



HAITI RECONSTRUCTION FUND



THE YEAR OF MATURITY
2013 - 2014



The HRF has just completed its fourth year of existence. The HRF is born out of the Haitian Government resolve to have an effective instrument for mobilizing external resources for reconstruction efforts after the earthquake, but also to support government projects initially consolidated in the Action Plan for Haiti Recovery and Development (PARDH) and in the Strategic Development Plan for Haiti (PSDH) since 2012.

The HRF was established as a multi-donor trust fund managed by the International Development Association (IDA) of the World Bank, which provides both the functions of Trustee (through the Development Finance Vice-Presidency) and Secretariat (through the Latin America and Caribbean Region Vice-Presidency).

The HRF brings together contributions from 19 donors in a common basket to provide financing in the form of grants to priority activities submitted by the Government of Haiti (GOH) and approved by the HRF Steering Committee. The HRF may finance activities in various fields, including infrastructure, services, community development, environment, income generation and budget support. These activities are performed by one or more implementing agencies and are evaluated and supervised by a Partner Entity (i.e., the International Finance Corporation, the Inter-American Development Bank, the United Nations, or the World Bank).

The HRF is governed by a Steering Committee chaired by the Minister of Economy and Finance, and consisting of a representative of GOH (the Minister of Planning and External Cooperation), major donors, Partners Entities, the Trustee and Observers from the Haitian civil society, local governments, private sector, and Diaspora, and International Non-Governmental Organizations.

During the last four years, the HRF's Steering Committee met twelve times and decided to allocate or reserve USD 342.3 million for 25 reconstruction and development activities, including administration and supervision costs, and has set aside about USD 40 million for priority projects which are being identified.

This annual report provides an update following the fourth year of the HRF operations as well as prospects for its future.

A fourth year of hrf operation and maturity dominated by budget support

The year under review is one of maturation where the new procedures for submitting financing requests that were adopted in 2012 proved to be effective and where almost all the resources initially contributed were allocated to projects submitted by the Government. This progressive depletion of resources has also heightened the debate around the future of the HRF.

It was also and above all a year when most of the HRF funded projects were budget support operations. The emphasis this year on budget support reflects the gradual restoration of the country's administrative and financial systems resulting from Government efforts to plan and build state capacity in managing infrastructure programs and projects.

These budget support activities constituted four out of the six new operations approved by the Steering Committee during the year, representing a total of USD 48.6 million and 87 percent of HRF's annual allocations, and supplemented by some USD 47 million of co-financing from involved partners, which contributed significantly to the stabilization and balance of the country major economic aggregates. This amount has been channeled through two Partner Entities. The IDB managed two operations for a total of USD 21 million targeting reforms respectively in the water and sanitation sector (14 million along with an IDB co-financing of USD 15 million) and the transportation sector (USD 7 million complemented by USD 12 million co-financing). Budget support was also used during fiscal year 2014 to provide funding for two operations totaling USD 27.6 million with the World Bank to support reforms respectively in the management of public finances and the energy sector (USD 10 million in addition to WB co-financing of USD 20 million) and in the areas of water and sanitation and education (USD 17.6 million).



Marketing training being held for the future Milk sellers

Project for the Development of Milk Production and Processing in Haiti

Photo courtesy of HRF

Besides these budget support operations, other projects approved by the HRF this year concerned the education and energy sectors. For education, the Steering Committee ratified financing of USD 15 million for the Government's school feeding program and additional financing for the education project which is led by IDB for USD 3.7 million. In the energy sector, the Committee reserved an additional USD 3.5 million corresponding to the funds that were needed to complete the financing of the Péligre project (USD 16 million).

With these allocations, HRF resources are almost depleted as only about USD 40 million remains in reserve for specific projects to be presented to the Steering Committee by the end of December 2014. Under these conditions, the HRF's future was under discussion throughout the 2013-2014 year but a final decision has yet to be

made. Two studies were commissioned by the Steering Committee to review the performance and value-added of the HRF and to study the possibility of transforming the HRF into a venture capital instrument that would support private sector development, as requested by the Government. The next meeting of the Steering Committee, scheduled to take place in November 2014, is expected to make a final determination about the HRF's future based on the findings of these two studies.



View of the group homes of Morne Hercule

16/6 Project

Photo courtesy of HRF

FINANCIAL STATUS OF THE HRF

As a result of funding decisions that occurred in 2013-2014, the HRF's financial position has significantly evolved both in terms of resources and commitments.

