

Public Disclosure Authorized

**CONFORMED COPY**

**GRANT NUMBER H270-0-HA**

# **Financing Agreement**

**(Rural Water and Sanitation Project)**

**between**

**REPUBLIC OF HAITI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 15, 2007**

Public Disclosure Authorized

**GRANT NUMBER H270-0-HA**

**FINANCING AGREEMENT**

AGREEMENT dated February 15, 2007, 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 three million four hundred thousand Special Drawing Rights (SDR 3,400,000) (“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 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 cause the Project to be carried out by SNEP 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 — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Agreement, satisfactory to the Association, has been executed on behalf of the Recipient and SNEP.
  - (b) The operational manual for the Project, satisfactory to the Association, has been adopted by the Recipient and SNEP.
- 4.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and SNEP and is legally binding upon the Recipient and SNEP in accordance with its terms.
- 4.03. 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 Financing which expire on July 30, 2008.
- 4.04. 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 V – REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is its Minister of Economy and Finance.

5.02. 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

5.03. 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) or 64145 (MCI)	1-202-477-6391

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 increase access to and use of water supply and sanitation services in participating rural communities of the Recipient's territory.

The Project consists of the following parts:

#### Part 1. Capacity Building and Project Management

Strengthening the institutional and operational capacity of SNEP within the Recipient's territory, with specific focus in *Les Cayes* Region, through:

- (a) The provision of support for the operations of SNEP, including the acquisition of goods, and the provision of relevant technical advisory services, including the appointment of selected staff thereto.
- (b) The provision of support and technical advisory services for Project management, documentation, reporting and information technology, as well as for supervision of the work carried out by the service provider selected under the Project.
- (c) The provision of technical advisory services for the carrying out of surveys to monitor the achievement of performance indicators after the construction of water and sanitation systems.
- (d) The provision of support to assist SNEP in finalizing and disseminating the Recipient's national rural water supply and sanitation strategy.

#### Part 2. Water Supply, Basic Sanitation and Hygiene Promotion

Increasing Participating Communities' access to, and management of, water supply and basic sanitation services using a participatory approach allowing communities a series of community life choices, through:

- (a) The identification, appraisal and carrying out, by Participating Communities, of Subprojects to finance construction and/or installation of selected:
  - (i) water and sanitation infrastructure, including *inter alia*, piped water systems to feed water kiosks and house connections; sanitary installations and equipment, including *blocs sanitaires*, next to schools and health centers; and
  - (ii) hand pumps and rainwater harvesting systems.

- (b) The carrying out of sanitation and hygiene promotion, including through the provision of subsidies for the construction of individual household sanitation facilities.

## SCHEDULE 2

### Project Execution

#### Section I. Subsidiary Financing; Institutional and Other Arrangements

##### A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to SNEP under a subsidiary agreement to be entered between the Recipient and SNEP, under terms and conditions approved by the Association, which, *inter alia*, shall include the following (“Subsidiary Agreement”):
  - (a) the requirement that legal representation and administration of the Board of Directors and other managerial and executive functions of SNEP and the processing of any changes to such managerial and executive functions and corresponding staff appointments shall be made, at all times during Project implementation, only in consultation with the Association;
  - (b) the requirement that SNEP shall be responsible for the execution of the Project and that it shall carry out the Project in accordance with the Operational Manual, this Agreement and the General Conditions; and
  - (c) the modalities for the contractual payment by the Recipient to SNEP of remuneration for the activities carried out for the Recipient under this Agreement.
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.

##### B. Implementation Documents

1. (a) The Recipient shall cause SNEP to adopt, not later than the Effective Date, an operational manual satisfactory in form and substance to the Association and consisting of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of the Project, including the following:



- (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto;
  - (ii) the Project administrative, accounting, auditing, reporting, financial, and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;
  - (iii) the selection criteria for the Participating Communities, and the eligibility criteria for the Subprojects;
  - (iv) the environmental management plan, disclosed to the general public on September 07, 2006, and setting forth therein the guidelines and the framework for mitigating potential harmful effects of Subprojects' implementation with respect to, *inter alia*, cultural property and natural habitat preservation;
  - (v) the plan for the capacity building activities under the Project;
  - (vi) the plan for the monitoring, evaluation and supervision of the Project;
  - (vii) the performance indicators for the Project; and
  - (viii) standardized models to be used for the preparation of Grant Agreements.
- (b) The Recipient shall cause SNEP to carry out the Project in accordance with the Operational Manual.
2. In the event that any provision of the Operational Manual shall conflict with any one 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.

