



HRF QUARTERLY UPDATE / No 5: WINTER 2012/13



Welcome to the fifth issue of the HRF Quarterly Update. Our objective is to keep you informed about how the HRF is supporting Haiti's reconstruction process. The update is released three times a year and is intended to supplement the HRF annual report. Your comments and inquiries are welcome.

HIGHLIGHTS OF THIS ISSUE

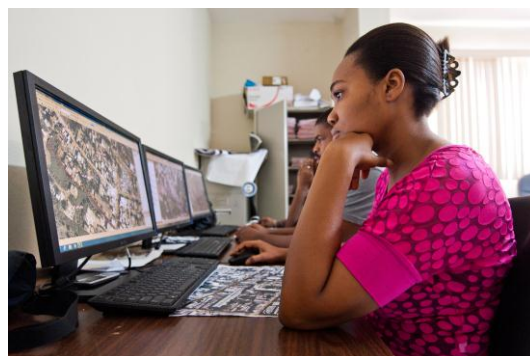
- ✓ **3 projects are being restructured at the request of the Government to better serve the needs of the reconstruction (p.2)**
- ✓ **The HRF is supporting the rebuilding of the education system in Haiti (p.3)**
- ✓ **More than 910 000 cubic meters of debris has been removed with production in the previous quarter of 17,462 m³ of recycled construction materials (p.4)**
- ✓ **The total value of the HRF portfolio is \$551 million, including \$277 million of leveraged resources (p.6)**
- ✓ **The HRF continues to play a significant role in reconstruction finance (p.5)**



A worker with paved stones made out recycled debris. Courtesy of HRF.

SUMMARY

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Mapping damaged buildings at IHSI. Courtesy of HRF

HRF GOVERNANCE

During the period October – December 2012, the HRF Steering Committee approved the restructuring of three projects so that allocated funds could be better used to support the priorities of the Government of Haiti. Government agencies and Partner Entities worked together to submit new requests for HRF financing using the HRF's revised grant approval process.

Three HRF-financed activities were restructured as follows:

- **Neighborhood Housing Reconstruction Project** (US\$65 million; World Bank) – US\$8 million was reallocated to provide cash grants to help 12,000 households residing in highly vulnerable camps to return to improved housing conditions in neighborhoods over a one-year period.
- **Partial Credit Guarantee Fund** (US\$12.5 million; Inter-American Development Bank) - US\$5.0 was reallocated to help smaller firms gain access to financial and technical services for smaller firms with the Ministry of Finance (MEF) as the implementing agency and the remaining US\$7.5 million will be applied to a program to support smallholder

agriculture with the Ministry of Agriculture (MARNDR) as the implementing agency.

- **Natural Disaster Mitigation in the South Department** (US\$14 million; IDB) – at the request of the Government, the focus of HRF co-financing was shifted from flood risk reduction to environmental management and energy. US\$9 million was reallocated for protection and management of the Macaya National Park (with the Ministry of Environment) and US\$5 million was reallocated for the development of clean energy (with the Ministry of Finance and the Prime Minister's Office).

Government agencies worked with the United Nations and the IDB to prepare a dozen Project Concept Notes (PCNs) for requesting HRF financing. These PCNs were evaluated by the Ministry of Planning (MPCE) and prioritized by the Prime Minister in discussion with the MPCE and the Ministry of Finance. The Council of Ministers approved HRF funding requests on December 21, 2012 and the HRF is now awaiting transmission of the decision before proceeding to a Steering Committee meeting.

DONOR SPOTLIGHT : FRANCE



France is the fifth largest contributor to the HRF, having made contributions in 2010 and 2011 that total US\$32.4 million. A preference has been expressed that US\$28.6 million be used for budget support and the remaining US\$3.8 million be used for project support in the education sector. To date, the HRF Steering Committee has allocated US\$25 million for budget support and US\$15 million for the education sector. Overall, France is Haiti's eighth largest donor for reconstruction. In addition to debt relief and its aid contribution to the European Union, France pledged US\$188.1 million for rebuilding of which approximately 95% has already been disbursed.

