

HAITI RECONSTRUCTION FUND

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Haiti Reconstruction Fund
A Fund for Recovery, Reconstruction and Development of Haiti



Cover and back cover photos courtesy of Diego Osorio, Senior Operations Officer, HRF; Denis Dufresne, Communications Director, IHRC; Saran Koly, Communications Officer, UNDP; Emmanuel Noel, IOM



top right: Photo courtesy of Diego Osorio, Senior Operations Officer, HRF
top: Photo courtesy of Emmanuel Noel, IOM

EXECUTIVE SUMMARY

“By rapidly responding to requests from the Interim Haiti Recovery Commission, the HRF has transformed a share of the generosity of the international community into investments that deliver results, good governance and increased capacity for the benefit of the Haitian people.”

OUTGOING HRF CHAIR AND FINANCE MINISTER RONALD BAUDIN

HIGHLIGHTS

In its first year of operation, the Haiti Reconstruction Fund has become:

- The largest source of unprogrammed funding for the reconstruction of Haiti with 20 percent of all reconstruction finance being channeled through the Fund.
- An international partnership led by the Government of Haiti and the Interim Haiti Recovery Commission, who set the priorities for the use of the funds.
- An effective mechanism for raising money (US\$352 million so far) and allocating financing for reconstruction (US\$237 million for fourteen activities).
- A means of strategically closing financing gaps in order to achieve a balanced recovery.

WHAT IS THE HAITI RECONSTRUCTION FUND (HRF)?

Two months after the devastating January 12, 2010 earthquake, the Government of Haiti (GoH) requested the Inter-American Development Bank, the United Nations and the World Bank to establish a multi-donor financing mechanism called the Haiti Reconstruction Fund (HRF). The HRF mobilizes, coordinates and allocates grant funding in support of the GoH's Action Plan for National Recovery and Development. The GoH asked that the International Development Association (IDA) of the World Bank Group serves as the Trustee for the Fund.

The HRF pools contributions from donors to provide grant financing for priority activities that are requested by the GoH through the Interim Haiti Recovery Commission (IHRC) and approved by the HRF Steering Committee. There is a streamlined grant approval process and a fast track procedure for smaller requests of less than US\$1 million. The HRF can finance activities that include, amongst others, 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 has been chaired by the Ministry of Finance and consists of representatives from the GoH, major donors, the Partner Entities, the Trustee, and observers from Haitian civil society, local government, the private sector, the Diaspora, and international NGOs. During its first year, the Steering Committee met six times to respond to financing requests from the IHRC and decided to allocate US\$237 million for reconstruction activities.

HOW DOES THE HRF WORK?

The objective of the Fund is to support the mobilization, coordination and allocation of contributions to improve basic living conditions in Haiti and build the capacity of the GoH in the longer term. To meet this objective, the HRF coordinates its activities with the GoH, and especially the IHRC. Pooled contributions from donors provide grant financing for priority activities that are endorsed by the IHRC and approved by the HRF Steering Committee.

Any proposals that meet the following eligibility criteria may be submitted for funding from the HRF:

- Endorsed by the IHRC;

- 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;
- Enable the efficient, speedy and sustainable recovery of Haiti, and be completed within the life of the Fund (June 2010 - December 2017);
- Prepared using the IHRC Project Concept Note (PCN) template; and
- Fully compatible with the selected Partner Entity’s policies and procedures and the Trustee’s mandate.

The grant approval process consists of a few simple steps that are illustrated in Figure 1. To request HRF funding, an implementing agency submits either a PCN following the IHRC template or a full project document for IHRC approval. Following IHRC review of the project, the IHRC forwards approved projects with an identified Partner Entity to the HRF Steering Committee (SC) for review and funding consideration. For full project proposals accelerated procedures are used, once the SC approves the allocation, funds are transferred to the Partner Entity for immediate implementation of the project. PCN-stage proposals are

approved conditionally and receive final approval only upon submission of the complete project document for no-objection approval by the SC and final IHRC approval thereafter. To ensure a timely response to funding requests the HRF adheres to strict performance standards for each step in the approval process. In addition procedures are in place to allow for virtual approvals of project documents by the SC.

