

STEERING COMMITTEE MEETING 11/2013
DRAFT MINUTES

1. The eleventh meeting of the Steering Committee of the Haiti Reconstruction Fund (HRF) was held on September 13, 2013 at the Inter-American Development Bank (IDB) in Port au Prince (see Annex 1 for a list of members and observers). The purpose of the Steering Committee meeting was to discuss the future of the HRF and consider five funding requests from the Government of Haiti.

Welcome by the Chair

2. The Chair, His Excellency Wilson Laleau, Minister of Economy and Finance, welcomed everyone to the eleventh HRF Steering Committee (SC) meeting. The Chair extended a special welcome and congratulations to new members of the SC, including Ms. Mary Barton-Dock, the new World Bank Special Envoy to Haiti; Mr. Iver Williksen, representing Norway from the Norwegian Embassy in Cuba; Mr. Darius Stangu, who replaces Jonathan Caldicott as the new representative of the Trustee; and thanked the IDB for their hospitality in hosting the meeting at their office.

3. The Chair presented the agenda for the meeting, asked for comments and requested adoption of the agenda. There were no objections to the agenda, and the agenda was adopted.

Brief updates

4. *Secretariat.* The Chair requested the Fund Manager, Josef Leitmann, to give an update on the HRF. Mr. Leitmann made reference to the Secretariat's written report (document SC 11/2) and highlighted that it reports on the Secretariat's activities since the last SC meeting in February. The Secretariat has worked with the Government, Partner Entities and Implementing Agencies to develop new projects and advance ongoing projects. The new projects include: school-feeding, an education project, and two budget support projects. The Secretariat is waiting for confirmation of Council of Ministers' financing requests for these projects. The second area of Secretariat work is support to the Steering Committee. The Secretariat did follow-up to the last two SC meetings and, at the request of Norway, the Secretariat prepared a discussion paper on the future of the HRF, which will be discussed later in the meeting. Third, the Secretariat is responsible for communications of the HRF. Ms. Bertrovna Bourdeau is replacing Ms. Berdine Edmond as the Communications Officer. In order to increase the visibility of the HRF, some recent activities include printing of t-shirts and other branded items, which will be distributed to staff in all HRF-financed projects; an animated video for television; a radio spot; a photo exhibit; and other communications activities. Finally, the Secretariat is responsible to report on the progress of the Fund. Since the last Secretariat report in February 2013, the Secretariat has produced two quarterly updates and is currently working on the Annual Report covering the third year of the HRF. Mr. Leitmann noted that the text for the Report had already been distributed to Steering Committee members for review and thanked members for their comments, which have been integrated into the final version of the Report. The intention is to distribute a soft copy of the Report to

members next week by email. The Secretariat will print and distribute hard copies of the final version at the end of September/beginning of October. This new fiscal year's activities will depend on the decision that the SC will take on the future of the Fund.

5. *Trustee.* The Chair gave the floor to Mr. Darius Stangu to present for the Trustee. Mr. Stangu thanked the Chair and explained that he is taking over for his colleague, Jonathan Caldicott, who has taken on broader responsibilities as the acting Manager of his Department. Mr. Stangu said he is in a learning and observation phase as he has just recently taken over this responsibility. Mr. Stangu shared a little about himself: he is a Romanian national, has been with the World Bank for over ten years, of which six years in the Trusteeship Office of the World Bank. He hopes to live up to the standards set by Mr. Caldicott and looks forward to providing his services to the HRF. On the financial report, there have not been any changes since the last Trustee report so there is nothing to update.

Partner Entities

6. *United Nations.* The Chair invited Ms. Sophie de Caen to take the floor. Ms. de Caen greeted everyone and reminded all that the United Nations (UN) is one of the partner entities of the HRF for ten projects. Amongst these, since the last SC meeting in February, two projects (Debris I and II) were operationally closed. This brings the total number of UN-supervised projects closed to six. Amongst those projects still ongoing, two should close in December 2013: 16/6 and the Development of Milk Production and Processing project; and two will close in 2014: Earthquake Prevention Plan for the North of Haiti and the Housing and Neighborhood Reconstruction Support Program. Out of all funds allocated to the UN by the HRF, more than 77% have been disbursed and among the projects still ongoing, 57% have been disbursed. These good results can be attributed to the emphasis placed in all projects on national ownership, strengthening government institutions, involvement of national partners – in particular, non-governmental organizations (NGOs) and local authorities in the implementation of the projects, and in the quality of partnership with the Government.

7. Ms. de Caen presented a sampling of results for ongoing projects, in particular for Debris I and Debris II, which closed in June 2013. Debris I and II allowed access to employment for more than 3000 people from communities affected by the earthquake through rehabilitation works in their neighborhoods. More than 914,000 m³ of debris were removed, recycled and/or re-used in the communes of Port-au-Prince or Pétion-Ville. Amongst the examples of reuse of debris, close to 70,000 interlocking cement blocks [*adoquins*] were made out of recycled debris in workshops.

8. Through the Housing and Neighborhood Reconstruction Support Program, the Haitian Institute for Statistics and Informatics (IHSI)'s building was renovated and new equipment purchased. In the Earthquake Prevention Plan for the North of Haiti Project, difficulties related to hiring specialized firms were resolved and there is a notable increase in the sensitization of local authorities about the Earthquake Prevention Plan. The construction of three dairies is ongoing for the Development of Milk Production and Processing Project and schools that will receive milk have been identified in target areas. The 16/6 project has found housing solutions for more than 5041 families (out of 5000 foreseen), over

50 camps were closed (the original objective of just closing six) and 1307 families benefited from repair solutions for damaged housing. Despite these achievements and advances, there remain multiple challenges and the expectations of the Haitian society that have not subsided. In the context of an overall decline in funding available, the UN is redoubling its efforts to achieve concrete results and support the Haitian authorities (central, local and municipal) so they can carry out their respective roles. Ms. de Caen expressed that it is in this spirit that the future of the HRF should be discussed.