France is furnishing bilateral support in five areas: 1) rebuilding capacity of the Haitian state (training and equipment for the justice sector, civil security and the Haitian National Police of education, support for administrative deconcentration and decentralization); 2) education (teacher training, governance support, assistance for development of professional education, support for 700 student scholarships, inclusive education for the handicapped); 3) health (rebuilding the University Hospital in Port-au-Prince in cooperation with USAID); 4) urban development (rehabilitating the Martissant and Baillergeau neighborhoods in Port-au-Prince); and 5) economic development (agriculture, roads, drinking water supply).

Education before the earthquake

Prior to the January 2010 earthquake, the education sector was characterized by limited access, uneven and low quality and a Ministry of Education and Professional Training (MENFP) with limited capacity to regulate and supervise the sector. 500,000 primary-aged children were not in school prior to 2008 and about 1.5 million children in primary schools were “over-aged” with a 72% enrollment rate. Non-public schools accounted for approximately 80% of the supply of education – often the only available option for families and requiring the payment of tuition fees. However, 79% of non-public providers lacked certification or licensing resulting in questionable quality of education services provided and the average cost of tuition at non-public institutions approached 25% of per capita income per year. The quality of education was low before the earthquake: one-quarter of teachers had less than a ninth-grade education, adult illiteracy was 57% (the worst in the Caribbean) and school infrastructure was poor. Technical and vocation training was low-quality and not market-oriented. Technical training centers often operated in the absence of standards or regulations, delivering outdated programs unaligned with the demands of the labor market.

Education after the earthquake

The earthquake further exacerbated the challenges that existed in the sector. Damages and losses in the education sector amounted to an estimated US\$478.9 million. Over 1300 educational establishments were destroyed and over 2900 were damaged. Following the earthquake, a Presidential Commission on Education was set up to develop an overall plan for reorganizing the education sector and addressing the constraints in the sector. The “Operational Plan for Education” (OPE), developed by support from the Inter-American Development Bank (IDB), was presented to and approved by the Interim Haiti Recovery Commission (IHRC) on August 17, 2010.

The Operational Plan for Education calls for financing across nine strategic themes, ranging from preschool to tertiary education.

The OPE areas of intervention include:

1. Governance reform
2. Curriculum and teaching
3. Human resources development/professional training
4. Governance reform
5. Secondary education
6. Technical and Vocational Education and Training (TVET)
7. Higher Education
8. Special education
9. Literacy

Several donors (including the IDB, World Bank and Canada) are now financing the implementation of Haiti’s national strategy for rebuilding the education system.

HRF support for Education

The HRF has provided co-financing to two operations in support of the education sector, both supervised by the IDB and implemented with the MENFP:

- 1) \$10 million in co-financing to the Support to the Reconstruction of the Education Sector project, supervised by the IDB. This project has a total financing of \$136 million. By the end of 2012, \$5.9 million (or 59%) of the HRF funding for this project was disbursed.
- 2) The \$5 million in co-financing to TVET will (a) improve quality of training through center rehabilitation/reconstruction and equipment and reengineering of programs; and ii) reinforce governance of the sector. In particular, the support will aim at improving TVET opportunities and employment for 600 youth annually and providing skilled workers for the Northern Industrial Park. Key activities to be financed under this component include: (i) technical assistance to INFP to develop and implement the national TVET policy; (ii) the reengineering of training programs in key economic sectors; and (iii) infrastructure and management upgrades in six public centers, including three in the NIP area. This operation was approved in late 2011 and became eligible in November 2012. Activities are expected to begin in 2013.

Results to date of HRF co-financing

HRF co-financing of the Support to the Reconstruction of the Education Sector project has achieved the following results:

Providing quality infrastructure: Despite difficulties, seven sites have been identified. International competitive bidding is on-going for the construction of the schools which are planned to open for the academic year 2013/2014.

Improving the quality of education: (a) 14,250 school students kits, 143 teachers kits, 30,000 uniforms, and 50,000 school books were produced and delivered in 10 departments from October 1st to November 30th and (b) An ongoing MENFP program for teachers training will be supported in academic year 2012/2013 to train 77 basic education teachers with IDB co-financing to train over 600 other teachers. All HRF funds for this component (\$168,000) should be disbursed by June 2013.

HIGHLIGHTING PROJECT RESULTS

Of the 17 reconstruction projects financed by HRF, three are completed, two are in the process of closing, three are being restructured and nine are currently under implementation.

