CONFORMED COPY

GRANT NUMBER H213-0-HA

Financing Agreement

(Transport and Territorial Development Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 18, 2006
FINANCING AGREEMENT

AGREEMENT dated April 18, 2006, between REPUBLIC OF HAITI (“Recipient”) and
INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the
Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an
integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing
Agreement have the meanings ascribed to them in the General Conditions or in the
Appendix to this Agreement.

ARTICLE II – FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth
or referred to in this Agreement, a grant in an amount equivalent to eleven million two
hundred thousand Special Drawing Rights (SDR 11,200,000) (“Grant”) to assist in
financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section
IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn
Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are January 15 and July 15 in each year.

2.05. The Payment Currency is Dollars.

ARTICLE III – PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the
Recipient shall:

(a) carry out Part 1.1, Part 3.1 and Part 3.3 of the Project and coordinate the overall
Project implementation through MTPTC;

(b) carry out Part 1.2 of the Project through FER; and
carry out Part 2.1, Part 2.2 and Part 3.2 of the Project through UCP/PL 480, all in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Law dated December 18 2002 of the Recipient’s establishing FER has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FER to perform any of its obligations under this Agreement.

(b) Décret dated November 19, 1985 of the Recipient’s establishing PL 480 Management Office has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UCP/PL 480 Management Office to perform any of its obligations under this Agreement.

ARTICLE V – EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Operational Manual for the Project has been adopted, in form and substance satisfactory to the Association.

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date (90) days after the date of this Agreement, but in no case later than the eighteen months after the Association’s approval of the Grant which expire on July 17, 2006.

5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient shall terminate is 20 years after the date of this Agreement.
ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Economy and Finance.

6.02. The Recipient’s Address is:

Ministère de l’Economie et des Finances
Palais des Ministères
Port-au-Prince
Republic of Haiti

Facsimile: (509) 299 17 32

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF HAITI

By /s/ Raymond Joseph
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caroline Anstey
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in lowering the marketing costs for small producers by piloting a territorial development approach focused in the Selected Microregions.

The Project consists of the following parts:

Part 1: Improvement of Key Transport Corridors

Enhancing key transport infrastructure in the Recipient’s territory through:

1.1. improvement of the two transport corridors of Carrefour La mort – St. Raphael and of Forêt des Pins – Anse-à-Pitre, totaling about 100 kilometers through the carrying out of civil works and the provision of technical advisory services in relation thereto; and

1.2. carrying out priority civil works and providing related technical advisory services on the two transport corridors for:

(a) emergency road maintenance;

(b) mechanized road maintenance, including the re-profiling and grading of gravel roads; and

(c) routine road maintenance and all technical advisory services needed to establish and capacitate the community-based micro-enterprises expected to perform said activities, including the monitoring and supervision of the works performed.

Part 2: Territorial Development

Fostering new initiatives for the development of productive investments able to promote rural growth through:

2.1. (a) support for the territorial planning process leading to the identification of priority investments by, inter alia, TCDs; and (b) provision of specific technical advisory services and support for institutional strengthening in respect of all relevant actors, participants and stakeholders in this process; and

2.2. support for: (a) the identification and preparation of investment proposals, and (b) the implementation of Subprojects through the provision of grants therefor.
Part 3: Project Administration, Monitoring and Evaluation

Ensuring optimal execution of Project activities by providing support for the Project’s:

3.1. administration, including the acquisition of goods in relation thereto;

3.2. monitoring and evaluation, including the environmental management and the impact evaluation in relation thereto; and

3.3. efficient implementation, through the building of relevant capacity in all participants thereto, including the Executing Agencies and their relevant regional offices.
SCHEDULE 2

Project Execution

Section I. Letter of Undertakings, Institutional and Other Arrangements

A. Letters of Undertaking

1. The Recipient shall:

   (a) Cause MTPTC to:

      (i) execute Letters of Undertaking for each of the other Executing Agencies of the Project, therein setting forth the respective obligations of the parties thereunder, notably with respect to the implementation and the financing of the relevant parts of the Project, including the provision of technical advisory services, the acquisition of goods and the carrying out of works in relation thereto, and the appraisal of Subprojects, all in accordance with the guidelines set forth in the OM; and

      (ii) exercise its rights and carry out its obligations under each such Letter of Undertaking in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce any such Letter of Undertaking or any provision thereof.

   (b) Cause UCP/PL 480 to:

      (i) enter into agreements with MDODs wherein the modalities for the implementation of the Subprojects by the MDODs for the benefit of the Beneficiaries shall be specified, all in accordance with the provisions set forth in the OM; and

      (ii) ensure that MDODs shall enter into agreements with the Beneficiaries wherein the modalities for the implementation of the Subprojects shall be specified, all in accordance with the provisions set forth in the OM.

   (c) Cause each Executing Agency under the Project to appoint and maintain, throughout Project implementation, key staff, including procurement and financial management specialists, all with qualifications, experience, terms of reference, resources and functions satisfactory at all times to the Association.
B. Institutional arrangements

1. The Recipient shall establish for purposes of the Project, and maintain throughout Project implementation, a steering committee responsible for Project oversight and coordination, co-chaired by Ministers of MPCE and MTPTC and comprising representatives of all ministries concerned, including MEF and MOE, as further set forth in the OM.

