Welcome to the seventh 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.

SUMMARY

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During the quarter, the HRF Steering Committee made three sets of important decisions concerning financing, the future of the HRF and the evaluation of the Fund. These decisions were developed and discussed in July and August, with specific decisions being made at the 11th Steering Committee meeting that took place on September 13, 2013 at the IDB office in Port-au-Prince.

At the meeting, the Steering Committee made decisions for US$44.7 million in financing for projects in the energy and education sectors and for general budget support. This consisted of:

- US$16 million for the rehabilitation of the 115 kV transmission line between Péligre and Port-au-Prince through which EDH will ensure the transport of electricity from the Péligre hydroelectric power plant to the Port-au-Prince network, including the cities of Mirebalais and Hinche. The IDB will serve as the Partner Entity for this activity with financing coming from the HRF’s reserved funds (US$12.5 million) and unallocated resources (US$3.5 million).

- US$15 million for the Government’s school feeding program which aims to reduce the food deficiency of 75,000 elementary-school children in the Departments of the West, the Center, the South and Artibonite. The World Bank will serve as Partner Entity for this program with financing coming from redirecting resources that had been set aside for targeted budget support.

- US$3.7 million in co-financing from the HRF to support an ongoing project for implementation of Haiti’s Education Plan and education reform which was launched in August 2012. The IDB will serve as the Partner Entity for the project with financing coming from funds that had been previously reserved for this purpose.

- US$10 million for general budget support that co-finances a development policy operation linked to the Government’s objective of reducing poverty over the long-term. The World Bank will serve as the Partner Entity for the project with financing coming from funds that had been previously reserved for this purpose.

The Steering Committee also deliberated on options for the future of the HRF at this meeting. A discussion paper prepared by the Secretariat had identified three possible scenarios:

a) an exit strategy whereby the HRF would cease to function in July 2013;

b) a business-as-usual option with continued operations and a renewed effort to mobilize new contributions; and

c) a flexible approach with reduced administrative costs and services but the potential for the Fund be scaled up as a broader financing platform for activities beyond reconstruction.

The Steering Committee agreed that, once the Government has discussed the future of the HRF at the Council of Ministers, the Secretariat will prepare a proposal for the SC that will be a hybrid of options b and c from the discussion paper and which will contain a new budget proposal for FY15.

Finally, the Steering Committee had previously decided to conduct a mid-term review of the HRF and had allocated resources for this purpose. Based on these actions, the Secretariat had conducted an international competitive bidding process to hire an independent firm to undertake the review. However, in light of the discussion concerning the future of the Fund, the SC decided to invest in a final assessment of the HRF prior to its closure instead of a mid-term review.

Spain is tied as the sixth largest contributor to the HRF (with Japan), having made a contribution of US$30 million in 2011 of which US$20 million has been transferred. The remainder of Spain’s contribution is expected before the end of 2014. A preference has been expressed that US$20 million be used for budget support. To date, the HRF Steering Committee has allocated US$35 million for budget support and an additional operation for US$13 million is currently under preparation.

Overall, Spain is Haiti’s sixth largest donor for reconstruction. In addition to humanitarian relief, Spain pledged US$375.8 million for reconstruction (US$326.9 million at the New York conference and US$48.9 million in other recovery funding) of which US$325.8 million has been disbursed as of March 2013 (including its contribution to the HRF). Spanish cooperation in Haiti is focused on water and sanitation, education, governance, rural development and nutrition, environmental sustainability, and culture and development.
I. Context: characteristics of the energy sector in Haiti

Electricity access in Haiti is the lowest in the Latin American and Caribbean (LAC) region. The electricity sector in Haiti has several weaknesses and the sector has been in crisis for decades, with significant technical and commercial energy losses. The sector is characterized by the following: (i) more than 70% of the population does not have access to electricity (there is only a 12.5% coverage, 25% if illegal connections are counted); (ii) the price of electricity is amongst the highest in the world; (iii) low rate of electrification (34% at the national level); and, (iv) inadequate and insufficient delivery service. The current total on-grid production capacity available countrywide is around 220 megawatts (MW) (demand was estimated to be around 400 MW before the earthquake) of which 80% relies on diesel power generation. Electricity production is comprised of the hydroelectric power station at Peligre (38 MW), 7 small hydroelectric power stations (in provinces and isolated networks) and 23 thermal power stations. Metropolitan Port-au-Prince concentrates approximately 75% of the total production capacity in Haiti by 6 power stations.

