CONFORMED COPY

GRANT NUMBER H510-0-HT

Financing Agreement
(Additional Financing for the Electricity Loss Reduction Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 2, 2009
GRANT NUMBER H510-0-HT

FINANCING AGREEMENT

Agreement dated November 2, 2009, entered into between REPUBLIC OF HAITI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 this Agreement have the meanings ascribed to them in the General Conditions, the Appendix to this Agreement or the Appendix to the Original Financing 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 three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (“Financing”) 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 June 15 and December 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 continue to:

(a) carry out, through PCU, the coordination of the Project and the fiduciary aspects thereof; and

(b) cause PTU-EDH to carry out the technical implementation of the Project, 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) the Current Subsidiary Agreement between the Recipient and EDH, satisfactory to the Association, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EDH to perform any of its obligations under the Project; and

(b) EDH Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EDH to perform any of its obligations under the Current Subsidiary Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely, that the Current Subsidiary Agreement between the Recipient and EDH shall have been entered into, satisfactory to the Association, to reflect the implementation arrangements in respect of this Financing.

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association’s approval of the Financing which expire on March 8, 2011.
5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty 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) 22 99 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: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
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/ Yvonne M. Tsikata
Authorized Representative
SCHEDULE 1

Project Description

The Project maintains as its objective to assist the Recipient in achieving sustainable improvement in the quality of electricity services to customers and strengthening the financial and operational performance of its power utility.

The Project consists of the Original Project, as updated for purposes of this Financing, and the addition of Part 4 thereof, as follows:


1.1. Establishment and operation of a new corporate commercial management system for increased customer satisfaction, through the acquisition of equipment, the provision of technical advisory services and the carrying out of training activities in relation thereto.

1.2. Establishment and operation of a new technical service management system, aimed at optimizing attention to customer claims through the acquisition of equipment, the provision of technical advisory services and the carrying out of training activities in relation thereto.

1.3. Implementation of newly generated customer-oriented system procedures and rules in respect of, inter alia, metering, billing, payment collection, treatment of fraudulent connections and outstanding debts and customer service.

Part 2: Improving EDH Quality of Service and Increase in Revenue Collection for Selected Groups of Customers

2.1. Strengthening of EDH through:

(a) the appointment of a manager and relevant staff to EDH local commercial agency;

(b) the establishment of LCU, including the appointment of a manager therefor; and

(c) the restructuring of EDH anti-fraud unit.
2.2. Piloting, in a selected socio-economically mixed area of Port-au-Prince, the implementation of the new customer-oriented management approach through the carrying out of renovation works for the distribution network and installation works for customer connection and the carrying out of relevant training for local EDH agency personnel.

2.3. Piloting the implementation of the new customer-oriented management approach of services for EDH large consumers through:

(a) the carrying out of field assessments; and

(b) the acquisition and installation of selected equipment and the carrying out of training for EDH personnel in relation thereto.

**Part 3: Project Participatory Approach, Management, Monitoring, Evaluation and Replication Strategy**

3.1. Developing a participatory approach to promote ownership of the Project in all stakeholders and foster sustainability of its objective, including through the carrying out of a communication strategy designed with a participatory approach.

3.2. Providing support for the carrying out of activities and associated acquisition of equipment relevant to Project’s management, monitoring and impact evaluation.

3.3. Developing a plan to scale up the Project activities under a medium-term strategy for the sector.

**Part 4: Improving the Managerial Performance of EDH**

Ensuring the fulfillment of the Project’s continued objectives by contributing institutional, operational and managerial support to:

4.1. EDH, through:

(a) the appointment of qualified international experts to be employed as special deputies in selected divisions of EDH for the provision of technical advisory services to the managerial team of EDH;

(b) the provision of support for the implementation of a new EDH operation plan for existing and future power generation;
(c) the acquisition of related goods and equipment; and

(d) the provision of additional support, technical assistance, training for all level EDH staff and equipment in connection with, *inter alia*, accounting, planning, technical, information technology or general administration matters to instill good practice management standards in key functions of EDH.

4.2. MTPTC, through the provision of technical advisory services in relation to the implementation and monitoring of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain all the institutional arrangements set forth in the Original Project, as described in the Current Operational Manual.

2. Notwithstanding the foregoing, the Borrower shall cause EDH to select in accordance with the provisions of Section III of Schedule 2 to this Agreement, and thereafter appoint special deputies to selected EDH divisions, namely:

   (a) EDH’s commercial division (Délégué Spécial du Directeur Général à la Direction de la Commercialisation),

   (b) EDH’s finance and administration divisions (Délégué Spécial du Directeur Général aux Directions Finance et Administration),

   (c) EDH’s technical division (Délégué Spécial du Directeur Général à la Direction Technique); and

   (d) EDH’s planning division (Délégué Spécial du Directeur Général à la Direction de la Planification).

B. Subsidiary Agreement

1. To facilitate the further carrying out of the Project by EDH, the Recipient shall make the proceeds of the Financing available to EDH under the Current Subsidiary Agreement to be entered between the Recipient and EDH not later than the Effective Date, under terms and conditions approved by the Association, including terms to reflect the Anticorruption Guidelines.

2. The Recipient shall exercise its rights under the Current Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Current Subsidiary Agreement or any of its provisions.
C. Implementation Documents

1. The Recipient has caused MTPTC to adopt on August 5, 2009 the Current Operational Manual which reflects all arrangements for the scaling up of activities immediately relevant to this Financing and the implementation of the Project described in Schedule 1 to this Agreement.

2. The Recipient shall cause EDH to continue to carry out the Project in accordance with the Current Operational Manual which consists of different schedules setting forth the rules, methods, guidelines, specific development plans, standard documents and procedures to be followed and maintained for the carrying out of the Project.

