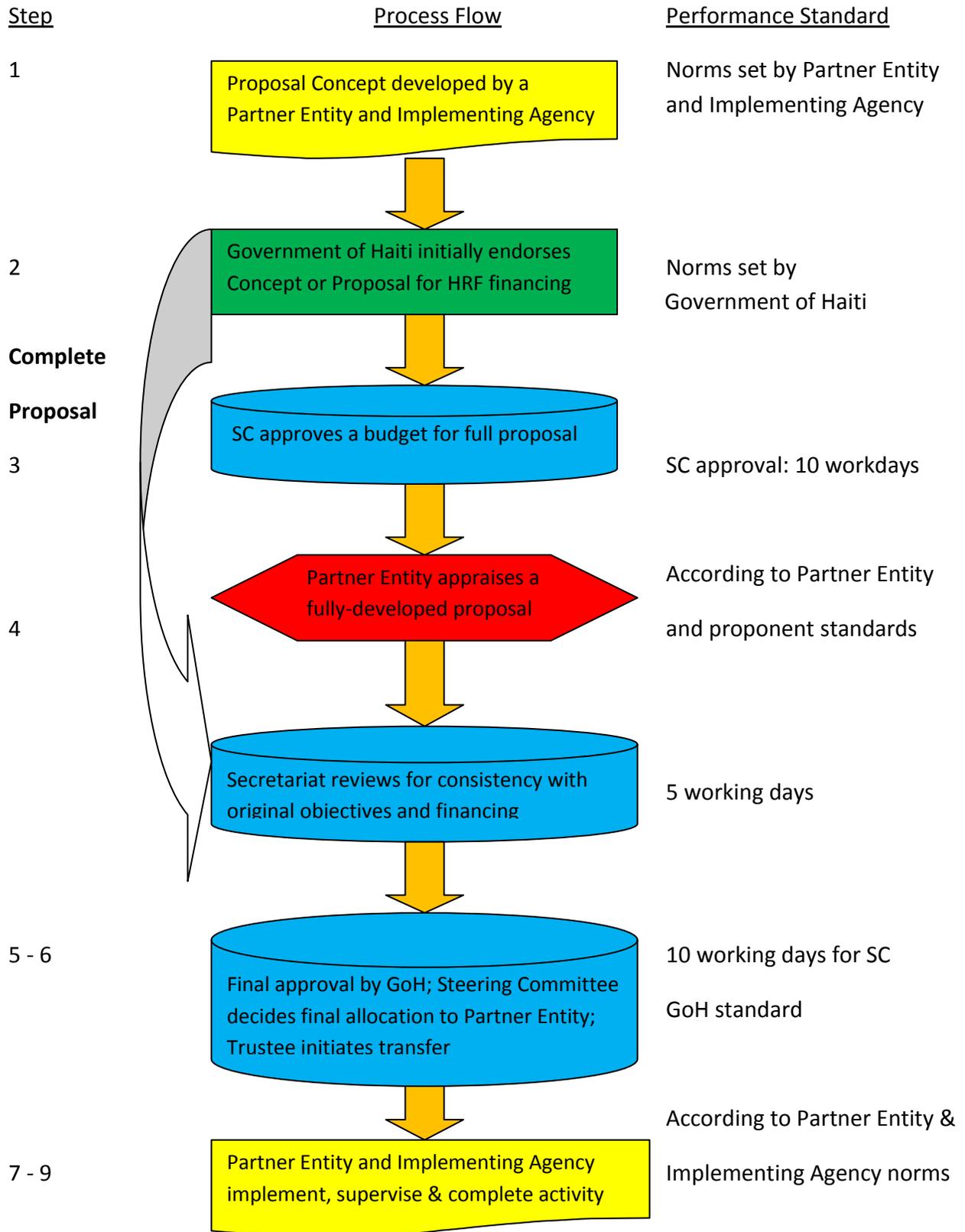
C. OPERATIONS CYCLE OF FUND-FINANCE ACTIVITIES