9. Before concluding, Ms. de Caen wanted to call the attention of the Minister to the last SC meeting in February during which the SC approved five projects for financing through general budget support. Four of these projects were to be with the UN as Partner Entity and, to her knowledge, the Mirebalais hospital has already received funds from the Government, so there remain three projects that require funding, including Canaan and a job creation project. Ms. de Caen asked whether these projects would move forward or not.

10. *World Bank.* The Chair invited Ms. Barton-Dock to give her presentation. Ms. Barton-Dock thanked the Chair and said she would just provide a brief update on the Port-au-Prince Neighborhood Housing Reconstruction Project. This project, financed with US\$65 million from the HRF, is now 31% disbursed. All funds have now been committed through contracts with four organizations: two contracts for US\$20 million each with Habitat for Humanity and CHF and two other contracts for a total of US\$25 million with IOM and JP/HRO. To date, the project has reached around 9600 households and plans to add 3500 more for return from camps to housing. This project is a mix of construction, reconstruction and support for households as well as rental subsidies for families to rent new housing. Since the last meeting, the emphasis has been on working with BMPAD and UCLBP to agree on construction guidelines and to strengthen these two agencies in the area of social safeguards. There have been some challenges, including security, but now the project has gained momentum, the various agencies involved are more accustomed to working together and the work is advancing well.

11. With regard to the US\$10 million budget support operation that has been preferenced by France through the HRF, Ms. Barton-Dock said would be disbursed in the next week or two following SC approval, and the World Bank is doing all it can to disburse before the end of the month. Regarding the US\$13 million budget support operation that has been preferenced by Spain through the HRF, there remain some criteria that need to be met so the documentation for the completion of the criteria should be ready by end-November and the money should be disbursed by the end of this calendar year.

12. *Inter-American Development Bank.* The minister said that the SC would hear the last Partner Entity presentation before proceeding to questions and gave the floor to the IDB representative, Mr. Gilles Damais. Mr. Damais thanked the Minister and greeted everyone. Mr. Damais said he would give a quick presentation that would provide an overview of operations funded by the HRF and implemented by the IDB and an update since the last quarterly report submitted to the HRF in early July. As a reminder, the IDB is the Partner Entity for three sets of operations: one in agriculture, one in private sector support and one in education. For diverse reasons, the first two operations were restructured which completely changed the initial disbursement and execution plan for these projects. The third

operation, in education, has continued as previously planned. Of the restructured projects, there is some additional good news to add since the last progress report. For the US\$9 million for the protection of Park Macaya, in complement to an operation financed by the Global Environment Facility, the financing agreement was signed by the IDB and is on the Minister's desk for signature or should arrive in the following days. The IDB has finalized the administrative process for the validation and preparation of the documents at the IDB last week and Mr. Damais signed this document a few days ago.

13. Regarding the operation supporting the private sector, this project was initially intended for a Partial Credit Guarantee Fund but was later judged no longer necessary since the intended beneficiaries were able to find other ways to recuperate their businesses. It was then restructured into two operations that support other programs financed by the IDB and other partners. The first is the creation of business development services (BDS) and an accelerator for enterprises for US\$5 million and an operation is currently being developed which would provide a way to channel public funds in support of private investment. The BDS would be co-financed by the IDB's own funds and the World Bank is also providing parallel financing as along with the HRF. It is not yet eligible to disburse and it is hoped that execution will accelerate between now and the end of the calendar year. The second part of this operation to support the private sector has not yet been finalized and that it should be eligible for disbursement by the end of the year to start concrete activities.

14. The third operation implemented by the IDB is the Program to Support Education which benefited from two different allocations from the HRF, complements funds from the IDB and other partners, and supports the Ministry of Education's (MENFP) National Education Plan. A first allocation of US\$10 million went towards funding the first two components of the National Education Plan including the improvement of the quality of educational services offered to students— essentially through the construction of schools. The bids for school construction are in-process and the project team is finalizing the analysis of the bids. The other component – financed by a separate allocation of US\$5 million – will go towards funding equipment and rehabilitation Professional and technical training centers. There are no major problems, though the project is behind the original timeline for execution.

15. The Chair asked the SC for questions on the Partner Entity presentations. As there were none, the Chair thanked the presenters. The Chair moved onto the next agenda item and invited the Fund Manager to provide a summary of the discussion paper prepared by the Secretariat.

Discussion on the future of the HRF

16. The Fund Manager started off by clarifying that the Secretariat is neutral and does not have an opinion on the future of the HRF. Rather, the role of the Secretariat is to develop options that were outlined at the last SC meeting in February and further developed in the discussion paper that was distributed two weeks ago to SC members. A copy of the presentation is attached as Annex 3.

17. The Chair thanked the Fund Manager for his remarks and opened the floor to debate. The Chair summarized his understanding of the situation as follows: the HRF has reserved resources which have been frozen for almost three years, which is not a good indicator of performance, while there are institutions requesting resources that cannot be accessed because they are reserved for other purposes. It is difficult under these circumstances to ask for new contributions to the Fund. The question asked is “what is the future for the HRF and has each SC member reflected on the options”?

18. The chair gave the floor to the representative from the United States (US), Mr. Tom Adams. Mr. Adams stated that the US was interested to hear the views of other SC members on this and was pleased that enough time would be allocated for a useful discussion. He believed that the discussion will be greatly informed by the views of those who have requested that funds be reserved, particularly Brazil. The view of the US is that the US would be open to phasing out the HRF by June 2014 if this would not jeopardize the allocation of reserved funds, but wanted to hear from others about the downside to that option. The US plans to transfer its remaining US\$5 million very shortly for the IDB’s energy project which would then take care of the US’s preferences, and encouraged other donors with reserved funds to do the same – this money is not doing Haiti any favors by staying in the Fund. What he did not want to see is funds returned to donors unless there is a way for donors to reallocate them for Haiti. Mr. Adams looked forward to hearing the views of other SC members.

