Financing Agreement

(Second Additional Financing for the Community Driven Development Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 10, 2010
FINANCING AGREEMENT

Agreement dated June 10, 2010, entered into between REPUBLIC OF HAITI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing a second additional financing for activities related to the Original Project. 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, 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 nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (“Financing” or “Second Additional 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 the Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its further commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to continue to be carried out by BMPAD 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) BMPAD shall have failed to comply with any of its obligations under the Third Subsidiary Agreement.

(b) BMPAD Legislation shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely, in the opinion of the Association, the ability of BMPAD to perform any of its obligations under the Third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

(c) Any party thereto shall have failed to perform any of its obligations under a Service Agreement or a Community Grant Agreement, which in the opinion of the Association, may materially and adversely impact the achievement of the Project’s objectives.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Legal Matter consists of the following, namely that, the Third Subsidiary Agreement shall have been duly signed by the Recipient and BMPAD and shall be legally binding upon the Recipient and BMPAD in accordance with its terms.

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 Second Additional Financing which expires on November 27, 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
Rue Oswald Durand 104
Port-au-Prince
Republic of Haiti

Facsimile: (+509) 229 917 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 Port-au-Prince, Haiti, as of the day and year first above written.

REPUBLIC OF HAITI

By /s/ Ronald Baudin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yvonne M. Tsikata

Authorized Representative
SCHEDULE 1

Project Description

The Project consists entirely of the Original Project, which maintains as its objectives to assist the Recipient in implementing the direct transfer of public resources to local CBOs in poor rural and peri-urban communities in order to improve: (i) their access to basic social and economic infrastructure and support income-generating activities by financing small-scale investments proposed, implemented and managed by said community organizations; and (ii) community governance and to build social capital of communities through an increase in citizen participation and transparency in open decision-making processes.

The Project consists of all the parts previously set forth in the Original Grant Agreement.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

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

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by BMPAD, the Recipient shall make the proceeds of the Second Additional Financing available to BMPAD under a subsidiary agreement between the Recipient and BMPAD, under terms and conditions approved by the Association (“Third Subsidiary Agreement”).

2. The Recipient shall exercise its rights and carry out its obligations under the Third Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Third Additional Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce the Third Subsidiary Agreement or any of its provisions.

C. Implementation Documents

1. The Recipient shall cause BMPAD to continue to carry out the Project in accordance with the Operational Manual, including the Environmental Management Framework and the Procurement Plan.

2. In the event that any provision of the Operational Manual, the Environmental Management Framework and/or the Procurement Plan shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

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

D. Other Implementation Arrangements

1. The Recipient shall continue to:

   (i) cause BMPAD to enter into service agreements (each a “Service Agreement”), with MDODs (selected on the basis of eligibility criteria detailed in the Operational Manual) under terms and conditions acceptable to the Association, which agreements shall provide for, inter
alia, transferring funds of Category (1) to such MDODs; and the obligation of the relevant MDOD to, upon approval of a given Community Subproject, enter into a community grant agreement (the “Community Grant Agreement”) with the pertinent Beneficiary Community on the basis of the standard community grant agreement attached to the Operational Manual, each for the provision of a Community Grant to finance said Community Subproject selected on the basis of eligibility criteria detailed in the Operational Manual, to be carried out by or for the benefit of said Beneficiary Community, selected on the basis of eligibility criteria detailed in the Operational Manual; and

(ii) cause the Service Agreements to be maintained and implemented, in a manner satisfactory to the Association, for the further carrying out of the Project under this Agreement.

2. The Recipient shall cause the BMPAD to exercise its rights and carry out its obligations under the Service Agreements, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Second Additional Financing. Except as the Association shall otherwise agree, the Recipient shall cause BMPAD not to assign, amend, abrogate, waive, terminate or fail to enforce the Service Agreements or any of their provisions.

E. Community Sub-projects

The Recipient shall cause BMPAD to maintain all the arrangements of the Original Project for the preparation, appraisal, selection, approval, implementation, management, technical auditing and procurement review, financial auditing, reporting, evaluation and monitoring of Community Subprojects, including the provision of technical advisory services, the acquisition of goods and the carrying out of works in relation thereto and the modalities of the transfer of funds to Beneficiary Communities under relevant Community Grant Agreements to enable them to carry out their Community Subprojects, all in accordance with the rules, criteria, conditions, directives and guidelines set forth in the Operational Manual.

F. Anti-Corruption

The Recipient shall cause BMPAD to ensure for itself and for the MDODs, CADECs and Beneficiary Communities that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
G. Safeguards

1. The Recipient shall cause BMPAD to ensure for itself and for the MDODs, CADECs and Beneficiary Communities, that the Project is carried out in accordance with the Environmental Management Framework.

2. The Environmental Management Framework may be updated from time to time in prior consultation and agreement with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall maintain the same arrangements for Project monitoring, reporting and evaluation, including the report on the execution of the Project, as are set forth in the Original Grant Agreement.

