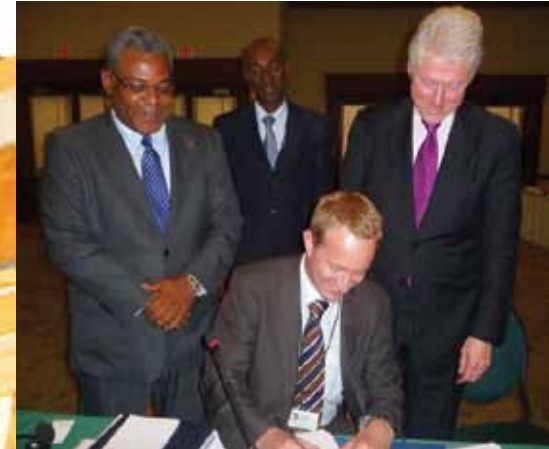


HAITI RECONSTRUCTION FUND

REBUILDING TOGETHER SIX MONTH PROGRESS REPORT

June 17 - December 16, 2010



Haiti Reconstruction Fund Secretariat

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



Cover and back cover photos courtesy of Sophie Paris, UNDP, Evelyn Ancion Dégraff, Daniel Desmarais, IOM (www.citizenhaiti.com), Claude Nadon, UNOPS, Simon Darke, UNOPS, Elisabeth Slättum

EXECUTIVE SUMMARY



“...the recovery process needs to be shaped by the highest degree of coordination, transparency and collaboration between the Haitian people, their government and the international community.”

JEAN-MAX BELLERIVE,
IHRC CO-CHAIR AND PRIME MINISTER



top right: Photo courtesy of Oscar Emerson, VIVA RIO, (www.vivario.org.br)
top: Photo courtesy of Gary Lesperance

HIGHLIGHTS

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

- The largest source of unprogrammed funding for the reconstruction of Haiti
- An international partnership led by the Government of Haiti and the Interim Haiti Recovery Commission
- An effective mechanism for raising money (US\$267 million so far) and allocating financing for reconstruction (US\$193 million during the first six months)
- A means of strategically closing financing gaps in order to achieve a balanced recovery.

WHY WAS THE HRF CREATED?

The devastating January 12 earthquake in Haiti generated an enormous outpouring of international support. Governments, private entities, non-governmental organizations (NGOs), creditors, and multilateral agencies around the world mobilized substantial volumes of resources to support relief and recovery. Some of these contributors have the capacity and desire to manage their own resources on the ground with the Government of Haiti (GoH). Others prefer to combine their support in a multi-donor effort to help finance the recovery.

In response to a March 2010 request from the GoH, the Inter-American Development Bank (IDB), the United Nations (UN) and the World Bank, along with contributing donors, established a multi-donor fund called the Haiti Reconstruction Fund (HRF – “the Fund”). The role of the HRF is to provide financing for the GoH’s post-earthquake Action Plan for National Recovery and Development of Haiti and related initiatives. At the GoH’s request, the International Development Association (IDA) of the World Bank Group serves as Trustee for the Fund. From March to June 2010, the

World Bank worked with the GoH, IDB, UN, and contributing donors to create a governance structure and mobilize resources so that the HRF could become operational.

HOW DOES THE HRF WORK?

The objective of the Fund is to mobilize, coordinate and allocate donor contributions to improve basic living conditions in Haiti and build the capacity of the Government of Haiti in the longer term. To meet this objective, the HRF coordinates its activities with the Government of Haiti, and especially the Interim Haiti Recovery Commission (IHRC). The HRF is a multi-donor trust fund administered by IDA as Trustee. It pools contributions from donors to provide grant financing for priority reconstruction activities that are endorsed by the IHRC and approved by the HRF's Steering Committee.