19. The Chair gave the floor to Ambassador Pierre Duquesne, the representative for France, who was connected by videoconference from Paris. Ambassador Duquesne apologized for being in Paris and not in Haiti. France does not believe that the SC wants to end the Fund prematurely nor to pretend that there is no problem, and thus feels the only solution is the third option of flexible or minimal functionality. The proposal to reduce the cost of personnel, reduce the cost of administrative and function virtually is agreeable to France. The few US\$100 million in reserve needs to remain at the disposition of the Government but, if there are projects that don’t make sense, then the use of the reserved funds needs to change. A substantial amount of the remaining funds for France are essentially for budget support. A first operation will lately be discussed as indicated by the World Bank. This is budget support for the Government of Haiti that goes beyond the reconstruction. Ambassador Duquesne felt that the SC should endorse option 3 and that operating virtually is a reasonable means of communication in 2013. If this option were selected, he did not see a reason to go forward with a mid-term review, including the contracting of an international firm. Thus, the funds for the mid-term review could return to the Fund for allocation. The end of the HRF would likely be before 2017 but after June 2014.

20. The Chair thanked Ambassador Duquesne and gave the floor to Norway’s representative, Mr. Iver Williksen. Mr. Williksen reminded the SC that it was Norway that requested a meeting on the future of the Fund following the discussion on the mid-term review. Norway also considers the third option the most realistic. To close the Fund in June 2014 would have some negative consequences in terms of public perception and give a sense of failure for this financing mechanism. Option two is not realistic given that the funds that remain are insufficient to finance the Secretariat until 2017. Thus, Norway believes that a third option of a smaller Secretariat, perhaps based within Government, with the

remaining funds to be disbursed according to the current plan. Concerning communications, there is a risk that the HRF could be perceived as another actor in the development world in Haiti, and Mr. Williksen was not sure that this is the intention of the HRF. So, a reduced version of the Secretariat is what Norway chooses. If more contributions were received, the HRF could be scaled up to be a larger structure as needed.

21. The Fund Manager mentioned that there is a way to combine Options 2 and 3 into a hybrid. The Chair invited Ms. Heather Cameron, Senior Director for Haiti and the Dominican Republic, and representative for Canada, to take the floor. Ms. Cameron was connected by videoconference from Ottawa. Ms. Cameron apologized for being unable to attend and thanked the IDB for connecting her from Ottawa. Ms. Cameron thanked all for the discussion and the options prepared by the Secretariat. On the mid-term review, Canada understands that there could be reluctance from donors for financial reasons not to do the review but Ms. Cameron pleaded to proceed with the review because the HRF was an important initiative that could yield lessons on aid effectiveness for future use in Haiti and on how to better work together in the future. While this may cost some money and while it may not be “mid-term” per se, for Canada, there is a value in reviewing the experience so far and gleaning lessons learned in order to better achieve results for Haitians for the next crisis. Secondly, Ms. Cameron asked the Chair what the Government of Haiti’s perspective is on the future of the Fund. While the donors have expressed their opinions, the Fund should support the Government in its efforts, so the Government’s comments would be useful.

22. The Chair responded that the Council of Ministers has not yet taken a decision on the future of the Fund, so he was unable to provide an official position of the Government. At the next Council of Ministers, which will take place on Monday September 16, this point will be added to the agenda after which he would be able to share the Government’s position. But, for now, he was unable to state the Government’s position. The Chair then invited the representative of Brazil, Ambassador José Luis Machado E Costa, to take the floor.

23. Ambassador Machado thanked the Chair and all those who presented. Brazil does not have a decision so far and wants to listen to others but was inclined to what would be a combination of the second and third options, to keep the Fund while achieving some cost savings in the Secretariat. It is the understanding of Brazil that when the Fund was created that, based on previous experience, it should last for seven years. Brazil feels that minimal functionality could reduce the efficiency of some resource allocations so, perhaps based on the concept of aid efficiency, Brazil feels the SC could find a compromise between the second and third options.

24. The Chair invited the Spanish representative, Ambassador Manuel Hernández Ruigomez, to take the floor. The Ambassador thanked the Minister, greeted the SC members, and thanked the IDB for the room and the Secretariat for the preparation of the meeting. Spain understands the reasons for the position of the US but rather opts for the third option of flexible functionality. Spain also considers it necessary to think of an exit strategy for the closure of the HRF. Given that the existence of reserved funds, Spain proposed that the HRF should continue to exist until all funds are able to meet the

preferences expressed by the SC members. Spain supported Norway's proposal that the competency of the Secretariat be transferred to the Government of Haiti and that minimum functionality be under the responsibility of the Government.

25. The Chair invited Japan to take the floor. The Japanese representative, Ambassador Kuratomi, thanked the Minister and Partner Entities. Japan shared the ideas of the various colleagues. The closing of the HRF in June 2014 goes against the principle of the HRF and secondly, there is no SC member that has expressed the desire to provide additional contributions to the Fund, nor might it be possible to find other donors. In the third option, the Secretariat would continue to prepare an Annual Report and follow the progress of the projects. As such, Japan's choice is between options two and three. With US\$3.7 million in unallocated funds and almost US\$100 million in reserve, almost three years after the earthquake, the SC needs to act more quickly and flexibly to allocate the remaining funds, in particular the reserved funds. With regards to the mid-term review, Japan hopes that the content and terms of reference would comply with the rules of the SC. Finally, Japan had expressed a preference that some of its contribution be used for the health sector and, as the Mirebalais hospital has been financed by another source, there is no longer a health project in the HRF portfolio so Japan would hope to see financing of a health project.