First, with respect to contributions, the United States transferred its outstanding commitment of USD 5 million to complete a total contribution of USD 125 million. With this payment, contributions received now total USD 385 million and there remains only one outstanding commitment of USD 10 million still owed by Spain to complete the mobilization of all the donors pledged resources to HRF in 2010.

Based on the collected resources, the Steering Committee made final allocation decisions for a total of USD 331.1 million, including the Partners Entities' supervision costs and the Secretariat and the Trustee administrative budgets, and has earmarked USD 16 million for the Péligre electricity transport project. The allocations approved by the Steering Committee include funds for 25 projects in the HRF portfolio, or USD 332.8 million (representing about 96 percent of the allocated resources), the Partner Entities' supervision costs in the amount of USD 9.5 million (2.7 percent) and the Secretariat and the Trustee administrative budgets, for the remaining USD 4.7 million (1.3 percent).

It is estimated that HRF's non earmarked funds totaled only 600,000 USD. However the financial reserve is around 40 million dollars. This amount represents the funds originally reserved for the Artibonite 4C dam project and that were re-reserved in May 2014 by the Steering Committee for projects that are being identified in the areas of health, vocational training and agriculture. **Although they fluctuate by Partner Entity, the total disbursement rate for the final beneficiaries overall increased from 56 percent to 61 percent between 2013 and 2014.**

Schedule of Available Funds

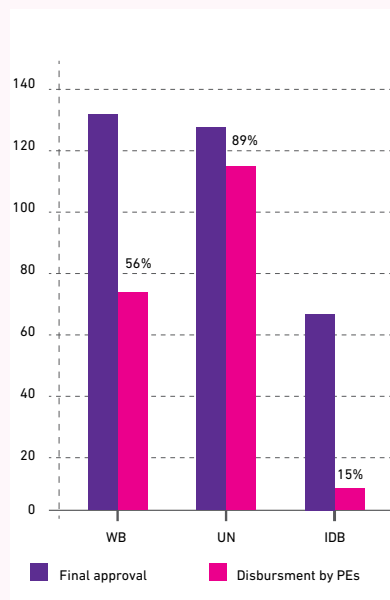
| As of June 30, 2014 | Total (USD million) |
|---|---------------------|
| 1-Confirmed donor contributions | 396.00 |
| 2- Cash receipts plus investment income | 387.70 |
| 3- Funds allocated to 24 projects (including fees) | 326.40 |
| 4- Funds set aside by the Steering Committee (see Table 3.3) | 56.00 |
| 5- Administrative budget | 4.70 |
| 6- Funds available to support funding decisions (2-3-4-5) | 0.60 |

By the end of June 2014, the Trustee had transferred a total of USD 326.3 million to the Partner Entities, representing the financing of all approved projects except for the Péligré project where a final project document has yet to be presented to the Steering Committee for review and final allocation. At Partner Entity level, UN agencies have disbursed a total of USD 114 million and witnessed an increase in their disbursement rate from 77 percent to 89 percent between 2013 and 2014; World Bank had disbursed a total of USD 78 million, representing an increase in its disbursement rate to 53 percent in 2014 against 43 percent in June 2013; and the IDB remained unchanged with the same disbursement amount of about USD 10 million, or a disbursement level of around 15 percent between 2013 and 2014. With three budget support operations in progress, the disbursement rate is expected to significantly improve in 2014-2015.

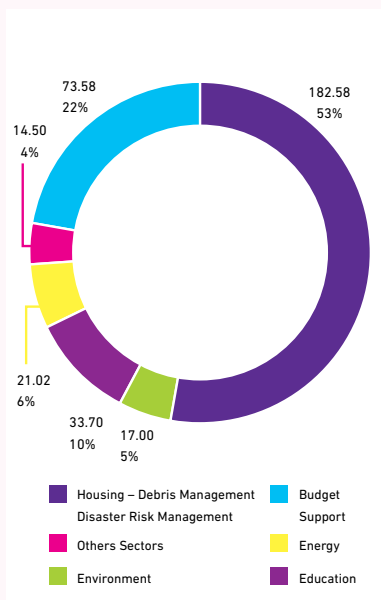
Regarding the Secretariat and the Trustee administrative budgets, the costs of these structures continue to decline steadily with a 71 percent decrease when comparing the 2011 budget with the approved budget for 2015.