The 2010 earthquake worsened the situation and infrastructure in the sector showed signs of aging, resulting from intensive use, vandalism and lack of maintenance and reinvestment in new power stations and parts. The institutional architecture of the energy sector is weak and dispersed, involving the Ministry of Public Works (MTPTEC), the power utility Electricité d’Haiti (EDH), the Ministry of Economy and Finance and the new Delegate Ministry of Energy Security. Corporate governance, transparency and responsibility are key elements that are required for the sector to develop. Causes for absence of corporate governance are particularly linked to the absence of the publication and divulgence of financial and operational information as well as the necessity for EDH to have an accountable management structure in place. Fraud and theft of electricity represent half of the utility’s losses (total losses amounting 60%). To address this national issue and improve the public utility’s disastrous financial situation (around US$ 200m of public transfers necessary yearly to break even), stronger political will is critical, in order to give a full mandate and authority to EDH Board and Managers to reform the company internally, modernize its infrastructure, educate on its commercial mission and performance imperatives and eradicate electricity theft.

II. HRF financing in the energy sector

HRF financing and co-financing for the energy sector reached US$21 million by October 2013. The amount was US$44 million in total, including other sources of co-financing for these projects. The projects financed included: US$3 million for institutional transformation, modernization of the energy sector and development of clean energy (with the Ministry of Economy and Finance and the Prime Minister’s Office) and US$2 million to provide technical cooperation to support the Government of Haiti in developing a sustainable energy matrix that promotes access to electricity (rural electrification) through renewable energy sources (the IDB is the Partner Entity for both operations). This US$5 million (US$3 million + US$ 2 million) was reallocated from a US$14 million Natural Disaster Mitigation Project (Partner Entity: IDB), which, at the request of the Government of Haiti, was shifted from co-financing for flood risk reduction to environmental management and energy. US$9 million was reallocated to protection and management of the Macaya National Park (with the Ministry of Environment), which is not counted as energy sector.

On September 13, 2013, the Steering Committee of the HRF approved a request to set aside US$16 million for the rehabilitation of the Peligre-Port-au-Prince transmission line.

III. Project descriptions

Institutional Transformation and Modernization Program of the Energy Sector (US$3 million)

The general objective of this project is to provide support to the Government of Haiti (GoH) in conceptualizing a framework for the energy sector which would permit to contribute to its modernization and growth of available and affordable energy in order to respond to the needs of the population and promote competitiveness. The proposed operation is the third in a series of three policy-based grants (also known as “budget support”) of the IDB to the GoH that is part of a programmatic approach aiming to transform and reform the energy sector. This Policy based grant would provide fungible non-reimbursable resources of USD 15 million to support specific reforms, including the submission to Parliament of the “Law punishing electricity theft” and the adoption of standards for the management of EDH, in order to promote transparency and corporate governance. Disbursement should be made in 2013, once the reform conditions agreed with the GoH are met (as specific in the policy matrix agreed with the GoH). The specific objectives of this policy-based grant are as follows: (1) support institutional capacity of the GoH to define an energy policy and realize the planning and supervision of the energy sector; (2) transform the principal company EdH

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into an enterprise that is financially and operationally viable. The HRF co-financing, a US$3m contribution to the policy based grant, will finance an escrow account to support small hydro projects development. The total project cost is US$25 million, of which US$3 million is from the HRF and the rest is from the IDB.

**Sustainable Energy for Haiti (US$2 million)**
The general objective of this Technical Cooperation (TC) is to support the GoH in developing a sustainable energy matrix that promotes access to electricity (rural electrification) through Renewable Energy (RE) sources and Energy Efficiency (EE) measures, as a way to reduce Haiti’s dependency on fossil fuels, especially oil. This TC will: (i) contribute to improve access to electricity (rural electrification) through the realization of renewable energy feasibility studies and the identification, preparation and implementation of pilot projects designed to test, off and on grid, rural and urban, energy solutions; (ii) provide efficient use of fossil fuels; (iii) contribute to support the development of a regulatory framework and sustainable energy action plan, and; (iv) create capacity building and institutional strengthening for key entities of the energy sector.

As mentioned above, the project aims, inter alia, to find more efficient uses of fossil fuels in Haiti by developing a more sustainable mix of energy sources and reducing the country’s dependency on fossil fuels. As such, the TC will prepare a feasibility study on the use of natural gas (NG) in Haiti. The study will provide the GoH with comprehensive and concise information on the potential of NG in the country and how to incorporate it into the energy matrix.

This project complements IDB’s other operations in the energy sector, including the modernization of the energy sector and provision of GoH with institutional strengthening, as described above and the rehabilitation of the transmission line from Peligre to PaP, as described below.