The HRF provides grant funding for projects and programs in support of the GoH's Action Plan for National Recovery and Development. Any proposals that meet the following eligibility criteria may be submitted for funding from the HRF:

- Be endorsed by the IHRC;
- Comply with the Government of Haiti's Action Plan or a similar document for recovery, reconstruction and development approved by the Government of Haiti;
- Designed to meet a strategic financing

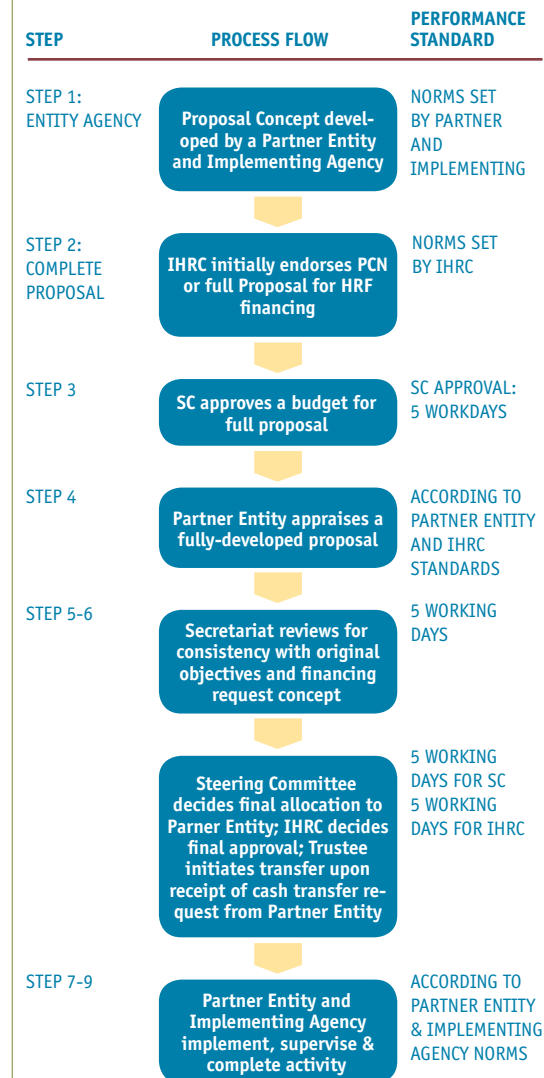
- need in the reconstruction;
- Consistent with the Fund's policies and strategies (as amended from time to time);
 - Enable the efficient, speedy and sustainable recovery of Haiti, and be completed within the life of the Fund (June 2010 - December 2017);
 - Be prepared using the IHRC Project Concept Note template; and
 - Be fully compatible with the Partner Entity's policies and procedures and the Trustee's mandate.

The grant approval process consists of six simple steps. To request HRF funding, an implementing agency and Partner Entity jointly submit either a project concept note (PCN) following the IHRC template or a full project document for IHRC approval. The IHRC then forwards approved projects to the HRF Steering Committee (SC) for review and funding consideration. For full project proposals, once the SC and thereafter the IHRC approve the allocation, funds are transferred to the Partner Entity for immediate implementation of the project. PCN-stage proposals are approved conditionally and receive final approval only upon submission of the complete project document for no-objection approval by the SC and final IHRC approval thereafter. These steps as well as the HRF's performance standards are presented in Figure 1.

A range of activities can be financed to achieve the objective of the Fund. These include: (a) technical assistance and capacity building; (b) infrastructure investments; (c) delivery of basic services; (d) community development; (e) environmental protection and clean-up; (f) income generation activities; and (g) budget support. This can include one or more facilities to make small grants that support these activities. Other activities may be agreed by the HRF Steering Committee when consistent with the overall mandate of the Trustee.

The HRF structure consists of a Steering Committee, Partner Entities, a Trustee, and a Secretariat. Their relationship is graphically presented in Figure 2 below. The Steering Committee is the Fund's governance body and is responsible for endorsing HRF policies and procedures, allocating resources, and approving financial and progress reports. All proposals for consideration by the Steering Committee must be endorsed and requested by the IHRC. The Steering Committee is chaired by the Minister of Finance of the GoH and consists of decision-making representatives from the GoH and major donors who are contributing at least US\$30 million to the Fund. Representatives of the Partner Entities and the Trustee constitute non-decision making members. Observers include representatives of Haitian civil society, the private