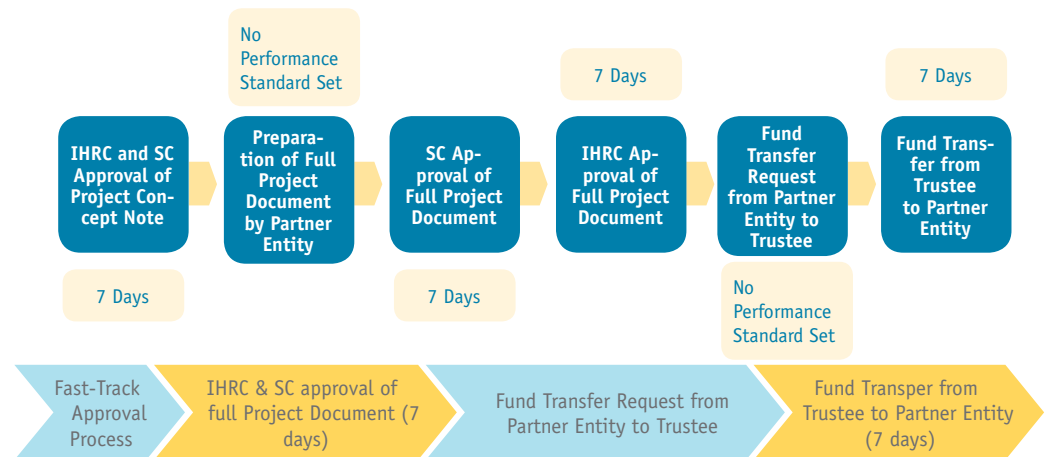
HOW HAVE THE HRF’S RESOURCES BEEN USED?

In its first year, the HRF has mobilized contributions totaling US\$352 million from 19 donors, of which US\$335 million has been received. Brazil was the first donor with a contribution of US\$55 million, the U.S. is the largest donor (US\$120 million) and

four other donors have contributed at least US\$30 million each (Canada, Japan, Norway, and Spain).

The HRF Steering Committee has allocated US\$237 million (71 percent) of available resources for fourteen reconstruction activities that were requested as priorities by the IHRC (see Table 1). An additional US\$2.98 million was allocated to cover operating costs of the Fund via the administrative budgets of the Trustee and Secretariat. Of these resources, US\$197 million (83%) has already been transferred to the Partner Entities for implementation purposes. The Partner Entities, in turn, have disbursed US\$35 million (18%) of transferred resources.

FIGURE 1: HRF GRANT APPROVAL PROCESS





top right: Photo courtesy of Emmanuel NOEL
 top: Photo courtesy of Mlle Saran Koly, Communication Officer, UNDP
 right: Photo courtesy of Mlle Saran Koly, Communication Officer, UNDP



WHAT HAS THE HRF ACHIEVED?

During its first year of existence, the Haiti Reconstruction Fund has become:

- The largest source of unprogrammed funding for the reconstruction of Haiti. Of the US\$4.58 billion in grant funding that was committed to rebuild Haiti, US\$1.74 billion was disbursed through June 2011. Of this, 20 percent was channeled through the HRF on an unallocated basis.
- An international partnership led by the GoH and the IHRC. The Government chairs the HRF Steering Committee while the IHRC determines which activities to put forward for financing.
- An effective mechanism for raising money (US\$352 million so far) and allocating financing for reconstruction (US\$237 million during the first year). On these grounds, the HRF has outperformed most other reconstruction and recovery funds.
- A means of strategically closing financing gaps in order to achieve a balanced recovery. The HRF has allocated the most amount of resources for the priority sectors of housing and debris management, and helped to meet key gaps in disaster risk reduction, reconstruction and public finance.
- An efficient mechanism with rapid, flexible procedures and low operating costs. The HRF has adhered to tight perfor-

mance standards for allocating and transferring funds while incurring some of the lowest comparative administrative costs.

In terms of results on the ground, Partner Entities have reported on the following noteworthy achievements from projects that are supported by the HRF:

Capacity Building for Disaster Risk Management – evaluated 600 existing evacuation shelters and initiated rehabilitation or rebuilding of 15 priority shelters

Debris Management – waste has been removed from three priority communities with 39 containers in place

Disaster Risk Reduction in South – 60 farmer organizations have been mobilized for environmental protection and food security

Emergency Development Policy Operation – the GoH's budget gap for fiscal year 2010 was closed with the help of this co-financed operation

Natural Disaster Mitigation in South – preparation of a watershed management plan will enable follow-up investments

Partial Credit Guarantee Fund – preliminary requests for guarantees from the financial sector are being processed

Sustainable Development in Southwest – 32 project activities are under implementation