These significant reductions result from the gradual downsizing of Secretariat staff linked with reduced activities. These cost-control efforts made during this year have cut down the level of administrative expenses to about 1.3 percent of allocations in June 2014 compared to 1.7 percent last year.

**PE Disbursements for Projects
by June 30, 2014**
(in USD million and percentages)



**Distribution of HRF Funds
by Principal Sector**
(in USD millions and percentages)



Portfolio, performance and results HRF

The HRF portfolio has also undergone noticeable changes during the 2014 fiscal year. With the approval of six new funding requests, the portfolio now comprises 25 projects of which 8 have been closed; 16 are under implementation and only one is pending the final allocation by the Steering Committee which is awaiting the project document from the Partner Entity (Péligre). The six new projects -with a total cost of USD 55.8 million- increased the value of the overall portfolio to USD 342.4 million. HRF projects have had a significant leveraging effect by generating substantial additional resources since for every HRF dollar, the government received an additional dollar from other partners, especially for the budget support and education projects.

In terms of sector allocation, the Portfolio reflects both the priorities identified by the Government in the aftermath of the earthquake and its development plans. The Housing, Debris Management, and Risk Prevention and Management sector is still dominant in the portfolio with USD 182 million and 53 percent of the HRF's allocations to date. With this year's focus on Budget Support, this sector now claims second place in the HRF allocations, reaching a total of USD 74 million and 22 percent. This budget support also served to advance key reforms in critical reconstruction and development areas such as public financial management, energy, water, and sanitation, education, and transport. Three other sectors (Education, Energy and Environment) are still significant in the HRF portfolio with shares of between 5 and 10 percent. In its composition, the HRF portfolio remains fully aligned with the Government priorities and programs, especially the four pillars of the Strategic Development Plan for Haiti adopted in 2012, which are Institutional Rebuilding, Social Rebuilding, Economic Rebuilding, and Territorial Rebuilding.



Students Training for earthquake prevention at the Semi Lycée Anacanona of Cap-Haïtien

Plan for Earthquake Prevention in Northern Haiti

Photo Courtesy of the UN

The fourth year was an opportunity to expand and consolidate the HRF portfolio results in all areas where projects are still active. In the area of relocation, urban management and disaster risk management, the PREKAD and 16/6 projects continue to make significant achievements. To date, the key results are:

More than 50 camps occupied by people displaced by the earthquake were closed

- Approximately 24,115 families residing in camps received relocation support, including rental subsidies for 5,411 homes
- All persons in the Jean-Marie Vincent camp (JMV) and more than 90 percent of Pétion-Ville Camp were relocated
- 510 houses were built
- 4,307 houses were assessed
- 2,598 houses were repaired
- 8 community platforms were established and are operational
- Sanitation work has been carried out in five districts to date: Morne Hercule, Morne Hebo, Bois Patate, Villa Rosa and Canapé-Vert
- 5 public spaces have been rehabilitated: Morne Lazare, Nérétte, Jean-Baptiste, Hole-Rosemond, Morne Hercule.



School children of the Efacap school of Jacmel

Reform of the Education System Project

Photo courtesy of HRF

In the area of education, pending completion of ongoing construction, distribution of materials and equipment continues with the following key achievements:

- 14,250 school kits, 24,954 school uniforms and 76,369 textbooks funded by the HRF were distributed in 10 departments
- Approximately 70,000 students received scholarships for 2013-2014 compared with 3,978 in 2010-2011, 61,906 in 2011-12, and 57,640 in 2012-2013.

For the environment sector, the main project still active is the one for protection of the Macaya National Park which began activities in the first half of 2014. Actual achievements relate to the delineation of the park boundaries and the establishment of the park's management unit. More significant progress in this project is expected for the coming year

With respect to private sector development, progress has been registered in the implementation of the three milk production and processing plants that are expected to begin production during the year. Meanwhile, training and organization of the different actors in the value chain (producers, workers, vendors, etc.) continues. The issues noted in the implementation of the main private development sector project managed by the IDB as Partner Entity are yet to be overcome, despite the restructuring of the Partial Credit Guarantee Fund that took place during last year.