**C. Other Arrangements**

1. The Recipient shall cause SNEP, as needed, to enter into an agreement, satisfactory to the Association (the Service Agreement) with a service provider selected in accordance with the provisions of Section III of Schedule 2 to this Agreement and therein setting forth the respective obligations of the parties thereunder, notably with respect to the preparation and implementation of Part 1 of the Project.

2. The Recipient shall cause SNEP to enter into agreements (the Grant Agreements) with Participating Communities, wherein shall be specified, *inter alia*: (a) the modalities for the provision of technical assistance and support for the carrying out of the Subprojects; and (b) the requirement that SNEP shall, on behalf of Participating Communities, carry out all the procurement in relation with the implementation of the Subprojects.
3. The Recipient shall cause SNEP to have the Subprojects identified, appraised, approved, implemented, managed and evaluated in accordance with the procedures set forth or referred to in the Operational Manual.
4. Not later than the first budget proposal to its legislature for its fiscal year immediately following the Effective Date, and thereafter annually under each budget proposal during the course of Project implementation, the Recipient shall make adequate arrangements therein for the inclusion of counterpart funds in respect of the Project, as agreed with the Association.

## **Section II. Project Monitoring, Reporting, Evaluation**

### **A. Project Reports**

1. The Recipient shall cause SNEP to 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. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five days 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 June 30, 2012.

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

1. The Recipient shall cause SNEP to maintain 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 cause SNEP to prepare and furnish to the Association not later than forty-five 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.

3. The Recipient shall cause SNEP to have its Financial Statements and the Financial Statements for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements for SNEP and for the Project respectively shall cover the period of one fiscal year of SNEP, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.
4. For purposes of Paragraph 3 above, the Recipient shall cause SNEP to appoint, not later than six months after the Effective Date, the independent auditors referred to in Section 4.09 (b) (i) of the General Conditions selected with terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

### **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 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:

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding, subject to using Standard Bidding Documents agreed with the Association
(b) Shopping, subject to using Standard Request for Quotations agreed with the Association
(c) Direct Contracting, subject to the Association’s prior consent

**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.

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

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

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 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: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 100% of 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:

<b><u>Category</u></b>	<b><u>Amount of the Grant Allocated (expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed</u></b>
(1) Goods, Works, Consultants’ services and Operating costs under Part 1 of the Project	272,000	100%
(2) Goods, Works, Consultants’ services and Operating costs for Subprojects under Part 2 of the Project	2,380,000	100%
(3) Refund of Project Preparation Advance	476,000	Amount payable pursuant to Section 2.07 of the General Conditions
(4) Unallocated	272,000	
<b>TOTAL</b>	<b><u>3,400,000</u></b>	

**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.
  - (b) Payments under Category (2) for a specific Subproject, until and unless a Grant Agreement, including all relevant environmental management, natural habitat and cultural property preservation measures and procedures in relation thereto, shall have been entered into between SNEP and the Participating Community, all in accordance with the procedures, terms and conditions set forth in the Operational Manual.
2. The Closing Date is December 31, 2011.

**APPENDIX****Section I. Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “Grant Agreement” means an agreement entered into pursuant to Section I.C.2 of Schedule 2 to this Agreement.
5. “*Les Cayes* Region” means, for purposes of this Agreement, the Recipient’s *Département du Sud* and any other Project area, as determined in the Operational Manual.
6. “Operating Costs” means, in respect of Categories (1) and (2) 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.
7. “Operational Manual” means the manual referred to in Section I.B.1 (a) of Schedule 2 to this Agreement.
8. “Participating Communities” mean communities of about 1000 to 10,000 inhabitants in the Recipient’s *Les Cayes* region which, in accordance with criteria set forth in the Operational Manual, have been determined eligible to participate in Project implementation.
9. “Performance Indicators” means the indicators for evaluating the performance of the Project referred to in Section I.B.1. (a)(vii) of this Agreement and set forth in the Operational Manual.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
11. “Procurement Plan” means the Recipient’s procurement plan for the Project dated November 22, 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.

12. “Project 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 November 15, 2006 and on behalf of the Recipient on November 21, 2006.
13. “SNEP” means *Service National d’Eau Potable*, the Recipient’s water entity responsible for Project implementation.
14. “Subprojects” means specific investment projects in water supply and sanitation services prepared and implemented by a Participating Community under Part 2 (a) (i) and Part 2 (a) (ii) of the Project.
15. “Subsidiary Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to SNEP.