

CONFORMED COPY

GRANT NUMBER H445-0-HT

Financing Agreement

(Additional Financing for the Community Driven Development Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 2009

GRANT NUMBER H445-0-HT

FINANCING AGREEMENT

Agreement dated February 12, 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, Section 1.02 and paragraph A.2 of Schedule 1 to the Original Grant Agreement, and/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 five million four hundred thousand Special Drawing Rights (SDR 5,400,000) (“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 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) the Subsidiary Agreement between the Recipient and BMPAD, satisfactory to the Association, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BMPAD to perform any of its obligations under the Project.
 - (b) BMPAD Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BMPAD to perform any of its obligations under the Subsidiary Agreement.
 - (c) Any party thereto shall have failed to perform any of its obligations under such 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 Conditions of Effectiveness consist of the following:
- (a) an agreement, satisfactory to the Association (the Subsidiary Agreement) shall have been entered into between the Recipient and BMPAD for the purpose of Project implementation; and
 - (b) the Current Operational Manual, including therein the Current Environmental Management Framework and the Current Procurement Plan shall each have been amended and updated, satisfactory to the Association, to reflect the implementation arrangements in respect of this Financing.
- 5.02. The Additional Legal Matter consists of the following, namely that, the Subsidiary Agreement shall have been duly authorized or ratified by the Recipient and BMPAD and shall be legally binding upon the Recipient and BMPAD in accordance with its terms.

- 5.03. 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 expires on August 30, 2010.
- 5.04. 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) 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: | Telex: | Facsimile: |
| INDEVAS Washington, D.C. | 248423 (MCI) | 1-202-477-6391 |

AGREED at Port-au-Prince, Haiti, as of the day and year first above written.

REPUBLIC OF HAITI

By /s/ Daniel Dorsainvil

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 objective 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 Current Operational Manual.

B. Subsidiary Agreement

1. To facilitate the further carrying out of the Project by BMPAD, the Recipient shall make the proceeds of the Financing available to BMPAD under a subsidiary agreement to be entered between the Recipient and BMPAD, under terms and conditions approved by the Association.
2. The Recipient shall exercise its rights under the 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 Subsidiary Agreement or any of its provisions.

C. Implementation Documents

1. The Recipient has caused BMPAD to adopt an operational manual, dated June 13, 2005, as amended to date, including for purposes of the scaling up of activities immediately relevant to this Financing, and shall cause BMPAD to continue to carry out the Project in accordance with the Current Operational Manual, consisting of different schedules setting forth the rules, methods, guidelines, specific development plans, standard documents and procedures to be maintained for the carrying out of the Project, including the Current Environmental Management Framework.
2. 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.
3. The Current 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 cause the agreements (Service Agreement and Community Grant Agreements) entered into between BMPAD and the MDODs, for the one

part, and the MDODs and the Beneficiary Communities, for the other part, to be maintained and implemented, satisfactory to the Association, for the further carrying out of the Project under this Agreement.

2. The Recipient shall cause BMPAD to exercise its rights under the Service Agreements and the Community Grant Agreements 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 cause BMPAD not to assign, amend, abrogate or waive the Service Agreements and the Community Grant 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 for 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 Current Operational Manual.

F. Anti-Corruption

The Recipient shall cause BMPAD to ensure for itself and for the MDODs, COPRODEPs 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, COPRODEPs and Beneficiary Communities, that the Project is carried out in accordance with the Current Environmental Management Framework prepared for the Project.
2. The Recipient shall include in the Current Environmental Management Framework selected criteria, requirements, guidelines, directives and procedures concerning the following:
 - (a) specific directives for the approval and implementation of Community Subprojects requiring or proposing the donation of privately owned land thereunder or requiring involuntary resettlement of people living on, using, or otherwise deriving income from titled or untitled land; and

- (b) the outright ineligibility to receive any proceeds of this Financing for Community Subprojects requiring or proposing the acquisition of any right of whatever nature regarding the ownership and/or usage of community land or other community owned property, absent the unanimous written consent of the relevant community.
3. The Current Environmental Management Framework may be updated from time to time in prior consultation and agreement with the Association. The Recipient shall comply with the terms of said Current Environmental Management Framework and cause those terms to be complied with.