With 35% of its projects completed or in the process of closing, the results section of this issue focuses on the activities that have helped to ensure sustainability of projects results and increased capacity of local actors to manage reconstruction.

Improving the quality of education:

- 14,250 school students kits, 143 teachers kits, 30,000 uniforms, and 50,000 school books were produced and delivered in 10 departments from October 1st to November 30th
- An ongoing MENFP program for teachers training will be supported in academic year 2012/2013 to train 77 basic education teachers with IDB co-financing to train over 600 other teachers. All HRF funds for this component (\$168,000) should be disbursed by June 2013.

The 16/6 Project focuses on training of local actors:

Having financed the closure of 50 camps and the relocation of 11,000 households to their original neighborhoods, the project is now working on neighborhood rehabilitation. This activity goes beyond infrastructure to include the training of local actors and creation of economic opportunities:

Training of trainers on resilient construction

- Some trainers trained in the first cohort of the 16/6 training of trainers (20 out of a total of 60) were directly recruited by the Swiss Cooperation to teach in Petit-Goâve. Others are training workers while rebuilding condemned houses.
- The second training of trainers' session has already begun and, starting February 2013, these trainers will be able to start training others.



Training of trainers. Courtesy of 16/6

Technical reinforcement of local actors in construction

- To date, six local companies have been subcontracted through the 16/6 project for repairing damaged houses;
- 87 workers were trained jointly with MTPTC.

Continuous neighborhood rehabilitation

- More than 1,531 families in Morne Hercule neighborhood benefited from new road infrastructure following the rehabilitation of 1.2 km of the Charlemagne Peralte road;
 - 249 solar lamps were installed in eight neighborhoods of the 16/6 project;
 - 859 families have received housing repair solutions, representing 80% of the objective for this phase
- Training 57 workers on crushing and recycling, including 29 new workers during the period from October 1 to December 6, 2012
- Support to 12 self-employed entrepreneurs in Carrefour Feuilles to sustain their debris transformation businesses: (a financial agreement was signed with the International Federation of the Red Cross to guarantee support for their production and business management up to April 2014).

Earthquake Prevention in the North Project

- More than 600 teachers were trained as senior trainers on earthquake and tsunami prevention techniques.
- More than 10,000 information and awareness booklets were disseminated to teachers in the main cities of the North department.

Support to Housing and Neighborhoods Reconstruction Project

- The National Center for Geo-Spatial Information now has the capacity to respond to all requests for mapping, data centralization, information management and diffusion
- 10 local technical agencies across Haiti with responsibility for reconstruction coordination are being supported and their operating budget for 2012-2013 has been included in the local budget of the 10 communes where they operate.

Sustainable Development in Haiti's Southwest Project (SDHS) :

This project is the first phase of the South Coast Initiative (SCI), a 20-year program which, in its initial phase, aims to achieve sustainable development for 10 of the 18 communes of the South Department. While the SDHS project is in its closing phase, the Government and its partners have requested that, the SCI has become a support program to catalyze sustainable development for the whole Department (18 communes).

During the fourth quarter of 2012, the project was particularly focused on developing multi-year and communal intervention plans (with a secured financing for the second phase) for sectors such as energy, marine, agroforestry and local governance support.

Debris removal and recycling: capitalization and sharing knowledge and support to entrepreneurs

Lessons learned/ data sharing/ sustainability

- Masons trained in earthquake and hurricane-resilient construction methods are available for other construction programs.
- The manual on debris recycling was finalized and printed.
- The implementation of neighborhood planning projects was supported, and databases and maps were shared with reconstruction projects involving the International Federation of the Red Cross and PADF
- At the request of the communities, more than 100 maps were prepared and distributed for four neighborhoods. They will be useful to improve neighborhood identity and as geographic resource materials for local schools

Some numbers

- More than 910,000 cubic meters of debris have now been removed, including almost 200,000 cubic meters during the last quarter.
- More than 16,000 jobs were created, an increase of 3000 over the previous quarter

- Six houses built from recycled debris with two more soon to be finalized
- Rehabilitation of seven corridors in the Carrefour Feuilles area using paving stones made from recycled debris
- Production of 17,462 m³ of building materials and paving stones in the recycling workshops at Morne Hercule and Morne Lazare from October 1 to December 6, 2012.