2. The Recipient shall ensure that MTPTC:

   (a) remains responsible, throughout Project implementation, of: (i) the execution of Part 1.1, Part 3.1 and Part 3.3 thereof; and (ii) the effective coordination of the overall Project, including the coordination of procurement, financial management, auditing, monitoring and evaluation aspects in relation thereto and the consolidation of all Project reporting; and

   (b) furnishes annual work plans and budgets for review and comments to the Association and the Steering Committee.

3. The Recipient shall ensure that UCP/PL 480 remains responsible for the implementation of Part 2.1, Part 2.2 and Part 3.2 of the Project, assisted by MDODs.

4. The Recipient shall ensure that FER remains responsible for the implementation of Part 1.2 of the Project.

C. Implementation arrangements

1. (a) The Recipient shall adopt a Project operational manual, satisfactory in form and substance to the Association, setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project by each Executing Agency, including the following:

   (i) the detailed description of Project activities and related institutional arrangements therefor;

   (ii) the detailed membership required of all entities to be set up for purposes of the Project, including inter alia, the Steering Committee;

   (iii) the administrative, financial, accounting, auditing, procurement and disbursement procedures for the implementation of the Project by all Executing Agencies, including the relevant standard documents in relation thereto and the terms and conditions for the appointment, as needed during Project implementation, of a procurement agent to carry out specific procurement activities under the Project;
the selection criteria for: (A) the NGOs, the MDODs and other service providers, including the standard service agreements for the contracting of their services; (B) the Beneficiaries; and (C) the Subprojects;

(v) the Environmental Management Framework and the Resettlement Policy Framework; and

(vi) the plan for the monitoring, evaluation and supervision of the Project, including the Performance Indicators.

(b) The Recipient shall: (i) maintain the OM throughout Project implementation; (ii) take all measures necessary to ensure that the Project is carried out in conformity with the OM; and (iii) only amend the OM, from time to time, with the Association’s prior written consent.

(c) In the event of any conflict between the provisions of the OM and any one under this Agreement, the provisions of this Agreement will prevail.

2. The Recipient shall:

(a) ensure that the Subprojects are identified, appraised, approved, implemented, managed and evaluated in accordance with the procedures set forth or referred to in the OM; and

(b) carry out, on an annual basis, under terms of reference satisfactory to the Association, an independent technical audit of physical activities and procurement review of the implementation of:

(i) the Subprojects carried out under Part 2.2 of the Project by, or for the benefit of, the Beneficiaries, focusing on the adherence to the guidelines and procedures set forth in the OM; and

(ii) the civil works carried out under Part 1.1 of the Project.

3. The Recipient, through MEF, shall:

(a) furnish to the Association, not later than sixty (60) days prior to the end of each FY during Project implementation, a projection of monthly proceeds from taxes earmarked for road maintenance for the ensuing FY; and

(b) furnish to the Association, not later than ninety (90) days after the end of each FY during Project implementation, documentary evidence that all proceeds from taxes earmarked for road maintenance have been transferred to FER on a monthly basis.
4. The Recipient shall cause MTPTC to:

(a) furnish to the Association the published list, in form and substance satisfactory to the Association, of roads whose maintenance is the responsibility of FER;

(b) furnish to the Association, not later than one month after its publication the list of completed civil works, including those carried out on any road segment financed under the Project;

(c) furnish to the Association for its review and comments, not later than the end each FY, the maintenance program of the following FY during Project implementation and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of its objective based on the Association’s views on the matter; and

(d) furnish to the Association for its review and comments not later than 6 months before the Closing Date, a technical assessment of the conditions of the civil works for the roads completed under the Project as well as a forecast of maintenance needs for the next 5 years after the Closing Date.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association and set forth in the OM. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained in each Executing Agency a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall, through MTPTC, prepare and furnish to the Association not later than one month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall:

(a) through MTPTC, have the consolidated Financial Statements for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions;

(b) cause PL 480 and FER to have their respective financial statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions; and

(c) cause PL 480, FER and each MDOD, during implementation of the Project, to furnish to the Association audited financial statements of their business activities within six (6) months of the close of their relevant fiscal year.

4. (a) the audit of each consolidated Financial Statement for the Project referred to in paragraph 3.(a) above shall cover the period of one fiscal year of the Recipient and shall be furnished to the Association not later than 4 months after the end of such period; and

(b) the audit of the first consolidated Financial Statement for the Project shall cover the period from the Effective Date up to September 30, 2007.

