

CONFORMED COPY

GRANT NUMBER H251-0-HA

Financing Agreement

(Electricity Loss Reduction Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 11, 2006

GRANT NUMBER H251-0-HA

FINANCING AGREEMENT

AGREEMENT dated September 11, 2006, 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 four million one hundred thousand Special Drawing Rights (SDR 4,100,000) (“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 January 15 and July 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III —PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end the Recipient shall:

- (a) through PCU, carry out 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 the above 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 has been executed on behalf of the Recipient and EDH, satisfactory to the Association;
- (b) the Operational Manual for the Project, satisfactory to the Association, has been adopted by the Recipient;
- (c) a financial management system, satisfactory to the Association, has been established in PCU for purposes of the Project;
- (d) PCU has been established and staffed with a Project coordinator, a financial management specialist and a procurement specialist, all appointed in accordance with the provisions of Section III of Schedule 2 to this Agreement; and
- (e) PTU-EDH has been established and staffed with a technical chief of Project and a consultant has been recruited, following procedures set forth in Section III of Schedule 2 to this Agreement, to prepare the terms of reference and the recruitment guidelines in respect of staff of PTU-EDH remaining to be appointed under Part 2.1 of this Project, as further set forth in the OM.

- 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 the Board of EDH and is legally binding upon the Recipient and EDH 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 expires on February 4, 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 objectives of the Project are 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 following parts:

Part 1: Improving management practices of EDH towards a more customer-oriented provision of services

- 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 objectives, 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.

SCHEDULE 2

Project Execution

Section I. Subsidiary Agreement, Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project by PTU-EDH, the Recipient shall make the proceeds of the Financing available to EDH under a subsidiary agreement between the Recipient and EDH, under terms and conditions approved by the Association (“Subsidiary Agreement”) which shall include the following:
 - (a) the requirement that legal representation and administration of the Board of Directors and other managerial and executive functions in respect of EDH, including in respect of, *inter alia*, PTU-EDH Project chief, EDH LCU manager and the manager of the local agency of EDH in the selected socio-economically mixed area of the Recipient’s territory, be at all times during Project implementation satisfactory to the Association;
 - (b) the commitment to effect any changes to such managerial and executive functions and to the corresponding staff appointments only in consultation with and after approval of the Association;
 - (c) the requirement that PTU-EDH shall be the unit responsible for the technical implementation of the Project; and
 - (d) the requirement that PTU-EDH shall carry out the Project in accordance with the OM.
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, waive, or fail to enforce the Subsidiary Agreement or of any of its provisions.

B. Institutional Arrangements

1. The Recipient, through MTPTC, shall, for purposes of the Project, establish and thereafter maintain throughout Project implementation a Project coordinating unit which shall:
 - (a) have its staff appointed in accordance with the provisions of section III of Schedule 2 to this Agreement, each one of them to have at all times during

Project implementation, terms of reference, functions and resources satisfactory to the Association;

- (b) be responsible, *inter alia*, for: (i) field coordination of Project activities; and (ii) Project procurement, financial management and reporting; and
 - (c) remain under the authority of MTPTC and report periodically to the minister in charge thereof, as specified further in the OM.
2. The Recipient shall, not later than 2 weeks after the Effective Date, establish and thereafter maintain throughout Project implementation, a strategic steering committee responsible for Project oversight, orientation and coordination, to be chaired by the minister in charge of public works, transportation and communication and comprising the minister in charge of economy and finance and the minister in charge of planning and external cooperation, the director general of EDH and a representative of CMEP, as further set forth in the OM.

C. Implementation Documents

1. (a) The Recipient shall cause PTU-EDH to adopt an operational manual satisfactory in form and substance to the Association 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) (A) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the institutional arrangements in respect thereof and the ensuing respective responsibilities for the Project activities, including, *inter alia*, the financing, reporting and auditing aspects thereof;
 - (ii) (A) the Project administrative, accounting, auditing, reporting, financial, and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto; and (B) the institutional arrangements in respect thereof;
 - (iii) the plan for the training and capacity building activities under the Project;
 - (iv) the plan for the monitoring, evaluation and supervision of the Project; and
 - (v) the Performance Indicators for the Project.