David Nordeus, one of the beneficiaries who got a house made with debris in Carrefour Feuilles, Port au Prince, Courtesy A. Martinez, UNDP



HRF ROLE IN RECONSTRUCTION FINANCE

Following the January 2010 earthquake, bilateral and multilateral donors pledged \$12.32 billion in humanitarian and recovery funding at the international donor's conference "Towards a new future for Haiti". Since 2010, the UN Office of the Special Envoy for Haiti (OSE) has been tracking bilateral and multilateral donor allocations and disbursements (www.haitispecialenvoy.org). Of the \$5.33 billion pledged for programmes from 2010-2012, the OSE's data reveals that more than half has been disbursed (\$2.83 billion or 53.2 percent).

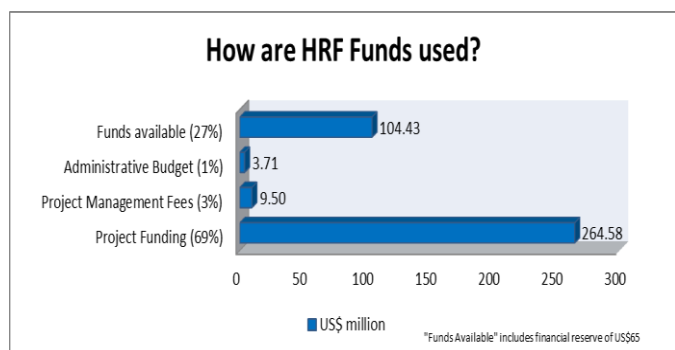
The HRF is an important source of strategic reconstruction financing for the Government of Haiti. To date the HRF has mobilized US\$396 million from 19 donors, allocated \$274 million for 17 activities and disbursed \$122.7 million through its partners. **Funding made available through the HRF represents 14 percent of total funding disbursed by bilateral and multilateral donors for post-earthquake reconstruction.** In fact, the total value of the HRF portfolio is \$551 million, meaning that an additional \$277 million has been leveraged in co-financing. HRF funding is strategic not only because it supports and is aligned with the Government of Haiti's Action Plan for National Recovery and Development but also because the Government of Haiti is in the driver's seat.

It is the prerogative of the Haitian government to set their priorities for reconstruction and also decide on the use of the funds as Chair of the HRF Steering Committee and as a voting member of the Steering Committee. Programs that have been financed by the HRF include housing, neighborhood reconstruction, debris removal and management, disaster risk management, education and more generally across many of the projects, job creation. The HRF is also an important source of budget support for the Government of Haiti, and the very first funding allocated by the HRF was \$25 million in co-financing of a \$55 million World Bank budget support operation to fill the 2009-2010 fiscal budget gap.

Reconstruction and development is a long-term effort and the HRF will remain in place until at least 2017. The HRF is an important conduit for the international community to continue providing pooled funding for reconstruction and development priorities. Until the end of 2017, the Government of Haiti can count on the HRF to serve as a multi-donor trust fund for reconstruction and development financing.

HRF FINANCIAL UPDATE

As of December 31, 2012 **19 donors have pledged and signed administrative Agreements or arrangements amounting to US\$396 million to the HRF**, of which US\$381 million has been transferred to the Trustee. The **total funds held in trust**, including the US\$67.5 million in financial reserve and US\$1.17 million in investment income, are **US\$119.5 million**. US\$15 million in contributions remains outstanding from Spain (US\$10 million) and the United States (US\$5 million). Excluding the financial reserve and the US\$15 million funding decision pending cash transfer, **funds for allocation by the HRF Steering Committee** total US\$36.9 million.



The HRF Steering Committee, at the request of the IHRC, has allocated US\$274 million or 71 percent of committed funds for 17 reconstruction programs, including Partner Entity fees.