5. (a) The audit of each financial statement of PL 480, FER and all MDODs under the Project as referred to in paragraph 3.(c) above shall cover the period of one fiscal year of the corresponding Executing Agency and MDOD and shall be furnished to the Association not later than 6 months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works and related non consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works and related non consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to using</td>
</tr>
<tr>
<td>Standard Bidding Documents agreed with the Association</td>
</tr>
<tr>
<td>(b) Shopping, subject to using Standard Request for</td>
</tr>
<tr>
<td>Quotations agreed with the Association</td>
</tr>
<tr>
<td>(c) Community Participation</td>
</tr>
<tr>
<td>(d) Direct Contracting, subject to the Association’s</td>
</tr>
<tr>
<td>prior consent</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

3. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

<table>
<thead>
<tr>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection, subject to the Association’s prior written consent</td>
</tr>
<tr>
<td>(f) procedures for the selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### D. Review by the Association of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

### Section IV. Withdrawal of the Proceeds of the Financing

#### A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association shall specify by notice to the Recipient to: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and consultants’ services for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) part 1.1 of the Project</td>
<td>7,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) part 1.2 of the Project</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services (including for Subprojects)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) part 2.1 of the Project</td>
<td>300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) part 2.2 of the Project</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods and consultants’ services for Part 3 of the Project</td>
<td>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>11,200,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

   (a) payments made prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 500,000 may be made on account of payments made for expenditures before that date but after February 03, 2006;

   (b) payments made under Category 1. (b) of the table above, until and unless a Letter of Undertaking satisfactory in form and substance to the Association shall have been assigned by MTPTC to FER; and

   (c) payments made under Category 2. (a) and Category 2. (b) of the table above, until and unless a Letter of Undertaking satisfactory in form and substance to the Association shall have been assigned by MTPTC to UCP/PL 480 through MPCE.

2. The Closing Date is June 30, 2013.
APPENDIX

Section I. Definitions

1. “Beneficiary” means a CBO, a public or private entity, a local government of the Recipient to which, or for the benefit of which, a grant is proposed to be made under the Project for the carrying out of a Subproject.

2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “CBO” means a community-based organization established and operating pursuant to the laws of the Recipient.


5. “Department” means a territorial subdivision of the Recipient, as set forth under the Recipient’s Constitution.

6. “Executing Agencies” means collectively MTPTC, UCP/PL 480 and FER.

7. “Environmental Management Framework” means the environmental management framework of the Recipient disclosed to the general public on February 03, 2006, therein setting forth the guidelines and the framework for mitigating potential harmful effects of Project implementation, including the Resettlement Framework.


9. “Fiscal Year” and “FY” mean the Recipient’s fiscal year commencing October 1 and ending September 30 of the next calendar year.


11. “Letter of Undertaking” means any of the written instructions for the implementation of the Project referred to in Section I.A.1 of Schedule 2 to this Agreement.

12. “MDOD” means Maître D’Ouvrage Délégué, a service providing entity or individual, an NGO, or any private institution assisting UCP/PL 480 under the Project.

13. “ME” means, depending on the context, Ministre or Ministère de l’Environnement, the Recipient’s Minister or Ministry of the Environment.
14. “MEF” means, depending on the context, Ministre or Ministère de l’Économie et des Finances, the Recipient’s Minister or Ministry of Economy and Finance.

15. “MPCE” means Ministère de la Planification et de la Coopération Externe, the Recipient’s Ministry of Planning and External Cooperation.

16. “MTPTC” means Ministère des Travaux Publics, des Transports et de la Communication, the Recipient’s Ministry of Public Works, Transport and Communication, and for purposes of this Agreement, the Unité Centrale d’Exécution, the Project implementing unit within said ministry. Each reference to the MTPTC in this Agreement shall be deemed a reference to the Unité Centrale d’Exécution within MTPTC.

17. “NGO” means a non-governmental organization established and operating pursuant to the laws of the Recipient.

18. “Operational Manual” and “OM” mean the manual referred to in Section I.C.1 (a) of Schedule 2 to this Agreement.

19. “Performance Indicators” means the indicators for evaluating the performance of the Project referred to in Section I.C.1. (a) (vi) of this Agreement and set forth in the OM.


21. “Procurement Agent” means an agent to be employed by any Executing Agency, as needed during Project implementation, and to be made responsible for the carrying out of specific procurement activities under the Project.

22. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Association in May 2004.

23. “Procurement Plan” means the Recipient’s procurement plan for the Project, signed by the Recipient and dated March 03, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. “RPF” means the Resettlement Policy Framework prepared by the Recipient in respect of persons who may be displaced on account of Project implementation and disclosed to the general public on February 03, 2006.

25. “Selected Micro-regions” means the micro-regions of Dondon-St. Raphaël and Thiotte-Anse-à-Pitres, respectively as described further in the OM.
26. “Steering Committee” means a committee established for the oversight of Project implementation and referred to in Section I.B.1. of Schedule 2 to this Agreement.

27. “Subproject” means either:

(a) a productive infrastructure investment that is aligned with the Project’s development objective, determined eligible under the OM and whose preparation and ensuing implementation will be financed out of the proceeds of the Grant; or

(b) a safeguard-related investment able to mitigate possible adverse effects of the Project, determined eligible under the OM and whose preparation and ensuing implementation will be financed out of the proceeds of the Grant; or

(c) any other productive investment, as well as any other environmental and social investment for which only the costs of identification and preparation thereof will be financed out of the proceeds of the Grant.

28. “TCD” means Table de Concertation Départementale, the Recipient’s departmental discussion roundtable addressing issues of territorial planning.