The project will have four main areas of intervention: (1) solar alternatives for rural electrification and the use of demonstrative projects which will utilize the latest solar technologies devices and micro-grids. Demonstrative projects will test the applicability of large scale rural electrification plan using solar mini-grids as a possible solution to provide access to electricity to the majority of the country (80%) still without reliable electricity supply. (2) Design of a sustainable rural electrification model using Renewable Energy or hybrid models (combination of diesel/heavy fuel oil and RE operated systems). (3) Sustainable biomass: This component will finance environmental studies to determine the possibility to introduce sustainable biomass in Haiti. Improving cooking stoves, exploring biogas as sustainable fuel and even efficient use of conventional fuels for the rural communities can not only improve household air quality, directly improving health, but also saves household resources such as time and income that would otherwise be spent collecting or purchasing firewood or charcoal. In the form of Demonstrative projects, this component will finance the use of Vetiver for soil retention, enhancement of ground water infiltration and sustainable biomass production. The biomass produced will be converted to pellets which will be utilized as feedstock in small biomass gasifiers for electricity generation. (4) The fourth sub-component will finance feasibility studies to evaluate the potential of natural resources for the implementation of small scale hydro in rural communities that are currently not served by the traditional electric grid in Haiti.

**Rehabilitation of the Péligre - Port-au-Prince transmission line**
Peligre hydroelectric power station has 38 MW (54 MW once rehabilitated) and is 42 years old and is one of the key sources of electricity production in the country. In fact, the power stations in metropolitan Port-au-Prince (PaP) cannot be started or keep their charge without the Péligre power station.

The IDB, in collaboration with KfW and OFID, are rehabilitating the Péligre power station (total project cost: over US$100 million). The rehabilitation of the Péligre-PaP transmission line was originally planned to occur in that project, but had to be removed due to cost overruns. As such, in response to the Government’s request (submitted by EdH), and in response to the US’ preference to finance energy, the HRF Steering Committee put aside US$16 million at its meeting on September 13, 2013 for this project. The Steering Committee will approve the funds transfers once the final project documentation will be submitted. The project would rehabilitate the electricity cables and poles from Peligre to PaP.
Out of seventeen projects approved, seven projects are now completed and nine are on-going. The seventeenth project was approved at the concept level and is pending submission of the final project document. At the last Steering Committee meeting in September 2013, four new projects were approved:

- The first project is for the rehabilitation of the 115 kV transmission line between Péligre and Port-au-Prince through which EDH will ensure the transport of electricity from the Péligre hydroelectric power plant to the Port-au-Prince network, including the cities of Mirebalais and Hinche.
- The school feeding project aims to reduce the food deficiency of 75,000 elementary-school children in the Departments of the West, the Center, the South and Artibonite.
- The co-financing by the HRF to support the project “Support of the Implementation of the Education Plan and Reform in Haiti, will support this project launched in August 2012, also financed by IDB and other partners.
- The general budget support operation, for US$10 million, should support the Government’s objective to reduce poverty over the long-term.

Earthquake Prevention in the North Project
- A quarterly meeting of the counseling committee on “seismic risk” is organized in each department and aim at presenting the sections of the project implemented by the GHI in the 3 cities (Fort-Liberté, Cap Haitian and Port-de-Paix)
- At least 5 Seismic profiles done in Cap Haitian and Ouanaminthe
- An awareness campaign with the youth of the communes of Port-de-Paix, of Jean-Rabel and of Saint-Louis du Nord on the earthquake issue and its prevention was organized. This campaign help to sensitize at least 500 people
- Door to Door Animation and Information and Communication techniques training conducted for 400 youths in Cap-Haitian in partnership with the Diocesan Committee for the Protection of life.

16 Neighborhood/6 Camps
- 236 foreman trained and certified
- 236 new jobs created
- 156 entrepreneurs formed by ASECO
- Reflection day for the community platform
- Organization of a football tournament within the communities of the Project

Production and transformation of Milk Project
- Business plans for the 3 milk transformation plants are in process
- Materials for the plants were purchased
- Identification of the schools that will benefit from the milk production plant in the targeted areas has been completed.
- Hiring of the Milk transformation plants personal has started and some training has been done
- Training 300 herders on techniques on how to improved production techniques is completed

Port-au-Prince Neighborhood housing Reconstruction project
- 10,256 households have benefited from rental subsidies in neighborhoods or to return from camps
- 445 households have benefited from support for repair /reconstruction housing
- 245 houses repaired /retrofitted
- 200 units of multifamily nits home shave been reconstructed

Education Reform Project
- 87 sites have been identified to build the schools
- Construction has started for 19 schools
- An international tender is ongoing or the construction of the remainder of the school
- Distribution of the remaining school kits from school year 2012-2013 will resume at the beginning of the academic year 2013-2014.

Natural Disaster Mitigation in the south
This project newly restructured aims to create the Macaya Natural Park and reduce the rapid environmental degradation of the upper watershed of the south western part of Haiti. It is set to begin in August 2013.