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 this Financing as set forth in the Current Operational Manual.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause to be maintained in BMPAD, MDODs, COPRODEPS 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 this 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 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 Grant 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 to be updated not later than the Effective Date, 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 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:

| <u>Category</u> | <u>Amount of the Financing Allocated (expressed in SDR)</u> | <u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u> |
|---|---|---|
| (1) Community Grants | 3,230,000 | 100% of amounts disbursed by Recipient |
| (2) Goods | 0 | 100% |
| (3) Consultant services, Training and audits: | | |
| (a) Service Agreements | 2,150,000 | 100% |
| (b) other, including audits | 0 | |
| (4) Operating Costs | 0 | 100% |
| (5) Unallocated | 20,000 | |
| TOTAL AMOUNT | 5,400,000 | |

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 SDR 540,000 equivalent may be made for payments made prior to this date but on or after December 01, 2008, 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 Current 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, 2010.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
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 this Financing for the implementation of a Community Subproject.
3. “BMPAD” means *Bureau de Monétisation des Programmes d’ Aide au Développement*, an entity of the Recipient established by law dated December 27, 2007, for the administration of foreign aid and the management of projects financed through it, and published in the Recipient’s official gazette “*Le Moniteur*” on January 04, 2008.
4. “BMPAD Legislation” means the law establishing BMPAD, dated December 27, 2007.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “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 Financing.
7. “Community Grant” means in respect of category 1 of the table in Section IV.A.2 of Schedule 2 to this Agreement, payments made under the 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.
8. “Community Grant Agreement” means the agreement entered into between a Beneficiary Community and an MDOD (as hereafter defined) for the implementation of a Community Subproject.
9. “Community Subproject” means: (i) a specific project in income generation activities; (ii) a specific project in small-scale basic infrastructure, in, *inter alia*, the education, health, or productive natural resource management sectors; and (iii) such other activity and project as shall be identified by a Beneficiary Community and determined to be eligible pursuant to the Current Operational

Manual (as hereafter defined) to be carried out by or, for the benefit of, such Beneficiary Community, utilizing the proceeds of the Financing.

10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
11. “COPRODEP” means *Conseil du Projet de Développement Participatif*, a municipal development council established under the Project with membership drawn up primarily from CBO representatives and including, *inter alia*, representatives of civil society, non-governmental organizations and local government and which is responsible under the Project for the pre-approval of Community Subprojects.
12. “Current Environmental Management Framework” means the framework of actions, policies, directives, monitoring procedures, time schedules and measures to mitigate adverse social and environmental effects in the carrying out of the Project and updated for purposes of this Financing, satisfactory to the Association, in respect of the scaling up of activities described in the Original Grant Agreement.
13. “Current Operational Manual” means the operational manual for the Project dated June 13, 2005, amended for purposes of this Financing, as referred to in Section I.C.1 of Schedule 2 to this Agreement.
14. “Current Procurement Plan” means the Recipient’s procurement plan, dated June 13, 2005 and revised for purposes of this 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.
15. “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.
16. “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.
17. “Operating costs” means in respect of Category 4 of the table in 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.

18. “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.).
19. “Original Project” means the Project described in the Original Financing Agreement.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
21. “Service Agreement” means the agreement between the Recipient and each selected MDOD under the Project, as further referred to in Section 3.09 (a) of the Original Grant Agreement.
22. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to BMPAD.
23. “Training” means in respect of Category 3 of the table in Section IV.A.2 of Schedule 2 to this Agreement: (i) reasonable travel, room, board and *per diem* expenditures 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 (1) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *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.”