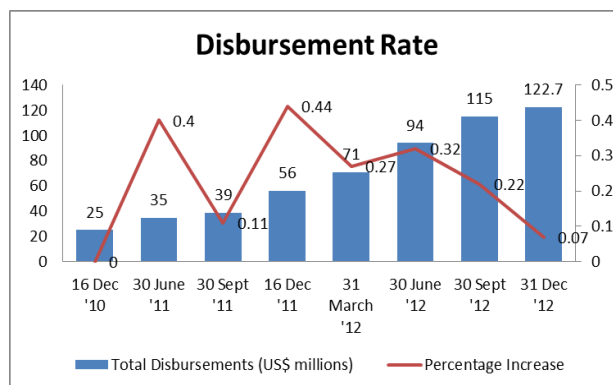
Of the US\$274 million in project funds allocated, **95 percent or US\$259 million has already been transferred to the respective Partner Entity**. The United Nations serves as Partner Entity for ten out of the seventeen approved projects, representing 47 percent of total funds that have been transferred. The World Bank supervises three projects and the Inter-American Development Bank four projects, representing respectively 38 and 15 percent of project funding approved. **The majority of HRF funding, roughly 67 percent of total project allocations, is implemented through national or local government entities**, with remaining funds implemented by local and international NGOs, UN agencies and other entities.

In the last quarter, the Steering Committee approved the restructuring of three projects:

- (1) Port-au-Prince Neighborhood Housing Reconstruction Project (US\$65 million/Partner Entity: World Bank) was restructured to include Return Cash Grants to accelerate the return of people from camps to safe neighborhoods in the aftermath of Tropical Storm Isaac (involving US\$8 million of the total amount);
- (2) Partial Credit Guarantee Fund (US\$12.5 million/Partner Entity: IDB) was restructured to fund the Extension of the Pilot Program to Support for Small-Scale Businesses, a Pilot funding for leasing facilities and a program to support smallholder agriculture;
- (3) Natural Disaster Mitigation in the South project (US\$14 million/Partner Entity: IDB) was restructured to finance: the Sustainable Management of Upper Watersheds of South Western Haiti – Macaya National Park and sustainable energy through establishment of an investment facility for micro hydro power-plants.

On December 21, 2012, requests for HRF financing (with the endorsement of the Prime Minister) were presented to the Council of Ministers. Upon receipt of the official minutes of the Council of Ministers, the Secretariat will organize a Steering Committee meeting to take decisions on the selected proposals.

Of the 17 projects approved to date, four are now fully disbursed, three are being restructured, one is pending cash transfer to Partner Entity and nine are under implementation. **Total project-level disbursements are US\$122.7 million, representing 45 percent of total funds approved for projects.** Project level disbursements by the Partner Entities increased by US\$7.7 million (7%) in the last three months.



HRF FAMILY: IFC

The International Finance Corporation (IFC) is part of the World Bank Group, and one of the four HRF Partner Entities. IFC focuses on sustainable private sector growth, to create the opportunity for people to improve their lives and escape poverty. IFC finances private sector investments in developing countries, mobilizes capital from third parties, and provides knowledge and advice to firms and governments on sustainable development issues.

IFC strategy in Haiti is two-fold:

1. Create jobs and income opportunities in the short term, by making catalytic investments that demonstrate that Haiti is open for business despite challenges
2. Help create the basic blocks of a sustainable and inclusive economy, through advisory activities that aim at improving the business environment for local and foreign investors. Focus areas are investment climate, access to finance, public-private partnerships, and capacity-building for Small and Medium Enterprises (SMEs).

IFC has a 5-staff office in Port-Au-Prince, and a US\$55million investment portfolio in 7 operations, including some of the flagship private sector investments of the country – from the E-Power power plant, that provides 30% of the available power in Port-Au-Prince, to the CODEVI free zone, that employs close to 7,000 Haitian workers in Ouanaminthe. Most recent operations include the set-up of the Leopard Capital Haiti Fund, which will bring much needed growth capital and governance to mid-sized Haitian firms.

IFC advisory activities have also delivered substantial results, in particular for SMEs – promoting investments in Haiti after the earthquake, creating a framework for investments in Free Zones, training more than 3,000 SME owners and mid-managers through IFC Business-Edge methodology, helping the Haitian financial sector develop lending products dedicated to SMEs

IFC is continuously looking for new sustainable private sector projects to support in Haiti, in areas that are critical to the country's development goals, including infrastructure (energy, ports, airports, water), financial intermediaries, manufacturing, housing development, tourism, agribusiness.