Regarding budget support, the focus was on reforms that can remove the obstacles or barriers to achieving results in different sectors:

- For the Water and Sanitation sector, the establishment of the National Directorate of Water Supply and Sanitation (DINEPA)'s Executive Committee - suspended since 2009 - is now completed and should ultimately ensure better governance and transparency in the sector.
- In Transportation, the approval and publication of the Transport Sector Institutional Strengthening Plan as well as the creation of a Maintenance Unit and a Road Safety Unit have been completed among prior actions to further the development of the sector.
- With respect to Education, a new regulatory framework was established to decentralize the private schools accreditation in order to enhance the quality in these schools and new regulations have been adopted to decentralize and facilitate the annual data collection and schools census compilation.

NEXT STEPS AND LESSONS LEARNED

At the onset of the fifth year of operations, the HRF is at a crossroads because the available resources are almost exhausted. Due to the preference expressed by Brazil, a discussion is underway with the Government to identify projects in the areas of agriculture, health and vocational training for the use of USD 40 million which is still in reserve. It is expected that these projects will be presented to the Steering Committee by the end of calendar year 2014. With the allocation of this reserve, available funds will be depleted and, unless the Government mobilizes new resources, the question of the future of the HRF as a financing mechanism may be easier to resolve.

Finally, the 2014-15 period will definitely be one of consolidation of achievements and realization of the implementation of most projects in all areas. In particular, significant progress is expected with the projects implementation in the Education (construction component), the Energy, the Environment and the Private Sector Development which are striving to start.

The lessons learned during the first three years are still valid at the end of the HRF's fourth year of operation. Pending the outcome of the final review of the current phase of the HRF, the following main lessons are transpiring:

Strategically:

The HRF's system of governance provides a unique forum where financial partners and Haitian authorities can discuss and decide together the funding allocations to national priorities. Funding allocations always resulted from thoughtful discussion within the SC and a formal request from the government guaranteeing a strong ownership of HRF interventions. The emphasis on budget support during the past year reflects the wishes of the government which has gradually rebuilt its institutional capacity in planning and management of public resources, as well as in implementation of infrastructure projects, with the budget support as an incentive.

The choice to use the Partner Entities for the implementation of the HRF activities has been instrumental in the implementation and success of the programs. Although it may appear as a departure from the country ownership and leadership goal promoted by the recommendations of the Paris, Accra and Busan Declarations, this

choice is essential in a situation of natural disaster where public services are severely affected, as was the case in Haiti. In addition to efficiency

at the operational level, this choice has also provided an opportunity to create greater synergies and impacts for beneficiaries with specific programs implemented by the Partner Entities and

this approach has helped minimize the significant fiduciary risks that characterize fragile environments like Haiti.

The flexibility sought with the HRF has suffered some degree of constraint imposed by the donor preferences. Efforts by the Government and the HRF to accommodate the preferences of donors are commendable and helped to channel resources to areas and projects where there is consensus between donors and Government. However, in some cases, the preferences expressed by the donors can be a major constraint hampering the flexible nature of the Fund and which may have prevented the rapid use of funds in a context of massive and acute and pressing needs.

Operationally:

The procedures adopted by the HRF for the submission of applications for funding are effective and continue to function to the satisfaction of stakeholders. The measures put in place since 2012 to submit requests to the HRF are well-aligned with the performance standards, the communication channels and the coordination system established between the Government, the Steering Committee, the donors, the Secretariat, the Trustee, and the Partner Entities. The HRF operational costs remain modest given the nature of the activities that have been carried out and the results obtained, and in comparison with other multi-donor trust funds dedicated to financing post-disaster activities. The 2013-2014 year witnessed further reduction in the HRF operational costs, a decline that will even grow deeper in 2014-2015 with the restriction in the Secretariat activities.

Financially:

The emphasis on budget support amplified the Government's margin of maneuver and provided more flexibility to the Government in the management of public resources. The unprecedented amount of budget support disbursed this year through the HRF and mobilized as co-financing (approximately a total of USD 95 million) has secured significant funding for the budget, which in turn helped to balance public finances and to stabilize the currency and the overall economy.



Haiti Reconstruction Fund

A fund for Recovery, Reconstruction and Development of Haiti



387, route de Bourdon, Port-au-Prince

☎ + (509) 3798 0817

✉ info@haitireconstructionfund.org

🌐 www.haitireconstructionfund.org
www.fondsdereconstructionhaiti.org