26. The Chair then summarized the positions expressed by the SC members. France does not feel it necessary to do a mid-term review and Canada feels the SC should undertake a review. Norway supports Option 3. In general, donors do not want to close the Fund and Japan suggests finding more flexible modalities to allocate funds quickly and look for ways to fund the health sector. Overall, donors feel that the management of the Fund should be gradually transferred to the Government, with flexible procedures to fund the Government's priorities in collaboration with donors. The Fund Manager added that the most important point from the discussion was that the Government has not yet taken a position yet on the Fund. The Chair reiterated that this summary will be presented to the Council of Ministers on Monday September 16th, after which he will be able to share the position of the Government.

27. The French representative agreed that his Canadian colleague was right to suggest that the HRF deserves a final review, with a view to aid effectiveness, as the first ever multi-donor which has financed both projects and budget support. There should mainly be an assessment through the World Bank, IDB or UNDP evaluation departments. However, there is no need to review the Fund right now but perhaps when the Fund has only few millions left. Norway and Spain voiced their support for France's suggestion to do a final review of the Fund in place of a mid-term review. Canada thanked the other donors for their support for the final review and asked whether the review should be done sooner rather than later, when the memory is fresher and so that the Government of Haiti and the international community can benefit more from the lessons to be learned.

28. The Fund Manager proposed that the Secretariat prepare a proposal with the final option, incorporating the comments made at the meeting, which the Chairperson could use to present at the upcoming meeting of the Council of Ministers. The Fund Manager offered to prepare this in advance of

the Council of Ministers meeting. The Chair requested this for Sunday in order to review it before Monday.

DECISION: (1) the SC agreed to do a final review of the HRF but not a mid-term review. (2) Once the Government has discussed the future of the HRF at the Council of Ministers, the Secretariat will prepare a proposal for the SC which will contain the positions from both Council of Ministers and SC members.

Consideration of funding requests from the Government

29. The Chair started off by proposing a discussion on the concept note for the transmission line from Péligre to Port-au-Prince. The IDB representative asked to move the discussion down on the agenda given that the EDH representatives were not yet present. The Chair agreed and moved to the concept note on school feeding. The Chair noted that the SC had set aside US\$15 million for a targeted budget support operation for education and agriculture. However, as it was not feasible to move forward with this approach, the Government of Haiti, Canada and the World Bank (as Partner Entity) agreed to shift support to a school feeding program. The Chair then asked the representative from the Ministry of National Education if there was other information he wanted to share with the Committee. The Ministry of Education representative, Mr. Creutzer Mathurin (Cabinet Director) stated that, for the most part, all of the information was contained in the concept note, but if there were any questions, he and the representative from the National School Feeding Program (PNCS), Mr. Bertho Lenesca, could provide further information. The Chair asked the SC if there were any comments on the allocation of US\$15 million to the school feeding program and noted that the decision had already been validated by the Council of Ministers. A final project document would need to be submitted to the SC for validation.

30. The French representative noted that France had planned an US\$8 million budget support direct bilateral operation which would complement this operation for school feeding. The Minister confirmed that this budget support was already disbursed. The Canadian representative said Canada was proud to be a partner with the Government and the World Bank for this national program which responds directly to the education priority of the Martelly-Lamothe government. Through these additional funds, it is an opportunity to strengthen the capacity of the Ministry of Education for this program that is very important for the Haitian population. The Japanese representative asked whether this proposal had been distributed to donors.

31. The Fund Manager responded that a concept note was distributed to the SC and the objective right now is to discuss changing the use of these funds that have already been set aside for targeted budget support. The Chair asked the World Bank representative when the final project document would be available to distribute to the SC for an allocation decision. Ms. Barton-Dock responded that the project is expected to be approved on December 14th and the funds would be available for the semester starting in January 2014. The Fund Manager added that the HRF would receive a project document in December and the Secretariat would distribute the document for a virtual decision to allocate US\$15 million to the World Bank, as Partner Entity, which would allow the Bank to start disbursing funds in the following semester. The local Canadian representative, Ms. Sandra Berberi, asked that since the funds

would only be available in January 2014 and that it was intended to fund school feeding from the beginning of the school year in October, whether the World Bank would be able to cover school feeding between the beginning of the school year and December. The World Bank representative reassured that, through IDA's Education for All program, the school feeding for the upcoming semester has been covered.

DECISION: The SC agreed to set aside US\$15 million for a school feeding program with the World Bank as the Partner Entity, instead of using the funds for targeted budget support.

32. The Chair then moved on to the budget support operation and reminded the SC that they had set aside US\$28.6 million for budget support in respect of France's preference. The Council of Ministers approved the request submitted by the Ministry of Economy and Finance for US\$10 million with the World Bank as the Partner Entity. The Chair noted that this budget support would be very important for the Government. The Government has faced a lot of delays and just the day before the Minister discussed how to find new modalities in order for the budget support program can be executed during the year to give the Government the means to implement the policies that are defined in its Finance Law. This year, the Government is struggling to collect budget support resources and the Minister said he would be interested to discuss the best way for the budget support to arrive on time to meet its purpose. The French representative stated that he was also pleased that this operation is finally being unblocked. At the same time, it seems that the funds will now be used at an appropriate moment when they are truly needed. France thanked the World Bank for preparing the project. The Ambassador referenced paragraph 24, page 7 from the Project Appraisal Document for the World Bank budget support operation, "Haiti's challenge going forward is to maximize the current aid momentum and prepare for reduced external assistance in the medium term...The bulk of recent social and economic achievements is attributable to the stimulus provided by this exceptionally high level of external assistance, which also helped attenuate the budget deficit. However, grants are expected to decrease in FY14 and may fall to pre-earthquake levels in the medium term." The Ambassador stressed that what is written is absolutely central: there still remains some budget support available (in reserve) from the HRF, and maybe some bilateral budget support here and there, but the central concept is that the resources will not be available in perpetuity. So, France is happy that the budget support has been unblocked.