Debris removal and Recycling:
Debris I
- At least 2,100 people of the community affected by the earthquake had access to jobs via the neighborhood rehabilitation project.
- 24 small businesses were created and 600 people trained in business management.
- Heavy machinery used for this project are available and have been reaffected to other projects.

Debris II
- In the 16/6 projects, 6 Community platforms were created in the Jean-Baptiste, Bois Patate, Morne Hebo, Haut Turgeau, Villa Rosa et Sainte-Marie neighborhoods.
- 16, 163 short term jobs were created out of which 6,106 women benefited.
- Families that were employed by the project experienced an increase in revenue of at least 10%.
- 25% of the people employed by the project received a training certificate.
- 263,843 paving stones produced from recycled debris.
As of September 30, 2013, 19 donors have pledged and signed administrative Agreements or arrangements amounting to US$396 million to the HRF, of which US$381 million has been transferred to the Trustee. As of September 30, 2013, the total funds held in trust by the Trustee was US$108.9 million, which included the US$86.08 million financial reserve, US$1.47 million investment income and US$15 million funding decision pending cash transfer to Partner Entity. Excluding the financial reserve, pending cash transfer (US$15 million), funds set aside for Pêligre and the Education projects (US$7.2 million), funds available for allocation by the HRF Steering Committee total US$0.62 million. US$15 in contributions remains outstanding from Spain (US$10 million) and the United States (US$5 million).

In the last quarter, the Steering Committee held one meeting and approved: (1) set aside USD 3.5 million from unallocated resources for the “Rehabilitation of the Pêligre-Port-au-Prince transmission line”; (2) set aside USD 3.7 million pending receipt of the final project document for the “Implementation of Haiti’s Education and Reform Plan”. In addition, the Trustee transferred US$10 million to the World Bank in September 2013, which was reserved for budget support. As a result of these decisions, the financial reserve was reduced by US$13.7 million, to come to a new balance of US$ 86.08 million.

Of the 17 projects approved to date, seven are now fully disbursed, nine are ongoing, and one is pending cash transfer to Partner Entity.

Total project-level disbursements are US$170.62 million, representing 64 percent of total funds approved for projects. Project level disbursements by the Partner Entities increased by US$26.47 million (18%) in the last three months.

The HRF Steering Committee, at the request of the IHRC and Government of Haiti, has allocated US$264.58 million or 69 percent of funds received for 17 reconstruction programs, including Partner Entity fees.

Of the US$264.58 million in project funds allocated, 98 percent or US$259.58 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 (of which six are completed), representing 49 percent of total funds that have been transferred. The World Bank supervises three projects and the Inter-American Development Bank four projects, representing respectively 39 and 16 percent of project funding approved.

1 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.
The Ministry of Planning and External Cooperation (MPCE) plays several important roles within the Haiti Reconstruction Fund (HRF):

- First, it represents the Government of Haiti in HRF Steering Committee (in addition to the Chairman who is the Minister of Economy and Finance).
- Second, the MPCE is responsible for the evaluation of each proposal submitted for HRF financing in order to ensure technical conformity as well as agreement with politics and plans for Haiti reconstruction and development.
- Third, the MPCE is responsible for following up with HRF Secretariat on all financing requests to the Fund that were approved by Council of Ministers.
- Finally, the HRF Secretariat is co-located with the MPCE at its office compound in Port-au-Prince to ensure close collaboration.

These functions of the MPCE as the HRF’s counterpart were proposed by the Haitian government and confirmed by HRF Steering Committee in July 2012, following the end of the mandate of the Interim Haiti Recovery Commission (IHRC) which was the original HRF counterpart. The new procedures were first utilized during the second half of 2012 and proved to function effectively.

The HRF Secretariat and the MPCE maintain formal contact through the Minister’s Cabinet. The Director General usually represents the Minister at the HRF Steering Committee meetings. The Ministry has created a Review Committee to coordinate the process of reviewing proposals that are submitted for HRF financing. This committee includes the Public Investment Unit (DIP), the Technical Coordination Secretariat (STC), the Economic and Social Cooperation Unit (DPES), the Studies and Programming Unit (UEP), and Monitoring and Evaluation Unit (DSE) of the Ministry of Planning. The Review Committee validates the financing proposals and forwards its recommendations to the Minister of Planning.

The Minister of Planning, after consultation with the Ministry of Economy and Finance, submits recommendations to the Prime Minister’s Office. The Prime Minister then presents financing requests to the Council of Ministers for a final decision.

This process is longer than the original procedures with the IHRC but it ensures technical follow up on the financing requests and use of Government systems while verifying that they are based on Government priorities.
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 September 30, 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, disaster risk management and budget support sectors.

The HRF is a low-cost, efficient mechanism for financing reconstruction.
Less than 5 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.