FIGURE 1: FLOW CHART FOR HRF GRANT APPROVAL PROCESS





top right: Photo courtesy of Daniel Desmarais, IOM (www.citizenhaiti.com)
 top: Photo courtesy of Simon Darke, UNOPS
 right: Photo courtesy of Louise Botkay Courcier

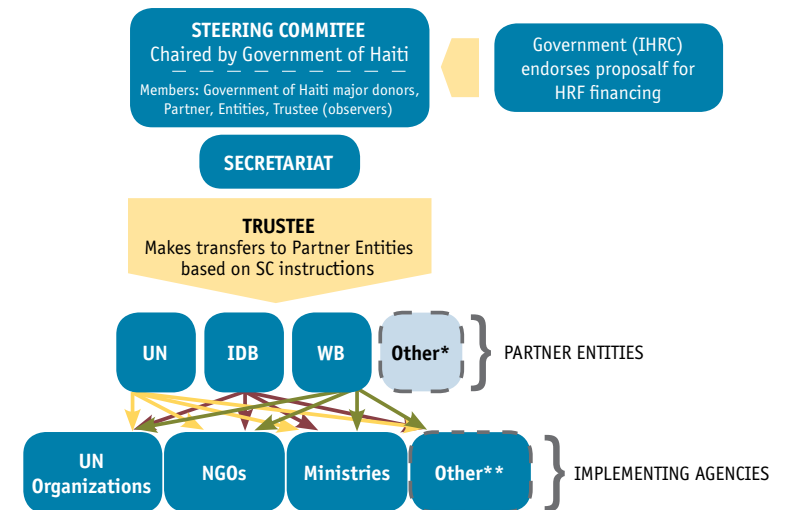
sector, the diaspora, local government, and international NGOs.

WHERE DO THE HRF'S RESOURCES COME FROM?

As of mid-December 2010, twelve donors have signed Administration Agreements or Arrangements with the Trustee for a total commitment to the HRF of US\$267 million. US\$265 million of these funds have been transferred and received by the Trustee. Brazil was the first donor to the Fund, signing an Administration Agreement for a

contribution of US\$55 million on May 11, 2010. The United States, with a contribution of US\$120 million, is the largest donor to the Fund. Each donor contributing or committing to contribute (through the signing of an Administration Agreement) a minimum of US\$30 million equivalent becomes a voting member of the HRF Steering Committee. To date, four donors - Brazil, Canada, Norway and the United States - have contributed an amount equivalent to US\$30 million or more to the Fund. Smaller donors can pool their resources to reach

FIGURE 2: THE HRF GOVERNANCE STRUCTURE



*Other Partner Entities may be proposed subject to accreditation by the Trustee based on proposed minimum fiduciary and safeguard standards and approval by the Steering Committee.
 **Partner Entities will work through one or more Implementing Agencies that are permitted under the Partner Entity's rules and procedures to undertake reconstruction and development activities.

this threshold and obtain a seat on the Steering Committee.

The Trustee is currently finalizing Administration Agreements/Arrangements with six new donors for additional contributions to the Fund totaling an estimated US\$67 million. A number of existing donors to the HRF, most notably Canada, France, Norway and the United States, have also expressed their intention to contribute additional funds.

70% of committed resources have already been allocated by the Steering Committee for reconstruction activities. US\$187 million was allocated for recipient executed activities, US\$4.5 million was allocated in fees and US\$1.6 million was approved to cover the Trustee and Secretariat costs for the period of July 1, 2010 until June 30, 2011. Of the US\$187 million in approved recipient executed grants to date, 19 percent is being channeled to the IDB as Partner Entity, 30 percent through the UN, and 51 percent via the World Bank.

WHAT HAS THE HRF ACHIEVED SO FAR?

In the six months since its inception, the HRF has proven to be an effective tool for rapid response to fill strategic financing needs. The Steering Committee has in six months allocated US\$187 million for eleven projects in areas where there are funding shortfalls. Allocations have been made

for the following areas: reconstruction (US\$107 million for three projects), public administration (US\$25 million for budget support), disaster risk reduction (US\$24 million for three projects), financial and economic recovery (US\$18 million for two projects), education (US\$10 million for one project), and urban development US\$8 million for one project). HRF financing decisions are summarized in Table 1.