- (b) The Recipient shall cause PTU-EDH and PCU to carry out the Project in accordance with the OM.
- 2. In the event that any provision of the OM shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
- 3. The OM may only be amended from time to time in consultation with, and after approval of, the Association.

D. Implementation Arrangements

- 1. The Recipient shall:
 - (a) ensure that PTU-EDH and PCU submit annual Project work plans and budget to the Association for its review and approval;
 - (b) cause the Strategic Steering Committee to convene its first meeting not later than two weeks after the Effective Date and, thereafter, quarterly during the course of Project implementation;
 - (c) ensure that MEF shall furnish to the Association a written report with supporting documents, satisfactory to the Association, about the status of its payments to EDH, including the amounts billed by EDH for the Government's consumption of electricity, the transfers from the MEF to cover the purchase of the fuel and the costs of energy paid to independent power producers, as well as the net amount effectively transferred to EDH: (i) not later than two weeks after the Effective Date, and, thereafter; (ii) semiannually during the course of Project implementation;
 - (d) ensure that the Board of Directors of EDH shall, upon receipt, furnish to the Association not later than two weeks after the Effective date, in respect of the first year of Project implementation, and thereafter, 4 months prior to the beginning of each subsequent Fiscal Year during the course of project implementation, an annual plan prepared by EDH, submitted to be agreed upon between MEF and MTPTC and furnished thereafter to EDH, which shall be presenting the minimum electricity supply of hours per day that it intends to finance and that will be supplied either by EDH or by third parties to serve customers: (i) in the Recipient's capital city of *Port-au-Prince*, with further disaggregations showing the electricity provided to *Port-au-Prince* mixed neighborhood and the industrial zone; and (ii) in the main cities of *the Provinces*, regional areas in the Recipient's territory.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Recipient shall through PCU, and shall cause PTU-EDH to: (a) monitor and evaluate the progress of the Project; and (b) 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 and set forth in the OM. Each such Project Report as prepared respectively by PCU and PTU-EDH shall cover the period of one calendar semester, and shall all be furnished to the Association by PCU not later than 45 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 August 30, 2010.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained 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 prepare, through PCU assisted by PTU-EDH, interim un-audited financial reports for the Project covering each calendar quarter, in form and substance satisfactory to the Association, all to be furnished to the Association by PCU not later than forty-five days after the end of each calendar quarter.
3. The Recipient, through PCU, shall have its Project Financial Statements audited and shall cause EDH to have its Financial Statements audited, all in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Project's Financial Statements and those of EDH shall cover the period of one Fiscal Year of the Recipient and of EDH. The first audit in respect of the Project shall cover the period from the Effective Date up to September 30, 2007. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. For purposes of Paragraph 3 above, the Recipient, through PCU, shall, not later than six months after the Effective Date, appoint and shall cause EDH to appoint, all the independent auditors referred to in Section 4.09 (b) (i) of the General Conditions with terms of reference satisfactory to the Association and selected in accordance with the provisions of Section III of Schedule 2 to this Agreement.
5. For purposes of paragraph 4 of this section, the Recipient shall assume exclusive financial responsibility for the carrying out of all the audits of EDH required under the Project.

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:

<u>Procurement Method</u>
(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.