(i) Summary Table of Operations Cycle

Steps/Actions Required	Who is Responsible?	Performance Standards
1. Submission of PCN or Complete Proposal to the Ministry of Planning and External Cooperation (MPCE)	Partner Entity and Implementing Agency	Partner Entity and Implementing Agency emergency standards
2. PCN or Proposal Evaluation and Recommendation	MPCE, Prime Minister and Council of Ministers	Government of Haiti's standards
3. Evaluation and Approval of Budget	Steering Committee	10 working days
4. Development of Complete Proposal	Partner Entity and Implementing Agency	Partner Entity, Implementing Agency and Government of Haiti's standards
5. Decision to allocate initial resources & final approval	Steering Committee	10 working days after receipt of complete proposal
6. Funds Transfer to Partner Entity	Trustee	10 working days following SC decision to allocate
7. Implementation	Implementing Agency	Set forth in project documentation
8. Supervision, Monitoring and Reporting	Partner Entity	In accordance with Partner Entity rules & procedures
9. Project Completion	Partner Entity and Implementing Agency	No later than 6 months after final disbursement

These steps are also graphically presented in the flow chart in Figure 4.1.

Figure 4.1: Flow Chart for HRF Grant Approval Process



(ii) Explanation of Each Step in the Operations Cycle of Fund-Financed Activities

STEP 1: Project Concept Note ("PCN") or Complete Proposal Submission

4.5 An Implementing Agency works with a Partner Entity to develop a proposal concept in accordance with the PCN template or a complete proposal in the Partner Entity's accepted format. The Partner Entity then submits the proposal concept or complete proposal to the Ministry of Planning and External Cooperation (MPCE). Submission implies confirmation that the Partner Entity and Implementing Agency have taken the PCN or complete proposal through their respective internal clearance processes. The PCN should also indicate (i) whether the proposed concept is seeking on-budget or off-budget financing modality; and (ii) the Implementing Agency. This process can be initiated by the Implementing Agency or the Partner Entity.

STEP 2: PCN or Proposal Evaluation and Recommendation

4.6 The MPCE will review the PCN or complete proposal in collaboration with relevant line ministries to determine whether it is consistent with the GoH Recovery Plan and related policies and whether it fills a sectoral or geographic gap in reconstruction finance. If both conditions are satisfied, the MPCE will submit the PCN or complete proposal to the Council of Ministers following consultation with the Prime Minister. The Council of Ministers will decide on the funding requests to be submitted to the HRF for financing. The MPCE will submit project proposals approved by the Council of Ministers to the HRF Secretariat for financing or co-financing via written communication.

4.7 If a PCN is received from the MPCE by the HRF Secretariat, it will be circulated to the Steering Committee electronically. The procedures described in Step 3 and onwards would then apply.

4.8 If a complete proposal is received from the MPCE by the HRF Secretariat requesting US\$1 million or more, it will be circulated to the Steering Committee electronically. The procedures described in Step 5 and onwards would then apply.

4.9 If a complete proposal is received from the MPCE by the HRF Secretariat requesting financing of less than US\$1 million, it will be circulated to the Steering Committee electronically. The Steering Committee would then follow its procedures for a decision without meeting. Members would be given a period of ten working days to formally object to allocating resources for the proposal. If no objections are received by close of business on the tenth day, resource allocation would be deemed to have been formally endorsed by the SC. The Secretariat would inform the Steering Committee of the decision and would record as such in the minutes of the next SC meeting. The

Secretariat would also inform the Trustee to initiate a Transfer Agreement with the relevant Partner Entity (see Step 6).

STEP 3: Approval of Budget for Partner Entity

4.10 Upon receipt of a PCN from the MPCE, the Secretariat shall disclose the document on the HRF website and circulate the PCN to the Steering Committee. The lifecycle budget for the appraisal and supervision of each Partner Entity activity should conform to the following guidelines unless otherwise approved by the Steering Committee:

- US\$50,000 to prepare and supervise proposals under US\$1 million in value
- A sliding scale of US\$50,000 - 250,000 to prepare and supervise proposals between US\$1 million and US\$10 million²
- US\$350,000 to prepare and supervise proposals over US\$10 million

In the case of a small grants facility, the budget would apply to the cost of appraising and supervising the facility and not each individual small grant. A Partner Entity may also opt not to request the lifecycle budget if it deems that it is not needed for a particular activity.