33. The Chair thanked the Ambassador for his comments and replied that the current Government is committed to truly strengthening the public financial management system. The Government has just set up two commissions at the Ministry of Economy and Finance, including one that will be responsible for the reform of public finances and economic governance, with a focus on transparency as well as to revisit the procedures, included those for fiscal revenue collection. The commission will also support the DGI (tax administration) to put in place the strategic plan for reform, given that the tax base of the Government is weak. The Minister said that this alone does not solve the problem in Haiti which is that majority of business is done in the informal economy. As such, a big effort will be made to support small and medium enterprises (SMEs) so that they have a formal financial plan and have access to credit. The enterprises operate in subsistence mode instead of accumulation mode. Speaking of which, the Minister

recognized the World Bank, IDB and the UNDP to assist SMEs to formalize, which will increase the tax base and help these enterprises to can get out of a subsistence situation and become real firms integrated in the international market. As such, there is a big effort needed to increase the tax base, not only in terms of the DGI, but also in supporting economic actors, something that has not yet been done in Haiti. The second commission will work on the “50 measures in support of jobs and economic growth”. These 50 measures make up an article in the Budget Law and, amongst these 50 measures, some seek to ensure that agriculture becomes a productive activity that creates jobs and wealth amongst the peasants. With the FDI (Fonds de Développement Industriel) and the BPH (Banque Populaire Haïtienne), the Government has put resources in the budget to assist those who would want to set up agricultural associations (*petites sociétés agricoles*), which had not previously existed. At least half of the population lives in the countryside but does not have access to credit or other services. These, in sum, are some of the initiatives that the Government is undertaking to ensure that economic operators become real economic actors and in this way the Government can increase the tax base and try to reduce corruption and weaknesses inherent to the DGI.

34. The Fund Manager reminded the SC that, according to HRF procedures, in order to allocate funds, a Council of Ministers request is needed. The Fund Manager wanted to confirm that the Council of Ministers had approved this decision and requested documentation from the Government that confirms this decision. The Chair responded that a resolution had already been issued by the Council of Ministers for the US\$10 million budget support operation. The Chair then asked the World Bank representative to confirm that the budget support would be available before the end of the Haitian fiscal year. Ms. Barton-Dock responded that that US\$10 million should be available by the end of this current fiscal year. The World Bank is just waiting for the form from the Government requesting the funds and then the World Bank can immediately disburse the money. With regard to the US\$13 million budget support (reserved by Spain), there are still some criteria in the operation that have not yet been met, but it is expected that the money should be disbursed by the end of the calendar year. The Chair responded that the US\$13 million is subject to the publication of the National Education Fund (FNE) funds and the creation of a *Direction Générale* for the National Office for Partnership in Education (ONAPE). However, for the FNE, this does not depend on the executive but rather the parliament. The vote for the FNE law is already delayed by two years by the parliament. As such, the Minister said it would be important to limit the criteria related to decisions that need to be taken by parliament.

DECISION: The SC approved the allocation of US\$10 million for a budget support operation with the World Bank as the Partner Entity.

35. The Chair moved on to the next project, reminding the SC that it had set aside US\$3.7 million for an education project in respect to France’s preference. The Chair asked the MENFP if it wanted to add any comments. The education representative said that the concept note was already submitted to the Prime Minister’s Office and would support the education sector in terms of access, quality and professional training, and the strengthening institutional capacity. It would also support the Operational Plan for the Reform of the Education Sector, a five year plan prepared after the earthquake, which the partners supporting education in Haiti know very well.

36. Ambassador Duquesne remarked that France had worked closely with the MENFP since the earthquake and on this project in particular since spring 2012. With regard to the transition from reconstruction to development, he stated that Haiti is already in the development phase and hoped that everything would continue smoothly. Finally, the Ambassador said he is convinced that education is absolutely critical for the development of Haiti and is an area where aid should not be diminished and is a sector where leaving the management of the sector too much to the market is not always ideal.

DECISION: The SC set aside US\$3.7 million for the education project with the IDB as the Partner Entity.

37. The Fund Manager asked a clarification question: in the concept note for this project, the amount is presented as US\$3.5 million, however the SC reserved US\$3.7 million. France responded that the amount is 2.8 Euros (which is equivalent to US\$3.7 million). A second clarification question raised by the Fund Manager was whether the Council of Ministers had already approved this request for funding? If so, the HRF Secretariat would need documentation to prove this. The Government representative, Yves-Robert Jean, DG from Ministry of Planning and External Cooperation (MPCE) responded that there is already a Council of Ministers resolution on the Education project. The Fund Manager asked that this be sent to the Secretariat.

38. The Chair invited Frantz Bastien from MPCE to present the project PRODER (*Projet de Développement Economique et Social en milieu rural*). Mr. Bastien presented the project, which seeks to create the environment for private and public actors to reach the potential and support the untapped wealth, notably in agro-industry, to create jobs and stabilize the populations in the Nippes, Southeast and Northwest Departments. The project will involve other partners, including UNICEF, which is already collaborating with PRODER in its initial stage, through its KoreFanmi program. The project would work closely with the Departmental Directions of the MPCE, the Prime Minister's Office, Palace, Ministries of Commerce and Industry, Agriculture, and Public Works. The basis of the intervention is the arrondissement and they plan to put in place a service at the county level. The project is based on the concept of local economic development. The ILO would offer technical assistance for the management of this program.

39. The US Representative requested a clarification. If the SC supports PRODER as well as the Péligre-Port-au-Prince transmission line, the HRF would be bankrupt. The Fund Manager responded that the funds requested today are US\$3.5 million for the transmission line and US\$1.2 million for PRODER, which comes to a total of \$4.7 million, whereas there is only US\$3.7 million available in the HRF for allocation. Therefore, the SC needs to make a choice between the two or a reduction of one or both requests in order to arrive at the amount available. But, if all of the US\$3.7 million is used, there would be no funds available for the administrative functioning of the Fund. The DG of MPCE commented that he feels the second option is best with US\$2 million for Péligre and US\$1 million for PRODER and US\$700,000 for administrative costs of the Secretariat. The Fund Manager responded that the HRF will be a hybrid of options 2 and 3, the administrative costs will be reduced and the Secretariat and Trustee could function with the US\$700,000 plus the money set aside for the mid-term review. Given that there

is not yet a formal request from the Council of Ministers, funds cannot be set aside for PRODER but rather reserved, as has been done in the past for other proposals.