<u>Procurement Method</u>
(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

1. 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: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Association may 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 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, training and consultants’ services for Part 1 of the Project	1,422,000	100%
(2) Goods, works and consultants’ services for Part 2.2 of the Project	1,025,000	100%
(3) Goods, works, training and consultants’ services for Part 2.3(b) of the Project	1,018,000	100%
(4) Goods, training, consultants’ services and operating costs for Part 3 of the Project	262,000	100%
(5) Refund of Project Preparation Advance	366,000	Amount payable pursuant to Section 2.07 of the General Conditions
(6) Unallocated	7,000	
TOTAL AMOUNT	4,100,000	

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 SDR400,000 equivalent may be made for payments made prior to this date but on or after April 7, 2006, for Eligible Expenditures;

- (b) under Category (3) until and unless the manager and staff of EDH local commercial agency referred to respectively under Part 2.1 (a) of the Project and listed in Section C of this Schedule shall have been appointed satisfactory to the Association; and
- (c) under Category (5) until and unless the manager of the LCU in EDH referred to in Part 2.1 (b) of the Project shall have been appointed satisfactory to the Association.

2. The Closing Date is February 28, 2010.

Section V. Other Undertakings

The Recipient shall carry out the requirements of Section IV.B.1 (b) of Schedule 2 to this Agreement in accordance with the following list of staff positions:

1. Manager of the commercial agency (Responsable Centre Commercial).
2. Secretary (Secrétaire).
3. Commercial manager (Responsable Gestion Clientèle).
4. Administrative manager (Responsable Administratif).
5. Distribution manager (Responsable Distribution).
6. Team leader for internal customer services (Internal) (Chef d'équipe d'intervention).
7. Team leader for external customer service (external).
8. Meter readers Leader (Responsable des Lecteurs de Compteurs).
9. Warehouseman (Magasinier).
10. Three Cashiers (3 Caissières).
11. Installation and Maintenance team leader (Chef d'équipe installation/entretien).
12. Two Emergency and Repair team leader (2 Chefs d'équipe urgence et réparation).
13. Anti-fraud team leader (Responsable de l'Unité de Lutte contre la Fraude).

APPENDIX

Section I. Definitions

1. “Board of Directors of EDH” means the *Conseil d’Administration* of EDH, an organ of EDH consisting of the body of appointed directors (administrateurs) responsible for EDH general administration and supervision.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CMEP” means the Recipient’s *Conseil de Modernisation des Entreprises*, the council for the modernization of enterprises, established through parliamentary law dated September 26, 1996, signed and published by the Recipient’s executive branch on October 02, 1996.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004.
5. “EDH” means *Electricité d’Haiti*, the Recipient’s power utility, established through *Décret* signed and published by the Recipient’s executive branch on August 20, 1989.
6. “Fiscal Year” and “FY” mean the Recipient’s fiscal year commencing October 1 and ending September 30, twelve calendar months thereafter.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
8. “LCU” means Large Customer Unit, the unit to be created within EDH, as referred to in Part 2.1(b) of the Project.
9. “MEF” means *Ministère de l’Economie et des Finances*, the Recipient’s ministry of economy and finance.
10. “MPCE” means *Ministère de la Planification et de la Coopération Externe*, the Recipient’s Ministry of Planning and External Cooperation.
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 Category (4) 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. “Operational Manual” and “OM” mean the manual referred to in Section I.C.1(a) of Schedule 2 to this Agreement.
14. “PCU” means the Project coordinating unit referred to in Section I.B.1. of Schedule 2 to this Agreement.
15. “Performance Indicators” means the indicators for evaluating the performance of the Project referred to in Section I.C.1.(a)(v) of this Agreement and set forth in the OM.
16. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, signed and dated June 23, 2006, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “PTU-EDH” means the Project technical unit of EDH, responsible for the technical implementation of Project activities.
19. “ 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 June 30, 2006 and on behalf of the Recipient on July 3, 2006.
20. “Strategic Steering Committee” means a committee established for the oversight of Project implementation and referred to in Section I.B.2. of Schedule 2 to this Agreement.
21. “Subsidiary Agreement” means the agreement between the Recipient and EDH referred to in Section I.A.1. of Schedule 2 to this Agreement.
22. “Training” means in respect of Categories (1), (3), and (4) 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.