The speed of the HRF response reflects the Steering Committee and Secretariat's adherence to high performance standards, including:

- Rapid review and approval of projects, with a five working-day turnaround for each step in the approval process
- Scheduling of HRF Steering Committee meetings the day of or after IHRC Board meetings to allow immediate funding of IHRC approved projects.
- The use of Partner Entities own policies and procedures, including simplified project designs, use of emergency approval procedures, and streamlined procurement and financial management procedures.

A number of improvements can be made to further improve performance standards, such as closer collaboration with the IHRC on the pipeline of projects to be funded from the HRF and more rapid preparation of complete project proposals by Partner

TABLE 1: HAITI RECONSTRUCTION FUND - CUMULATIVE FUNDING DECISIONS (IN MILLIONS)

UPDATED AS OF DECEMBER 16, 2010

ACTIVITY			
PROJECTS	TITLE	PARTNER ENTITY	
	Haiti Emergency Development Policy Operation	WB	25.00
	Budget support	WB	5.00
	Program to Establish a Partial Credit Guarantee Fund	IDB	12.50
	Debris Management Project	UN	15.68
	Haiti Southwest Sustainable Development Program a/	UN	7.40
	Disaster Risk Reduction in the South Department a/	UN	7.40
	Natural Disaster Mitigation in the South Department a/	IDB	14.00
	Reconstruction of the Education Sector a/	IDB	10.00
	Capacity Building for Disaster Risk Management a/	UN	1.85
	Demolition and Debris Removal with Heavy Equipment a/	UN	23.13
	Port-au-Prince Neighborhood Housing Reconstruction Project a/	WB	65.00
		Sub-total	186.97
FEES	Debris Management Project	UN	1.27
	Haiti Southwest Sustainable Development Program a/	UN	0.60
	Disaster Risk Reduction in the South Department a/	UN	0.60
	Capacity Building for Disaster Risk Management a/	UN	0.15
	Demolition and Debris Removal with Heavy Equipment a/	UN	1.87
		Subtotal	4.48
ADMINISTRATIVE	FY 11 Secretariat		1.00
BUDGETS	FY 11 Trustee		0.59
		Subtotal	1.59
TOTAL			193.04

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

Entities such that final Steering Committee and IHRC approval can be granted more quickly and project implementation can start sooner.

One way to gauge the performance of the HRF is to compare it to other post-disaster and post-conflict multi-donor funds. In an uneven comparison of the performance of such funds after one year with the HRF after six months, the HRF is performing well in terms of: a) the rate of processing of funding requests (70% of funds received have already been approved for recipient-executed activities); b) resource mobilization (donors have committed and transferred US\$265 million to the HRF which is only surpassed by the Iraq Reconstruction Funds' performance over twelve months); and c) the speed of disbursement of approved project funds (the HRF ranks in the top half with a 13 percent disbursement rate).

The HRF has now transferred funds to enable each of the Partner Entities to implement activities. As these operations are in their first few months of implementation, the results are modest but include:

- A Partial Credit Guarantee Fund was launched on December 16, 2010 to assist small and medium-sized Haitian enterprises to recapitalize;
- A Debris Management Project has selected its target zones, contracted for

heavy machinery and called for NGO proposals to be financed through the project; and

- An Emergency Development Policy Operation has provided critical budget support to help close the GoH financing gap in FY10 and achieve modest policy reforms.

While it is still early days in the life of the Haiti Reconstruction Fund, some initial lessons can be identified. These include lessons about the value of Haitian leadership, the provision of strategic finance, the importance of a financing strategy, flexibility in decision-making, streamlining, and preferencing. The second half of the HRF's first year of operation should focus on: a) responding to the IHRC's requests for priority financing needs; b) mobilizing additional contributions, including from non-conventional donors; and c) monitoring the implementation speed and impact of projects on the ground.



FOR MORE
INFORMATION

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