40. Ambassador Duquesne suggested that there could be supplemental criteria such as the degree of readiness of the two projects in question. For France, PRODER is less ready than the Péligre transmission line project. Péligre is more concrete and ready than PRODER.

41. The IDB representative apologized that the EDH representatives had not yet arrived and suggested that, before making a decision on PRODER, the SC should review the Péligre transmission line proposal. The IDB representative offered to present the project, in the absence of EDH, and the Chair agreed. The IDB and other financial partners have been supporting the Government, in particular EDH, on the rehabilitation of the Péligre power station for several years already and have invested significant funds to rehabilitate the power station, including its turbines and the general operating system of the dam. The objective is to recover the full production capacity of the power station (56 Mw). The transmission line is now 40 years old and, if the power station returns to its full production capacity, the line would be unable to deliver all of the electricity generated. As such, the rehabilitation of the transmission line is a necessary corollary to the rehabilitation of the power station. Initially, this rehabilitation of the transmission line was foreseen in the project but, due to a large increase in costs, the team had to cancel this part of the project. As such, the Government of Haiti and the IDB decided to look for sources of funding to complete the project, which led to this request to the HRF. The IDB has now updated its cost estimate for the rehabilitation of the line, which was initially estimated at around US\$12 million but now has been reevaluated to be around US\$20 million, of which US\$16 million for infrastructure works and replacing equipment and around US\$4 million to take care of the related social issues, such as expropriations, resettlement of people living under the transmission line and compensation to those people. The financing request to the HRF is thus US\$16 million and the Government of Haiti or another source of finance would need to cover the US\$4 million. For further technical questions, the IDB energy experts were available to respond to questions.

42. The Chair asked for further technical details. The IDB responded that studies are ongoing. The Chair asked whether the US\$20 million would be disbursed before the end of 2014. The IDB representative responded that it would take two years to execute the project, including the time needed for expropriations and resettlement.

43. The Spanish Ambassador had no objection to allocating US\$3.5 million to finance the Transmission line. He also noted that, the last SC meeting in February had stressed the importance of this project and Spain does not have any objection that the US\$12 million that had been reserved for an energy project be set aside for the Péligre transmission line. With regard to PRODER, the Ambassador remarked that Spain finds the project ambitious and feels that it doesn't respond to any of the donor's preferences.

44. The Chair gave the floor to the MPCE (as the project proponent) to respond to Spain's comments. The DG of MPCE said the project responds to both short-term and structural problems at the

same time. The DG said that Haiti is in a situation of crisis, one of the most important elements being an agricultural crisis whereby the current volume of production is insufficient to feed the population that is growing at 2% per year. Another component of the crisis that Haiti is facing is urbanization which is linked to the agriculture crisis and changing consumption patterns. Another consequence of this is transfers from the diaspora, which monetizes the economy. If the Government does not have a policy to create jobs, have impact on agricultural production and control inflation, Haiti will be in a terrible situation. PRODER is not a new project; it has already been launched -- training sessions for agricultural workers have been realized and have had impact on production and the management of their produce (10 tons of produce has been delivered to Port-au-Prince from the three Departments). The project is concrete and in a short period of time can make a difference. The Spanish Ambassador replied that they still consider the project to be too ambitious for the amount of funds requested. The DG responded that they chose Nippes because it only has less than 300,000 inhabitants and the Northwest based on the poverty map and the Southeast, to continue activities already ongoing and agrees it is an ambitious project and is requesting only US\$1 million because they knew this was the amount available. The Chair remarked that the project is a pilot project and they would do tests before replicating across the entire country. While the project may be ambitious, the funds to launch the project do not need to be ambitious if it will be pilot.

45. The US representative stated that neither of the projects is undeserving of the money but there is only enough money to fund one. So, the Government should decide which project is more of a priority for them. The US representative commented that he felt that the energy problems of the country are more severe than agricultural problems, but that it should be the Haitian Government that should choose according to its priority. The Norwegian representative shared the US's point of view and added that it is a bit premature to discuss the allocation of the US\$4.7 million if the HRF does not have that amount of funds available, so he prefers to hear the proposal from the Secretariat.

46. The Chair noted that if Péligre will take two years to disburse and this year we will not disburse all of the funds, and given that there remains US\$3.7 million and the functioning of the HRF Secretariat also depends on this money, the DG of MPCE had suggested to put US\$2 million for Péligre, US\$1 million for PRODER and US\$700,000 for the HRF administrative costs.

47. Ambassador Duquesne tended to agree with the US representative that the energy problem in Haiti is severe. It might be necessary to choose electricity over agricultural training. The IDB representative then clarified that if the entire US\$16 million was not available for the technical part of the project, the project would have to be delayed until complementary resources could be found. The IDB Energy Specialist, Mr. Pierre Kénol Thys, added that the SC should consider that the Péligre power station is being rehabilitated and the risk of not financing the transmission line is that the rehabilitation of the power station would be finished and the power generation capacity would be there, but it would not be possible to transport that energy from the power station to Port-au-Prince. It would be like cooking food for people in Port-au-Prince in Péligre and, when the food is ready, you do not have the means to transport the food to Port-au-Prince. Thus, the rehabilitation of the transmission line and the

rehabilitation of the Péligre power station need to be done simultaneously; one cannot work without the other.

48. The Chair stated that the discussion shows that the SC will not agree on a division of the US\$3.7 million and all have understood the urgency of rehabilitating the Péligre transmission line. The Chair then said that perhaps the Government would have to find US\$1 million for PRODER from the Government's own budget once the budget is voted, to allow the rehabilitation of the Péligre transmission line to be financed.