IFC HAITI TEAM



Ary Naim, Country Head, is a Development Finance specialist with most of his career spent in the financial sector, in particular in the area of Small and Medium Enterprise financing. Ary has been with IFC for 8 years, after a 14-year career with French BNP Paribas. Ary has worked in France, Morocco, West-Africa, and the Caribbean. He has conducted projects and missions in Sub-Saharan Africa, the Middle-East, South and East Asia, Central Asia and Eastern Europe.



Jennifer Fièvre, Investment Officer, has been with IFC since 2008, and oversees IFC's activities in the Manufacturing, Agribusiness, and Services sectors. Jennifer has a Master Degree in International Affairs with a concentration in Development Finance from Columbia University, New York. She also has a long experience in the Haitian private and financial sector, in particular at CLED and at Citigroup Haiti.



Antoine Deroide, Senior Investment Officer, has joined IFC in Haiti in 2011, to oversee IFC's activities in Infrastructure. He holds an MBA from the London Business School and a degree from French Institut Supérieur de Gestion, with a major in Finance, HR and Operations. Over the past 17 years, Antoine has worked in various areas including project manager, Senior Associate and Principal Banker (NGO Solidarités, Lehman Brothers, EBRD).



Lia Mamniashvili, Operations Officer, joined IFC in 2012 to coordinates the implementation of IFC Advisory Services strategy in Haiti. Lia, a Georgian national, brings over 12 years of professional experience with the private and public sector in project management and implementation, governance, SMEs, and public-private partnerships. She holds a Masters degree in International Law and International Relations from Harvard Law School and a Masters in International Business Law and International Economic Relations from King's College in London.

Jean François Péan- Investment Analyst, holds a MS from Bordeaux Business School, in France, where he majored in Financial Engineering in 2009. In France, he worked in the automotive industry at Valeo R&D financial control group, then as Investment Analyst for the private equity firm Avenir Entreprises. He returned to Haiti in late 2009, where he worked as a strategy in the Insurance and Construction sectors, prior to joining the IFC in December 2010, first in the Dominican Republic, then in Port-Au-Prince.

Laurence Victor, Team Assistant, joined IFC in October 2010 as Team Assistant. Laurence has a solid experience as an administrative and executive assistant in the Haitian private sector as well as in the multilateral development sector.

ABOUT THE HRF

The Haiti Reconstruction Fund (HRF) is a partnership between the international community and the Government of Haiti to help finance post-earthquake reconstruction. The HRF mobilizes, coordinates and allocates contributions from bilateral and other donors to finance high-priority reconstruction projects, programs and budget support. The advantages of this multi-donor approach are that it:

- Increases harmonization by pooling resources from many donors in support of the Government of Haiti's reconstruction priorities;
- Draws on the comparative advantages of proven international and locally-active partners;
- Reduces transaction costs for the Government and donors by working through one funding facility;
- Avoids overlapping initiatives and duplication of efforts; and
- Helps to meet strategic financing needs in the reconstruction process as identified by the Government of Haiti.

The HRF is the largest source of unprogrammed funding for reconstruction.

As of September 30, 2012, nineteen donors have committed US\$396 million to the Fund. This money is unprogrammed and can be used flexibly to meet the Government of Haiti's strategic reconstruction needs. 16 percent of all reconstruction funds disbursed to Haiti as of December 2011 was channeled through the HRF.

The HRF is chaired by the Government of Haiti, which also sets its priorities.

The HRF Steering Committee is chaired by the Minister of Finance. Every reconstruction activity financed by the HRF must be requested and approved by the entity designated by the Haitian Government as the HRF counterpart.

The HRF provides the largest amount of money for some of Haiti's top reconstruction priorities in the housing, debris removal and disaster risk management sectors.

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

Only 3 percent of committed resources are being used to cover the administrative costs of the HRF Secretariat, Trustee and Partner Entities. The HRF can approve fast track financing for small projects of up to US\$1 million in one week and larger amounts in as little as two weeks after receiving a request from the HRF government counterpart.

The HRF is a long-term partner for Haiti's rebuilding.

The HRF will continue to support the reconstruction until December 2017.

HRF SECRETARIAT

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