2. The performance indicators under which the progress of the Project shall be monitored and evaluated shall be maintained for purposes of the Second Additional Financing as set forth in the Operational Manual.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause to be maintained in BMPAD, MDODs, CADEC and Beneficiary Communities, 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 Grant Agreement.

3. Notwithstanding the foregoing, the Recipient shall, for purposes of the Second Additional Financing, prepare and furnish to the Association not later than forty five (45) days 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.

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 Second Additional 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 Section.
2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Second Additional 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 Section.

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 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. 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</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation in accordance with procedures set forth in the Operational Manual</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.

2. **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.
<table>
<thead>
<tr>
<th>Procurement 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 Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan, satisfactory to the Association, 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 Second Additional 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 Second Additional Financing (“Category”), the allocations of the amounts of the Second Additional Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th><strong>Category</strong></th>
<th><strong>Amount of the Financing Allocated (expressed in SDR)</strong></th>
<th><strong>Percentage of Expenditures to be Financed (inclusive of Taxes)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Community Grants</td>
<td>4,420,000</td>
<td>100% of amounts disbursed by Recipient</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultant services, Training and audits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Service Agreements</td>
<td>3,350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) other, including audits</td>
<td>1,730,000</td>
<td></td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>9,900,000</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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed one million five hundred thousand Dollars ($1,500,000) equivalent may be made for payments made prior to this date but on or after January 12, 2010, for Eligible Expenditures under Categories (1) and (3); and

   (b) under Category (1) unless a Community Grant Agreement for the implementation of the relevant Community Subproject, including whenever applicable, environmental mitigations measures in respect thereof, shall have been entered into between the relevant Beneficiary Community and an MDOD, all in accordance with the procedures, terms and conditions set forth in the Operational Manual, as shall be evidenced by the first three such signed Community Grant Agreements furnished to the Association for its review.

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

Section I. Definitions


2. “Beneficiary Community” means a CBO in the territory of the Recipient, including, inter alia, special interest groups of women and youth, which have been determined eligible to receive proceeds of the Second Additional Financing for the implementation of a Community Subproject.


4. “BMPAD Legislation” means the law establishing BMPAD, dated December 27, 2007, as the same has been amended to the date of this Agreement.

5. “CADEC” means Conseil d’Appui au Développement Communautaire, a community development council established with membership drawn up primarily from CBO representatives and including, inter alia, representatives of the civil society, NGOs and local government, which has succeeded COPRODEP in its responsibility of pre-approving Community Subprojects under the Project.

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

7. “CBO” means Community-based Organization established and operating pursuant to the laws of the Recipient and which is made responsible under the Project for the development and implementation of a Community Subproject (as hereinafter defined) to be financed utilizing the proceeds of the Second Additional Financing.

8. “Community Grant” means, with respect to Category (1), payments made under the Second Additional Financing in respect of a grant extended or proposed to be extended to a Beneficiary Community for the carrying out of a Community Subproject under the Project.

9. “Community Grant Agreement” means any of the agreements entered into between a Beneficiary Community and a MDOD (as hereafter defined) for the
implementation of a Community Subproject, and referred to in Section I.D.1 of Schedule 2 to this Agreement.


11. “Environmental Management Framework” means the environmental management framework of the Project dated May 17, 2005, as amended/updated for purposes of the Second Additional Financing, in a manner satisfactory to the Association, and referred to in Section I.G.2 of Schedule 2 to this Agreement.

12. “First Additional Financing” means the grant made by the Association to the Recipient in an amount equivalent to five million four hundred thousand Special Drawing Rights (SDR 5,400,000) pursuant to the terms of the First Additional Financing Agreement entered into between the Recipient and the Association dated February 12, 2009 (Grant number H445-0-HT) for the purpose of providing additional financing for the Original Project.

13. “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.

14. “MDOD” means Maître d’Ouvrage Délégué, a service providing entity or individual, a non-governmental organization or any private institution contracted under the Project to appraise Community Subprojects and provide technical assistance in the course of their implementation by Beneficiary Communities.

15. “Operating Costs” means in respect of Category (4), 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.


17. “Original Grant Agreement” means the development grant agreement for a Community Driven Development Project between the Recipient and the Association, dated September 09, 2005, as amended to the date of this Agreement (IDA Grant No. H1810-HA).
18. “Original Project” means the Project described in the Original Grant Agreement.


20. “Procurement Plan” means the Recipient’s procurement plan, dated June 13, 2005 and revised for purposes of both the First Additional Financing and the Second Additional Financing 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.

21. “Service Agreement” means any of the agreements between the Recipient and a selected MDOD under the Project, as further referred to in Section I.D.1 of Schedule 2 to this Agreement.

22. “Third Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.

23. “Training” means in respect of Category (3): (a) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

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. 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:

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.”