49. The Fund Manager added that the HRF is still waiting for the transfer of the rest of the contribution from Spain (US\$10 million) which would give the Fund some flexibility to consider other proposals such as PRODER. The Spanish Ambassador stated that Spain made a special arrangement with the HRF [an additional two years granted for Spain to pay its remaining contribution]. However, the Ambassador said they received a grace period until the end of 2014 to transfer the rest of their contribution and they would take advantage of the full amount of time allotted to them to do the transfer.

50. The UN representative reminded the Minister of the decision taken at the last SC meeting in February. Given that there were not enough funds available for the five projects approved by the Government at that time that the HRF should look at other options and the option of using the budget support to be provided by the HRF to finance these projects. As such, Ms. de Caen reminded the Minister that there are already projects approved by the Government and the SC which have not yet been funded and these projects should not be forgotten. Given that there will be a Council of Ministers on Monday, Ms. de Caen asked the Minister to raise the issue of financing these pending projects through the general budget support that will be received from HRF, such as the Canaan and Jobs projects, amongst others. The Chair asked Ms. de Caen how much these projects were. Ms. de Caen replied that Canaan was US\$15 million and the Jobs project was US\$5.7 million. The Chair thanked Ms. de Caen and hoped the SC agreed with the conclusion reached by the Committee on PRODER, which will be examined by the MPCE to find alternative sources of funding for PRODER. As per Ms. de Caen's comments, the Minister asked for a document for him to present in the Council of Ministers for a decision on her question. The US representative wanted to clarify that the Government of Haiti requested bilateral aid for the Canaan-Jerusalem project at the CAED meeting in May and the US is in discussion with the Government of Haiti to provide US\$3 million and the Government would match that with US\$3 million to start the planning work in Canaan-Jerusalem.

51. The Chair then confirmed the decisions of SC on Péligre, which is that US\$16 million would be reserved for the project. The SC agreed. The Fund Manager clarified that there are actually two decisions: first, that the US\$12.5 million already in reserve for a project in the energy sector be reserved specifically for the Péligre project. The second decision is to set aside US\$3.5 million to complete the financing of the Péligre project.

DECISION: The SC agreed to change the reserve of the US\$12.5 million from an energy project to the Péligré-Port-au-Prince Transmission Line project and to set aside an additional US\$3.5 million for the same project.

52. Norway asked whether the Fund Manager thought that the remaining US\$200,000 would be sufficient for the Secretariat to operate. The Fund Manager replied that there would be the US\$200,000 plus the amount reserved for the mid-term review (US\$266,000) plus the eventual US\$10 million from Spain. The Fund Manager confirmed that these funds would be sufficient and that, based on decision of the Government on the option to continue the Fund at the next Council of Ministers, the Secretariat would prepare a final proposal on the future of the Fund with estimated operating costs.

53. The Chair asked the IDB when it would be ready to share a complete project document so that the SC could decide to allocate the resources. The IDB representative responded that the IDB and EDH would continue to work on the project document, which is already quite advanced. The technical document, which is the heart of the project dossier, should be ready in the next few weeks and negotiations with the Government for the Grant should occur in November and an approval by the IDB Board by the end of the year. The IDB will send the final technical document to the SC between the end of November and the beginning of December.

54. The Japanese Ambassador stated that given that they have not received a reaction from Tokyo on the \$3.7 million remaining in the Fund, as such, he said he was unable to give a position now, so they would abstain from the decision.

Closing

55. Ms. de Caen suggested to the Minister of Economy and Finance that as he would be discussing HRF issues in the next meeting of the Council of Ministers, this might be an ideal opportunity to get the approval of the Council for those previously approved projects from the last meeting with general budget support funds. It was agreed that the UN would prepare a note for the Minister prior to the meeting with the necessary background information.

56. The Chair thanked the SC for their contributions at the meeting. The French Ambassador congratulated the Minister for his chairmanship and the Canadian representative thanked the Minister for his participation in the discussion and his chairmanship of this discussion. She noted that she felt much progress had been at the meeting and thanked the IDB for connecting them by videoconference. The Chair thanked Ambassador Duquesne, Ms. Cameron, and all for their participation, noting that the success all had witnessed today was due to the participation of all but especially to the HRF Secretariat and everyone involved. The Chair hoped that now the follow-up would be done in the coming days, in particular the projects that could be financed by general budget support as mentioned by the UNDP and he hoped to receive documentation prior to the Council of Ministers meeting. There would also be decisions to be taken on energy and education at the Council of Ministers and the Minister committed to making sure that these projects would be sent to the Council in order to get them approved in time.

Finally, the Chair hoped that before the end of the fiscal year that the funds expected through budget support would be disbursed to allow the Government to finish their fiscal year in a more sure way. He gave a final word of thanks and invited all to lunch.

Table 1: Summary of decisions, responsibilities and timeframe

Activity-Task	Action	Responsible	Timeframe
(1) The SC agreed to do a final review of the HRF before it ends in FY17, but not a mid-term review. (2) Once the Government has discussed the future of the HRF at the Council of Ministers, the Secretariat will prepare a proposal for the SC which will contain positions expressed by both Council of Ministers and SC members.	The Secretariat will prepare a proposal for the SC which will contain positions expressed by both Council of Ministers and SC members	Secretariat	Proposal to be done within 2 weeks of receiving confirmation of the Government of Haiti's position on the future of the Fund.
Set aside US\$15 million for a school feeding program with the World Bank as the Partner Entity, instead of using the funds for targeted budget support.	(1) US\$15 million to be reserved for a school feeding program. (2) World Bank to submit final project document to SC for approval in December.	(1) Trustee (2) World Bank	(1) Immediate (2) December 2013
Allocate US\$10 million for a budget support operation with the World Bank as the Partner Entity.	The World Bank, as Partner Entity, will disburse funds as soon as the paperwork is completed by the Ministry of Economy and Finance.	Trustee, World Bank, Ministry of Economy and Finance	By September 30, 2013
Allocate US\$3.7 million for the education project with the IDB as the Partner Entity	Circulate IDB project document for the education project, "Support to the Implementation of the Education Plan and Reform in Haiti".	IDB	As soon as possible
Change the reserve of the US\$12.5 million from an energy project to the Péligré-Port-au-Prince Transmission Line project and set aside an additional US\$3.5 million for the same project.	(1) Change reserve for US\$12.5 million from "an energy project" to the "Péligré-Port-au-Prince Transmission Line" project. (2) Set aside US\$3.5 million for the Péligré-PaP Transmission Line project.	Trustee	Immediate

