The Haiti Reconstruction Fund (HRF) is a multi-donor trust fund that mobilizes, coordinates and allocates grant funding in support of Government of Haiti’s (GoH) Action Plan for National Recovery and Development. The GoH asked that the International Development Association (IDA) of the World Bank serve as the Secretariat and Trustee of the Fund in March 2010.

The HRF pools contributions from donors to provide grant financing for priority activities that are requested by the GoH and approved by the HRF Steering Committee. There is a streamlined grant approval process as well as a fast track procedure for smaller requests of less than US$1 million. The HRF can finance activities that include infrastructure, services, community development, environment, income generation, and budget support. Activities are carried out by one or more implementing agencies and are appraised and supervised by a Partner Entity (the International Finance Corporation, the Inter-American Development Bank, the United Nations, or the World Bank).

The HRF is governed by a Steering Committee that is chaired by the Minister of Economy and Finance and consists of a GoH representative (the Minister of Planning and External Cooperation), major donors, the Partner Entities, the Trustee, and observers from Haitian civil society, local government, the private sector, the Diaspora, and international non-governmental organizations. Over its first three years, the Steering Committee has met ten times and decided to allocate or set aside US$274 million for 17 reconstruction activities and reserve nearly $100 million for anticipated priorities.

WHAT IS THE HRF?

Students receiving HRF-financed school kits in Kenscoff for the 2012-2013 school year. Reconstruction of the Education System Project

Photo courtesy of HRF
Building on good practice from other multi-donor funds for recovery and reconstruction, the HRF adheres to the following principles:

- **Government leadership** – the governance structure and the process for approving grants is led by the Government of Haiti as chair of the HRF’s governing body;
- **Strategic finance** – the HRF resources increase flexibility by providing reconstruction finance that is not being furnished through earmarked funding from other sources;
- **Standards** – the HRF and its financed activities 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 seeks 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 enable the participation of different levels of government, civil society, the private sector, the diaspora, and development partners and promotes a transparent, accountable reconstruction process; and,
- **Speed and risk management** – the HRF aims to ensure the speedy and efficient delivery of its activities while managing risks to produce high-quality results.

During the period July - September 2012, Haiti’s new Prime Minister requested that the HRF’s procedures be amended to incorporate the Ministry of Planning and External Cooperation (MPCE) as the HRF’s new counterpart, along with a revised grant approval process. The new process involves three steps for channeling financing requests to the HRF:

1. Proponents submit a Project Concept Note (PCN) through a government agency to the MPCE for evaluation
2. The Prime Minister selects evaluated proposals for submission to the Council of Ministers
3. The Council of Ministers approves financing requests to the HRF which are then transmitted to the HRF Secretariat by the MPCE

A streamlined approach to request financing for budget support was later introduced whereby the Ministry of Economy and Finance can directly submit a request to the Council of Ministers.

During the last quarter of 2012, Government agencies worked with the United Nations and the IDB to prepare a dozen PCNs for HRF financing. These were evaluated by the MPCE and prioritized by the Prime Minister in discussion with the MPCE and the Ministry of Finance. On December 21, 2012, the Council of Ministers met and decided to request US$51 million from the HRF to finance five priority activities. The HRF Steering Committee also approved the restructuring of three projects so that allocated funds could be better used to support the priorities of the Government of Haiti.

During the second half of the fiscal year, the HRF focused on selecting the appropriate means to finance the Government’s priorities. The Steering Committee decided to reserve additional funds for budget support and the Minister of Finance pledged that the priority activities mentioned above could then be financed through the Government’s own budget. As a Partner Entity, the World Bank then prepared operations to provide up to US$43 million of budget support (including US$23 million of HRF co-financing). In other words, after a challenging period of instability, negotiation and partnership, the HRF was back in business!
THIRD YEAR OF OPERATIONS

Program implementation during the third year of operations continued steadily with project-level disbursements increasing from US$94 million in 2010 to US$144 million in 2013, representing a project-level disbursement rate of 56% for 2013. Between the first year and the third year of HRF operations, disbursements increased by 53% from 15% of total funds transferred to Partner Entities in the first year of operations to 56% in the third year. Out of 17 projects approved, representing a total envelope of US$274.1 million (including US$9.5 million in project fees), seven projects were fully disbursed, nine are under implementation (of which three were restructured) and one is still pending submission of project document. At the time of printing, four new Project Concept Notes for HRF financing had been submitted to the Council of Ministers for approval. Project-level activities and disbursement levels varied by Partner Entity. Disbursements rates were 77% for the UN, 43% for the World Bank, and 14% for the IDB.

The restructuring of three projects was approved by the Steering Committee so that allocated funds could be better used to support the priorities of the Government of Haiti. The restructuring of these projects – the Neighborhood Housing Reconstruction Project (US$65 million; World Bank), Partial Credit Guarantee Fund (US$12.5 million; Inter-American Development Bank), and Natural Disaster Mitigation in the South Department (US$14 million; Inter-American Development Bank) should accelerate disbursements for the Inter-American Development Bank (IDB) and the World Bank in the upcoming year.

RESULTS

The current HRF portfolio is both sectorally and geographically diverse, reflecting the multidimensional nature of the reconstruction effort and the broad range of financing needs. Housing and budget support are the most important sectors supported through the HRF with allocations of US$120 million and US$74 million (representing both allocated and reserved resources), respectively.