3. In the event that any provision of the Current Operational Manual shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.

4. The Current Operational Manual may only be amended from time to time in consultation with, and after approval of, the Association.

D. Anti-Corruption

The Recipient shall itself and shall cause as well EDH to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Other implementation arrangements

1. The Recipient shall, and shall cause EDH to, implement the Project in accordance with the institutional, operational and fiduciary arrangements set forth in the Original Financing Agreement.

2. Except as otherwise required pursuant to the terms of this Agreement, the following covenants:

   (a) set forth in Section I.D.1(d) of Schedule 2 to the Original Financing Agreement and related to the issuance of an annual plan for minimum electricity supply agreed by MEF and MTPTC; and

   (b) set forth in Section II.B 3 of Schedule 2 to the Original Financing Agreement mandating the transmission to the Association of EDH’s first audit of its annual financial statement under the Original Financing Agreement,

Subparagraphs (a) and (b) above shall not apply in respect of this Agreement.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient shall maintain the same arrangements for Project monitoring, reporting and evaluation as are set forth in the Original Financing Agreement.

2. The performance indicators under which the progress of the Project shall be monitored and evaluated shall be updated for purposes of this Financing and set forth in the Current Operational Manual.

3. 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 July 31, 2012.

B. **Financial Management, Financial Reports and Audits**

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

2. The Recipient shall further cause to be maintained all the arrangements for financial management, financial reports and audits of Project execution as are set forth in the Original Financing Agreement.

C. **Other Financial Management Arrangements**

1. The Recipient shall cause EDH to maintain and complete under this Agreement the implementation of the financial management action plan dated June 09, 2009 agreed with the Association for the strengthening of capacity in EDH related to the carrying out and submission to the Association of satisfactory annual financial audit reports of EDH’s business.

2. For purposes of this Financing, the first audited financial statement of EDH shall be furnished to the Association not later than 6 months after EDH’s first fiscal year following the completion of the action plan specified in paragraph 1 of this Section ILC of Schedule 2 to this Agreement or not later than March 31, 2011, whichever date is the latest.
Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project under this Agreement and to be financed out of the proceeds of the Financing shall be procured in accordance with Section I of the Procurement Guidelines (as defined in the Appendix hereto) and with the provisions of the Original Financing Agreement.

2. **Consultants’ Services.** All consultants’ services required for the Project under this Agreement and to be financed out of the proceeds of the Financing shall be procured in accordance with Sections I and IV of the Consultant Guidelines (as defined in the Appendix hereto) and with the provisions of the Original Grant Agreement.

B. Review by the Association of Procurement Decisions

The Current Procurement Plan reflecting the arrangements under this Financing 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Training and consultants’ services for Part 1 of the Project</td>
<td>890,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and consultants’ services for Part 2.2 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, Training and consultants’ services for Part 2.3(b) of the Project</td>
<td>260,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Training, consultants’ services and Operating Costs for Parts 3 and 4.2 of the Project</td>
<td>330,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Refund of Project Preparation Advance</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>160,000</td>
<td></td>
</tr>
<tr>
<td>(7) Goods, Training, consultants’ services and Operating Costs for Part 4.1 of the Project</td>
<td>1,660,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,300,000</strong></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 payments made prior to the date of this Agreement

2. The Closing Date is February 28, 2012.
APPENDIX

Section I. Definitions


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


4. “Current Operational Manual” means the Recipient’s manual for Project implementation referred to in Section I.C.1 of Schedule 2 to this Agreement, as updated for purposes of this Agreement and adopted on August 5, 2009 by the Recipient’s Minister of public works, transport and communication.

5. “Current Procurement Plan” means the Recipient’s procurement plan for the Project, updated for purposes of this Agreement and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same may further be updated from time to time in accordance with the provisions of said paragraphs.

6. “Current Subsidiary Agreement” means the agreement updated for purposes of this Financing to be entered into between the Recipient and EDH not later than the Effective date of this Agreement, as further referred to in Section I.B of Schedule 2 to this Agreement and pursuant to which the Recipient shall make the proceeds of the Financing available to EDH.

7. “EDH” means Electricité d’Haïti, the Recipient’s power utility, established through Décret (decree) signed and published by the Recipient’s executive branch on August 20, 1989.

8. “EDH Legislation” means the Décret of August 20, 1989, the Recipient’s decree establishing EDH.

9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
10. “LCU” means Large Customer Unit, the unit to be created within EDH, as referred to in Part 2.1(b) of Schedule 1 of the Project.

11. “MTPTC” means Ministère des Travaux Publics, des Transports et de la Communication, the Recipient’s ministry of public works, transport and communication.

12. “Operating costs” means in respect of Categories (4) and (7) in the table of Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees.

13. “Original Financing Agreement” means the financing agreement for an electricity loss reduction Project entered between the Recipient and the Association, dated September 11, 2006, as amended to the date of this Agreement (Grant No H251-0-HA).

14. “Original Project” means the Project described in the Original Financing Agreement.

15. “PCU” means the Project coordinating unit referred to in Section I.B.1. of Schedule 2 to the Original Financing Agreement.

16. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on June 30, 2006 and on behalf of the Recipient on July 4, 2006.


18. “PTU-EDH” means the Project technical unit of EDH, responsible for the technical implementation of Project activities.

19. “Training” means in respect of Categories (1), (3), (4) and (7) respectively in the table in Section IV.A.2 of Schedule 2 to this Agreement: (i) reasonable travel, room, board and per diem expenditures as incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under said Section IV.A.2 of Schedule 2 to this Agreement.
Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 6.02 is modified to read as follows:

   “Section 6.02. Suspension by the Association

   ... (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

   (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

   “‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”