4.11 The Steering Committee will then have 10 (ten) working days to provide its “no objection” approval to the proposed preparation and supervision budget. The Steering Committee’s no objection should also cover: (i) confirmation of the Implementing Agency and the Partner Entity and (ii) allocation of funds for implementation subject to appraisal successfully meeting the conditions in para. 4.15. The decision of the Steering Committee will be communicated to the MPCE, the Implementing Agency and Partner Entity by the Secretariat in writing immediately following the end of the no objection period. If there is an objection, a Steering Committee meeting can be called to address relevant issues.

4.12 Steering Committee “no objection” approval may come in two forms: (i) unconditional endorsement; and (ii) endorsement subject to several conditions/issues that may be addressed at the appraisal stage. Should SC “no objection” approval come in the second form, the conditions/issues shall be communicated in writing to the Implementing Agency and Partner Entity by the Secretariat.

STEP 4: Development and Approval of Complete Proposal

4.13 Endorsement of a PCN by the Steering Committee for financing is a signal for the Implementing Agency to prepare the project/program and the designated Partner Entity to proceed with appraisal of the project as soon as practicable from the receipt of the Secretariat’s written advice on the Steering Committee’s endorsement. Actual preparation

² The following formula shall be used: $Y = \$50,000 + (\$200,000 \times (X - \$1,000,000) / \$9,000,000)$ where
Y = lifecycle budget for a given activity and
X = proposed activity budget (between \$1 million and \$10 million)

costs will be reimbursed through the Transfer Agreement for financing of the complete proposal, upon approval of a proposal by the Steering Committee of such costs and subject to the availability of resources in the Fund.

- 4.14 The appraisal process should be undertaken in accordance with the applicable policies and procedures of the designated Partner Entity and should be completed within the time frame as agreed with the Partner Entity and Implementing Agency at the time of PCN approval to ensure a quality project/program document. In addition to ensuring compliance with the Partner Entity's own policies and procedures, the appraisal documentation should also confirm compliance of the proposed activities with the terms and conditions that govern Fund grants including the Administration Agreement governing contributions to the Fund and this Operations Manual. Amongst many factors for assessment, appraisal shall include assessment of institutional arrangements, technical quality and economic viability with specific attention given to governance and anti-corruption measures. Members of the Steering Committee and the Secretariat may also be invited to participate in the appraisal process.

STEP 5: Final Government Approval and Decision to Allocate Resources

- 4.15 The Partner Entity submits the appraisal documentation to the office or entity designated by the Government of Haiti as the HRF counterpart for final review and approval.
- 4.16 Upon receipt of the appraisal documentation from the office or entity designated by the Government of Haiti as the HRF counterpart, the Secretariat will confirm funding availability with the Trustee and, if funds are available, the Secretariat shall take up to five working days to check the complete proposal for the following:
- (i) the appraisal documentation complies with requirements of the Operations Manual;
 - (ii) the appraisal documentation is consistent with HRF policies and strategies; and
 - (iii) note any changes between the appraisal documentation and the PCN and request clarification from the Partner Entity on those changes.
- 4.16 Following the five working-day period, the Secretariat will then transfer the complete proposal and results of its findings to the Steering Committee for an allocation decision.
- 4.17 The Steering Committee will then have ten working days to provide its "no objection" approval to allocate resources. The Steering Committee's approval will include the following: (i) confirmation of the Implementing Agency and the Partner Entity and (ii) allocation of funds for implementation.
- 4.18 Upon Steering Committee approval, the Secretariat will notify the MPCE of the decision.