The HRF is a significant source of seed funding and has added value in leveraging co-financing from various other funding sources to support larger-scale projects. Current HRF allocations of US$274 million for reconstruction activities are expected to result in total project funding of $503 million. This means that, on average, each HRF project consists of 45% co-financing. By mobilizing US$229 million in co-financing, each HRF dollar leverages almost one additional dollar of resources.
### ADDITIONAL FUNDING LEVERAGED

(listed in descending order of Steering Committee approval date)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>HRF Contribution (US$ million)</th>
<th>Total Project Amount (US$ million)</th>
<th>Additional Funds Leveraged</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHRC Capacity Building Program</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>Haiti Emergency Development Policy Operation (Budget Support)</td>
<td>25</td>
<td>55</td>
<td>55%</td>
</tr>
<tr>
<td>Debris Management Project</td>
<td>16.95</td>
<td>16.95</td>
<td>0%</td>
</tr>
<tr>
<td>Disaster Risk Reduction in the South Department</td>
<td>8</td>
<td>11</td>
<td>27%</td>
</tr>
<tr>
<td>Haiti Southwest Sustainable Development Program</td>
<td>8</td>
<td>12.55</td>
<td>36%</td>
</tr>
<tr>
<td>Capacity Building for Disaster Risk Management</td>
<td>2</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Demolition and Debris Removal with Heavy Equipment</td>
<td>25</td>
<td>25</td>
<td>0%</td>
</tr>
<tr>
<td>Program to Establish a Partial Credit Guarantee Fund</td>
<td>12.5</td>
<td>35</td>
<td>64%</td>
</tr>
<tr>
<td>Natural Disaster Mitigation in the South Department</td>
<td>14</td>
<td>34</td>
<td>59%</td>
</tr>
<tr>
<td>Reconstruction of the Education Sector (1)</td>
<td>10</td>
<td>81</td>
<td>88%</td>
</tr>
<tr>
<td>Port-au-Prince Neighborhood Housing Reconstruction Project</td>
<td>65</td>
<td>65</td>
<td>0%</td>
</tr>
<tr>
<td>Housing and Neighborhood Reconstruction Support Program</td>
<td>24.67</td>
<td>30.77</td>
<td>20%</td>
</tr>
<tr>
<td>Earthquake Prevention Plan for the North of Haiti</td>
<td>9.96</td>
<td>9.96</td>
<td>0%</td>
</tr>
<tr>
<td>Targeted Budget Support Operation</td>
<td>15</td>
<td>15</td>
<td>0%</td>
</tr>
<tr>
<td>16 Neighborhoods/6 Camps</td>
<td>30</td>
<td>51.5</td>
<td>42%</td>
</tr>
<tr>
<td>Development of Milk Production and Processing in Haiti</td>
<td>2</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Reconstruction of the Education Sector (2)</td>
<td>5</td>
<td>55</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Average Additional Funding Leveraged</strong></td>
<td><strong>274.08</strong></td>
<td><strong>502.73</strong></td>
<td><strong>45%</strong></td>
</tr>
</tbody>
</table>

This significant portfolio has enabled HRF-financed activities to achieve important results including:

- Returning more than 17,000 households from 52 camps to return to their original neighborhoods;
- Facilitating repair and rebuilding of housing for 1640 households;
- Removing 914,537 cubic meters of debris in urban neighborhoods;
- Building and repairing 14 emergency shelters to protect an additional 2000 people against future tropical storms and/or hurricanes;
- Reducing risk in disaster-prone areas by reforesting 1300 hectares, protecting riverbanks, building dikes, and cleaning over 30 km of canals;
- Providing 180,000 pre-school and primary school students in 292 schools across all 10 departments with school kits, books and uniforms;
- Creating temporary jobs for 24,363 people in debris management, construction and disaster risk reduction; and,
- Supporting the private sector through greater access to credit and added value in the agriculture sector.

Soil conservation and reforestation in Port-Salut: **Disaster Risk Reduction in the South Department Project**

Photo courtesy of HRF
LESSONS LEARNED

In its third year of operations, the following lessons were learned or reconfirmed by the HRF community:

- **A return to “normal” arrangements was warranted** – the lengthy process of agreeing on a new counterpart and procedures resulted in a system that relies on normal Government procedures and institutions. While more time-consuming than the initial arrangements with the IHRC, this should strengthen GOH capacity as well as the legitimacy and ownership of financing requests to the HRF.

- **Working through Partner Entities ensures that funds are effectively spent** – the HRF’s Partner Entities apply international standards of good practice in financial management, procurement, environmental and social safeguards, project design, and monitoring and evaluation for the use of HRF financing.

- **An efficient structure minimizes administrative costs** – the HRF has one of the lowest total expense ratios (under 5%) of any post-disaster multi-donor trust fund. This can be attributed to well-established Partner Entities, a modestly-sized Secretariat, an efficient Trustee, and a clear division of labor between them.

- **Donor preferencing poses tradeoffs** – on the positive side, donors that express preferences about the use of their contributions has increased the total amount of funding available to the HRF. On the downside, reserving funds in order to guarantee that preferences are met has reduced the flexibility and availability of HRF financing.

- **An independent governance structure is invaluable** – the HRF has been able to continue operations, despite this instability, in part because it has a governance structure that is independent. Thus, while the GOH began to implement the new procedures and counterpart arrangements, the HRF Steering Committee, Secretariat, Trustee, and Partner Entities continued to operate.

NEXT STEPS

The coming year represents the midpoint in the HRF’s existence and is an opportunity to evaluate performance as well as to explore options for the future. During the coming year, the Steering Committee will take stock of the HRF’s performance and explore options for the future of the HRF. An assessment should evaluate the HRF’s efficiency and effectiveness both in terms of development impact and operational performance, generating lessons and recommendations in the process. The outcome of this exercise will be summarized in the next HRF annual report.
Haiti Reconstruction Fund
A fund for Recovery, Reconstruction and Development of Haiti

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