

CONFORMED COPY

CREDIT NUMBER 2053 HA

(Fifth Power Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 1989

CREDIT NUMBER 2053 HA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 9, 1989, between REPUBLIC OF HAITI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Project will be carried out by Electricite d'Haiti with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Electricite d'Haiti the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and

Electricite d'Haiti;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "EdH" means Electricite d'Haiti, an entity organized and operating under the Borrower's decree dated April 8, 1977 published in Le Moniteur No. 39, dated June 16, 1977;

(b) "Project Agreement" means the agreement between the Association and EdH of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(c) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EdH pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(d) "Subsidiary Loan" means the loan provided for under the Subsidiary Loan Agreement;

(e) "Fiscal Year" means EdH's fiscal year commencing on October 1 in each calendar year; and

(f) "Prior Agreement" means the Project Agreement (Fourth Power Project) between the Association and EdH dated December 12, 1984 as amended from time to time, and the term includes all schedules and agreements supplemental thereto.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighteen million six hundred thousand Special Drawing Rights (SDR 18,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 1999 and ending January 15, 2029. Each installment to and including the installment payable on January 15, 2009 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. EdH is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause EdH to perform in accordance with the provisions of the Project Agreement all the obligations of EdH therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EdH to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit to EdH under a subsidiary loan agreement to be entered into between the Borrower and EdH under terms and conditions which shall have been approved by the Association which shall include:

- (i) that the Subsidiary Loan shall be denominated and repaid in dollars;
- (ii) that EdH shall pay interest on the outstanding balance of the Subsidiary Loan at a fixed rate of 7% per year such interest being capitalized during the grace period referred to in subparagraph (iii) below; provided, however, that the Borrower shall deduct from the amount due to the Borrower from EdH on account of interest, any amounts owed to EdH by any agency of the Borrower for more than three months; and
- (iii) that the proceeds will be repaid in a 20 year term, including therein a grace period of 5 years.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) Without limitation to the provisions of paragraph (a) of this Section, the Borrower shall take, or cause to be taken, all such measures as shall be required to enable EdH to comply with the provisions of Sections 4.02 through 4.05 of the Project Agreement and in the implementation of the energy loss reduction program included in Part A.3 of the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by EdH pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01.(a) The Borrower shall, promptly as required, take all actions necessary on its part to enable EdH to set and maintain an electric power tariff structure and level of rates as

required to enable EdH to fulfill its obligations under Section 4.02 of the Project Agreement.

(b) Without limitation to the provisions of paragraph (a) above, the Borrower shall, for purposes of Part A.4 of the Project, take all necessary actions to support EdH's actions against theft of electricity .

Section 4.02. The Borrower shall: (a) comply with its obligations under the agreement entered into with EdH on May 14, 1987 which provides for the settlement of outstanding electric bills owed to EdH by the Borrower's departments and agencies;

(b) unless the Association shall otherwise agree, shall not assign, amend, abrogate or waive such agreement or any provision thereof; and

(c) (i) take all measures necessary or advisable to ensure that future electricity bills owed to EdH by the Borrower's departments and agencies are paid not later than thirty days after the date they are billed; and (ii) permit EdH to discontinue or terminate service to the Borrower's departments and agencies which are not current in the settlement of amounts owed to EdH.

Section 4.03. The Borrower shall not request or permit EdH to use its resources for any purposes other than to pay for the costs of its operations and investments and to service its debts.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) EdH shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EdH will be able to perform its obligations under the Project Agreement.

(c) The Decree of the Borrower referred to in Section 1.02 (a) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of EdH or its ability to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EdH or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the

General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and EdH;

(b) the Borrower has furnished to the Association an action plan, satisfactory to the Association, specifying the action to be taken and the procedures to be followed for the carrying out of the obligations under Section 4.02 (c) of this Agreement; and

(c) the Borrower has furnished to the Association the plan of action referred to in Section 3.01 (b) (ii) of the Project Agreement for Fiscal Year 1990.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by EdH, and is legally binding upon EdH in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EdH and is legally binding upon the Borrower and EdH in accordance with its terms.

Section 6.03. The date November 9, 1989 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere de l'Economie
et des Finances
Palais des Ministeres
Port-au-Prince
Haiti

Fax Number:

509-1-24420

Telex:

203-0347

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF HAITI

By /s/ Leonce Thelusma
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shahid Husain
Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods and services for:		
(a) Part A.1 of the Project	13,600,000	100% of foreign expenditures
(b) Part A.2 of the Project	800,000	100% of foreign expenditures
(c) Part A.3 of the Project	1,300,000	100% of foreign expenditures
(2) Consultants' services	600,000	100% of foreign expenditures
(3) Training	500,000	100%
(4) Unallocated	1,800,000	
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TOTAL	18,600,000	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 115,000, may be made on account of payments made for expenditures before that date but after March 31, 1989.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to expand and improve EdH's electricity-generating facilities in the city of Port-au-Prince in accordance with a least-cost expansion program; (b) to supply electricity to the cities of Hinche and Thomonde; and (c) to improve EdH's efficiency.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A:

1. Installation of two gas turbines of a capacity of about 20 megawatts each, to increase EdH's generating capacity in Port-au-Prince.
2. Installation of about 42 kilometers of 23-kilovolt sub-transmission lines extending from the Peligre Hydroplant to the city of Hinche.
3. Acquisition and utilization of distribution equipment and tools for EdH's maintenance crews to increase the reliability of EdH's electricity distribution system and to increase the safety of its maintenance crews.
4. Preparation and carrying out of a program for the reduction of EdH's energy losses.

Part B: Studies:

1. Carrying out a study on the site location and cost estimates of medium-speed diesel generating plants to be constructed by EdH.
2. Carrying out a study on the feasibility of converting the frequency of the plant known as Ciment d'Haiti from 50 hertz to 60 hertz.

Part C: Institutional Development

1. Carrying out of a program of institutional development of EdH, including, inter alia: a review of its by-laws; a revision of its organizational structure, and an improvement of its information, accounting and inventory control systems.
2. Development of a three-year training program for managers and higher-level staff, aimed at: (a) strengthening the management capability at EdH; (b) improving the financial, administrative and technical capabilities of EdH, including scholarships abroad; and (c) improving EdH's training capabilities, including the acquisition and utilization of teaching materials and equipment.

* * *

The Project is expected to be completed by June 30, 1995.