4.19 The decision of the Steering Committee will be communicated by the Secretariat in writing immediately to the Partner Entity. The Partner Entity will then advise the Implementing Agency.

STEP 6 Transfer Agreement and Funds Transfer

4.20 A Transfer Agreement shall be executed between the Trustee and the designated Partner Entity. The Agreement will define the responsibilities of the Partner Entity: (i) in supervising the execution of the activity i.e. in appraising, supervising, monitoring and evaluating an activity in accordance with its own fiduciary framework and governance arrangements, policies and procedures; and (ii) in requesting funds transfers and monitoring the use of grant funds i.e. in administering the grant, as specified in the Transfer Agreement, and for reporting on the utilization of the grant.

4.21 Partner Entities shall submit to the Secretariat a full and detailed invoice of its costs to appraise the proposal concept. Subject to confirmation by the Secretariat that all information has been provided and approval of the Steering Committee, the Trustee will reimburse the Partner Entity its appraisal costs as part of the Transfer Agreement, subject to the availability of resources in the Fund.

4.22 Upon receipt of the request for funds transfer from the Partner Entity, the Trustee will arrange for the funds transfer to the Partner Entity's account in accordance with arrangements between the designated Partner Entity and the Trustee, subject to availability of resources in the Fund. Subsequent funds transfers shall be made in accordance with the arrangements between the Trustee and the Partner Entity. Upon completion of the project, all unused funds in the Partner Entity account(s) will be returned as agreed in the Transfer Agreement between the Partner Entity and the Trustee. All return of funds will be deposited by the Trustee into the Fund.

STEP 7. Project or Program Implementation

4.23 Upon effectiveness of a grant agreement between the Partner Entity and an Implementing Agency, the Implementing Agency may begin implementation and request for initial disbursements from the Partner Entity as applicable and as provided for in the arrangement between the Partner Entity and Implementing Agency. Implementation of the Grant will comply with the policies and procedures of the Partner Entity, as well as the terms and conditions governing Fund grants including the Administration Agreement governing contributions from donors, the Transfer Agreement and this Operations Manual.

4.24 During project implementation, the Implementing Agency will produce regular progress reports and submit these to the Partner Entity, in accordance with arrangements between the Implementing Agency and Partner Entity. In cases of unsatisfactory progress as defined by the Partner Entity, the Partner Entity may propose the suspension or cancellation of the Grant.

STEP 8. Supervision and Monitoring

4.25 The Partner Entity will supervise the Fund grant in accordance with its policies and procedures. The Steering Committee shall be invited to join these supervision missions, the cost of which will be borne by each participating Steering Committee member.

4.26 Apart from its own internal reporting processes, the Partner Entity will submit both hard and soft (electronic) copies of reports on physical progress, and on achieving results, performance against relevant indicators, for each grant it administers to the Steering Committee through the Secretariat, at least on an annual basis. Non-audit quality reports on financial disbursements will be provided by the Trustee to the Steering Committee through the Secretariat on a quarterly basis and results of audits will be provided as agreed per the Transfer Agreement.

4.27 Implementing Agencies and Partner Entities should conduct monitoring according to performance indicators (both baseline values and expected targets) previously defined during project/program appraisal, and report on findings in the regular progress reports submitted to the Secretariat. The Implementing Agency and Partner Entity should strive to provide, on a regular basis, monitoring data that will feed into the Government of Haiti's reconstruction monitoring mechanism.

4.28 Annual progress reports of projects/programs financed by Fund will be made available to Steering Committee members. Project-specific monitoring data provided by the Implementing Agency in these reports should enable the Steering Committee to review the progress of grants by comparing the status of results over the period with project expectations.

STEP 9: Completion

4.29 The Implementing Agency and the Partner Entity are required to submit a post-implementation completion report in accordance with the Partner Entity procedures on the project activities financed under the Grant within six months after the completion of the project.