WHAT LESSONS AND OPPORTUNITIES

TABLE 1: CUMULATIVE FUNDING DECISIONS (IN MILLIONS) UPDATED AS OF JUNE 30, 2011

ACTIVITY			
PROJECTS	TITLE	PARTNER ENTITY	
	Haiti Emergency Development Policy Operation	WB	25.00
	Program to Establish a Partial Credit Guarantee Fund	IDB	12.50
	Debris Management Project	UN	16.95
	Haiti Southwest Sustainable Development Program	UN	8.00
	Disaster Risk Reduction in the South Department	UN	8.00
	Natural Disaster Mitigation in the South Department	IDB	14.00
	Reconstruction of the Education Sector	IDB	10.00
	Capacity Building for Disaster Risk Management	UN	2.00
	Demolition and Debris Removal with Heavy Equipment	UN	25.00
	Port-au-Prince Neighborhood Housing Reconstruction Project	WB	65.00
	Housing and Neighborhood Reconstruction Support Program a/	UN	24.67
	Earthquake Prevention Plan for the North of Haiti	UN	9.96
	Capacity Building Program to the IHRC	UN	1.00
	Targeted Budget Support Operation a/	WB	15.00
		Sub-total	237.08
FEES	Debris Management Project	UN	1.27
	Haiti Southwest Sustainable Development Program	UN	0.60
	Disaster Risk Reduction in the South Department	UN	0.60
	Capacity Building for Disaster Risk Management	UN	0.11
	Demolition and Debris Removal with Heavy Equipment	UN	1.87
	Housing and Neighborhood Reconstruction Support Program a/	UN	1.84
	Earthquake Prevention Plan for the North of Haiti	UN	0.74
	Capacity Building Program to the IHRC	UN	0.07
		Subtotal	7.11
ADMINISTRATIVE	FY 11 Secretariat		1.10
BUDGETS	FY 11 Trustee		0.59
	FY 12 Secretariat		1.00
	FY 12 Trustee		0.30
		Subtotal	2.98
		TOTAL	247.17

a/ The amounts have been set aside following approval by the HRF Steering Committee of the Project Concept. Note and subject to the no-objection approval by the Steering Committee of the complete project document and the final approval of the IHRC thereafter.

HAVE EMERGED?

While the Haiti Reconstruction Fund has only just finished its first year of operations, some initial lessons about reconstruction finance can be identified. These include:

The value of Haitian leadership – the leadership role played by the GoH and the IHRC have enabled the HRF to swiftly decide on financing Haitian priorities for the reconstruction

The provision of strategic finance – as the largest unallocated source of reconstruction finance, the HRF is best used to meet unfulfilled needs strategically in order to achieve recovery targets

Importance of a financing strategy – the IHRC has evolved from an ad hoc endorsement and forwarding of unfinanced activities to using the HRF as a means of supporting key projects that will help to meet its sectoral targets

Transparent procedures and standards – establishing and following clear procedures and performance standards have allowed the HRF to provide financing rapidly when requested

Flexibility in decision-making – while the HRF Steering Committee's formal meetings are synchronized with the IHRC Board meetings, it is able to conduct business efficiently in the interim through virtual

decision-making

Expedited processing – opportunities exist to speed up performance, e.g. through quicker Partner Entity appraisal of activities, presentation of full proposals to the IHRC for approval instead of project concepts and dispensing with final IHRC approval for activities to which the HRF has allocated resources

Preferencing – donor preferencing for particular sectors, regions or Partner Entities can constrain the ability of the Fund to respond to Government priorities and is not consistent with good aid effectiveness practices

Adding value – the HRF can go beyond being a financing instrument to serve as a vehicle for innovation, analysis and harmonization of aid

Efficiency and transparency – while the HRF has kept overhead costs low, expenses for administration, project preparation and supervision need to be accurately portrayed and budgeted

The HRF's second year of operation will focus on: a) responding to the GoH's requests for priority financing needs; b) mobilizing additional contributions, including from non-conventional donors; and c) reporting and analyzing how transferred funds are being disbursed by Partner Entities. During this period, the HRF faces the following

challenges:

- Accelerating the use of available funds for reconstruction while ensuring their strategic allocation as well as building GoH capacity
- Dissuading existing and future HRF donors from preferencing their contributions so that the GoH has maximum flexibility to use HRF resources to finance strategic priorities
- Having Partner Entities maintain a sense

of urgency and use accelerated procedures to prepare and implement activities

- Creating, at the request of the GoH, a reserve of unallocated funds in order to respond to financing requests that arise during the third year of reconstruction and beyond
- Attracting more contributions from donors to meet the backlog of unfinanced recovery projects

The Haiti Reconstruction Fund has been playing its role for a share of the contributions, supporting projects such as the largest debris removal activity currently in place or providing badly needed resources to restart the Haitian government's operations after the paralyzing earthquake...In partnership with institutions such as the Haiti Reconstruction Fund, we commit to build back better, efficiently and for the benefit of all Haitians."

MICHEL JOSEPH MARTELLY,
PRESIDENT OF HAITI



FOR MORE
INFORMATION

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