ANNEX 1

Representatives and Official Observers

Voting members

Chair	Mr. Wilson Laleau, Chairperson and Minister of Economy and Finance
Government of Haiti	Mr. Yves-Robert Jean, DG, MPCE
Brazil	Ambassador José Luiz Machado E Costa
Canada	Ms. Heather Cameron
Japan	Mr. Kenji Kuratomi
Norway	Mr. Iver Williksen
Spain	Ambassador Manuel Hernández Ruigomez
United States	Mr. Tom Adams
France	Ambassador Pierre Duquesne

Partner Entities

IDB	Mr. Gilles Damais
UN	Ms. Sophie de Caen
World Bank and IFC	Ms. Mary Barton-Dock

Trustee

Trustee	Mr. Darius Stangu
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Observers (Official)

Local Authorities (Maires)	Mr. Joseph Gontran “Billy” Louis (absent)
Local Authorities (Casecs)	Mr. Raoul Pierre-Louis (absent)
Diaspora	Mr. Joseph M.G. Bernadel (absent)
National NGOs	Ms. Carmèle Rose-Anne Auguste (absent)
International NGOs	Mr. Dirk Guenther
Private Sector	Mr. Reginald Boulos (absent)

Secretariat

Administrator	Mr. Josef Leitmann
Operations Officer	Ms. Maria Kim
Communications Officer	Ms. Berdine Edmond (outgoing)
Communications Officer	Ms. Bertrovna Bourdeau (ingoing)
Program Assistant	Ms. Anne Marie Gabrielle Dujour

Other participants

Mr. Alfred Metellus (MEF)
Mr. Gregory Mevs (Finland)
Ms. Sandra Berberi (Canada)
Ms. Marie-France Provencher (Canada)
Mr. Yves Malpel (France)
Ms. Rie Inoue (Japan)
Ms. Marguerite Siemer (USA)
Ms. Patricia Aguilo (USA)

Ms. Maria Civit (Spain)
Ms. Carmen Rodriguez (Spain)
Ms. Luciana Farnesi (Brazil)
Mr. Pierre KénoThys (IDB)
Mr. Antonio Cruciani (ILO)
Mr. Creutzer Mathurin (MENFP)
Mr. Bertho Lenesco (PNCS)
Mr. Frantz Bastien (MPCE)

Annex 2

Eleventh Steering Committee Meeting

Agenda

September 13th, 2013

Inter-American Development Bank, 6 Puits Blain, Route de Frères

09:00 – 12:00



08:30 – 9:00	Coffee and light breakfast
09:00 - 09:05	Welcome by the Chair
09:05- 09:15	Approval of the agenda
09:15 – 09:45	Updates <ol style="list-style-type: none">1. Secretariat2. Trustee3. Partner Entities
09:45 – 11:00	Discussion on the future of the HRF <ol style="list-style-type: none">1. Presentation of discussion paper (Secretariat)2. Discussion of options
11:00 – 11:15	Coffee break
11:15 – 11:45	Consideration of funding requests from Government <ol style="list-style-type: none">1. Péligre transmission line (revised request)2. Other requests
11:45 - 12:00	Other Business
12:00	Closing and lunch

Annex 3

Presentation: Prospects for the Haiti Reconstruction Fund



PROSPECTS FOR THE HAITI RECONSTRUCTION FUND

11th Steering Committee Meeting
13 September 2013



Considerations

- The HRF is poor (US\$3.7 million to allocate) and rich (nearly US\$100 million in reserve)
- Haiti's policies have moved on from reconstruction to development
- The HRF was planned to continue operating through 2017
- The Secretariat and Trustee have an approved budget only through June 2014



2

Considerations (2)

- The Steering Committee authorized a mid-term review that some members want to reconsider
- The HRF could serve as a financing platform for activities beyond reconstruction
- Significant funds have been frozen in reserve for nearly three years
- No donor plans to contribute additional resources to the HRF for its current mission



3

Option 1: Exit Strategy

- Close the HRF as financing vehicle by Jun 2014
- **Consequences**
 - Unspent funds returned to donors on pro-rata basis
 - No reporting or other services from Secretariat
 - HRF as aid platform would cease to exist
- **Cost implications**
 - No further Secretariat or mid-term review costs
 - Modest expenses for continuation of Trustee function & completion report
 - Possible loss of aid



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Option 2: Business-as-usual

- Continue operations & work with Government to mobilize new contributions
- **Consequences**
 - Increase in flexible finance for Government
 - Continuation of functions
 - Implementation of mid-term review
- **Cost implications**
 - Need for 3 years of diminishing administrative costs
 - Need to reserve these funds in advance
 - Need to finance mid-term review



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Option 3: Flexible Functionality

- Scaling down until needed for other purposes
- **Consequences**
 - Reduced services from Secretariat
 - Steering Committee would only make virtual decisions
 - Revision of Operations Manual and administrative agreements
- **Cost implications**
 - Significant reduction in Secretariat budget
 - No change in Trustee budget
 - Possibility of new contributions to finance activities beyond reconstruction



6

Questions

1. Which option best meets the needs of the Government and its development partners?
2. Which option is most consistent with the HRF's mission and principles?
3. Does the HRF still have a role to play in Haiti?
4. Is there another platform for aid delivery that can better fulfill the functions of the HRF?
5. Is there another option (or hybrid of existing ones) that merits consideration?



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