D. AMENDING EXISTING PROJECTS AND PROGRAMS

4.30 Where the Implementing Agency seeks to make changes to an existing project or program and the Partner Entity concurs with the changes according to its rules and procedures, the Partner Entity shall notify the Steering Committee of the nature of the proposed changes and the rationale for approving them before they take effect. Changes include modifications to the project or program's development objectives and/or associated outcome targets, modifications in project design, major reallocation of inputs (more than a 10% change in a budget category), changes in outputs, and/or extension of the completion date.

5. COMPLAINTS PROCESSING AND RESOLUTION

5.1 Where complaints specifically relate to Fund-financed projects and programs, they may be submitted directly to an Implementing Agency or Partner Entity through the project's complaint handling mechanisms. The complaint may also be submitted to the HRF Secretariat or indirectly through other agencies such as relevant ministries and projects. The Secretariat's communications staff will then process these in accordance with procedures acceptable to the Steering Committee. The Secretariat will be fully responsible for recording, referring and tracking of complaints. Further investigation and processing of complaints shall be carried out by the appropriate Partner Entity. Nothing in, or relating to, this Operations Manual shall be deemed a waiver, express or implied, of any of the privileges and immunities of the respective designated Partner Entity for the activity.

6. REPORTING

6.1 A reporting system will be established for the Fund to provide information on how the HRF is contributing results and outcomes for the Haiti Recovery Plan. The system will operate at five levels: the Implementing Agencies, the Partner Entities, the Secretariat, the Trustee, and the Steering Committee. It covers both monitoring and evaluation of the achievements of individual projects and reporting on the overall portfolio. The following sections define roles and responsibilities on all four levels.

A. REPORTING BY IMPLEMENTING AGENCIES

6.2 All monitoring and evaluation of Implementing Agencies will be in accordance with the relevant Transfer Agreement and agreement between the Partner Entity and Implementing Agency. The Implementing Agency shall be responsible for the monitoring of progress and the evaluation of achieving project or program goals for each activity that they have been designated as Implementing Agency.

6.3 **Monitoring** activities of the Implementing Agency include checking on deliverables or outputs of the project or program, reviewing the quality of the deliverables, conducting baseline studies, and measuring change in outcome and impact indicators.

6.4 **Evaluation** activities of the Implementing Agency include the evaluation of effectiveness and efficiency of projects against performance indicators and baseline data, conducting SWOT analyses, and evaluations to propose fundamental change and/or extension of the program (components). Evaluation can be done both internally and through recruitment of independent evaluators e.g. for mid-term reviews.

6.5 **Technical and Financial Audits:** the Implementing Agency shall be responsible for engaging, where relevant, independent audit companies to provide an independent evaluation on specific topics, such as, financial audits, assessment of the strength of anti-corruption measures and its implementation, adherence to environmental plans and compliance with laws and regulations.

6.6 **Reporting:** the Implementing Agency shall provide the Partner Entity with regular reports, as determined appropriate by the two parties. Reports shall include outcomes of its monitoring and evaluation activities.

B. REPORTING BY PARTNER ENTITIES

6.7 The Partner Entity shall be responsible for supervision of each project or program for which they have been designated as Partner Entity. This includes monitoring and evaluating the overall project performance in terms of relevance, efficiency, effectiveness, impact, and sustainability of the project or program in accordance with the Partner Entity's policies. Results from supervision shall be reported to the Steering Committee, through the Secretariat.

6.8 **Supervision** activities include monitoring and evaluating progress in achieving the project or program development objective, all in accordance with the Partner Entity's policies and procedures, by:

- checking on the quality of outputs and the adequate implementation of all triggered environmental and/or social safeguards (as indicated in the completed proposal);
- assessing whether the Implementing Agency manages the project or program according to agreed standards and has fulfilled its reporting and M&E obligations;
- identifying implementation bottlenecks and management issues and suggesting possible solutions to those problems; and
- working with Implementing Agency to improve its performance and the project or program performance in a timely and comprehensive manner. Implementing Agencies are expected to follow up on recommendations made by the Partner Entity.

6.9 **Supervision Missions:** the Partner Entity is expected to conduct supervision missions according to its own standards, but in any event at least every six months. The Partner Entity shall inform the Secretariat of such missions at least 10 working days before they occur so that members of the Steering Committee or their representatives can be invited to participate.

6.10 **Reporting:** the Partner Entity shall provide regular project progress reports to the Steering Committee, via the Secretariat, in accordance with the rules and regulations of the Partner Entity, on at least an annual basis. The reports shall be forwarded to the Steering Committee via the Secretariat. The Partner Entity shall also provide the Steering Committee, through the Secretariat, with other relevant documents such as annual work-plans, procurement plans and cash flow forecasts.

C. REPORTING BY THE SECRETARIAT

6.11 It is the task of the Secretariat to report on progress of the HRF portfolio and Fund operations based on information received from the Partner Entities and the Trustee. The Trustee has no supervision role or responsibility with respect to such projects, and such monitoring is therefore based only on the information provided by the Partner Entity to the

Secretariat and Steering Committee without independent supervision. The reporting system will help the Steering Committee to oversee aid flows, project activities and achievement of outputs and outcomes overall for Fund-financed activities, and will promote accountability for resources used. Ultimately, the reporting system will help document and disseminate lessons learned and understand the development impact of the HRF portfolio within the overall rehabilitation and reconstruction effort.

(a) Reporting on Status of the Portfolio

6.12 The Secretariat shall submit an annual progress report to the HRF Steering Committee. This report will be based on project and program progress reports received from the Partner Entities during the reporting period, including a project summary with information on performance and follow-up steps on issues facing the project.

6.13 The Steering Committee may commission independent evaluations such as a midterm review of the portfolio and possibly other reviews that help assess the quality of implementation and results. Through these efforts, the Steering Committee will gain insight into the performance of the portfolio in addition to project-based reporting. A key component of the reporting system will be the wide dissemination of progress and performance reports. In accordance with the access to information policy of the World Bank, these will be made available in real time through the use of information technology such as the HRF website.

(b) Reporting on Secretariat Operations

6.14 The Secretariat will keep records of its operational processes and will report regularly, through its annual reports, on its operational performance. This includes comparing actual performance with defined standards where appropriate. The report should also include the time taken to complete the different steps in the grant approval process and complaints received and their handling, and the status of project supervision activities.

D. REPORTING BY THE TRUSTEE

6.15 The Trustee shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Fund account and disbursements to Partner Entities made from it. The Trustee shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in United States dollars of the HRF. Within six (6) months after all commitments and liabilities under the HRF have been satisfied and the Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States dollars of the HRF will be made available to the Donors.

6.16 The Trustee shall provide to the Donors, within six (6) months following the end of each Trustee fiscal year, an annual single audit report, comprising: (a) a management assertion

together with an attestation from the Trustee's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (b) a combined financial statement for all cash-based trust funds together with the Trustee's external auditor's opinion thereon. The cost of the single audit shall be borne by the Trustee.

- 6.17 Non-audit quality reports on financial disbursements will be provided by the Trustee to the Steering Committee through the Secretariat on a quarterly basis and results of audits will be provided as agreed per the Transfer Agreement.

7. DISCLOSURE AND VISIBILITY

- 7.1 **Visibility:** Whenever possible, the Steering Committee, Secretariat, Partner Entities, and Implementing Agencies will promote Donor and HRF visibility on information materials pertaining to projects and programs and at the sites of the projects and programs through an agreed strategy approved by Steering Committee.
- 7.2 **Disclosure:** The Steering Committee, through the Secretariat, and the Government of Haiti may disclose to the public the HRF Administration Agreements, Transfer Agreements, Project Concept Notes, completed proposals, and any other information with respect to the Fund and its operations in accordance with the Trustee's Access to Information Policy.

8. OVERRIDING AUTHORITY OF THE ADMINISTRATION AGREEMENTS

8.1 In the event of any conflict between the Administration Agreements and this Operations Manual, the provisions of the Administration Agreements will prevail.