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A.I.D. Loan Number 521-L-005 ✓

**LOAN AGREEMENT**

**Between**

**THE REPUBLIC OF HAITI**

**and the**

**UNITED STATES OF AMERICA**

**for**

**Highway Maintenance**

**Dated: February 28, 1973**

**L O A N A G R E E M E N T** dated February 28, 1973  
between the **REPUBLIC OF HAITI** ("Borrower") and the **UNITED STATES OF AMERICA**, acting through the **AGENCY FOR INTERNATIONAL DEVELOPMENT** ("A.I.D.").

**ARTICLE I**

**The Loan**

**SECTION 1.01. The Loan.** A.I.D. agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Three Million Seven Hundred Thousand United States Dollars (\$3,700,000) ("Loan") to assist Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance the United States dollar costs ("Dollar Costs") and local currency costs ("Local Currency Costs") of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

**SECTION 1.02. The Project.** The Project will assist Borrower in developing an effective highway maintenance service largely through the provision of technical assistance, training, workshops, spare parts and maintenance equipment. The Project is more fully described in Annex 1, attached hereto, which Annex may be modified in writing. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 9.03 ("Implementation Letters").

SECTION 1.03. Use of Funds Generated by Other United States

Assistance. Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance Local Currency Costs of the Project, any currencies other than United States dollars that may become available to Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to Borrower to the extent and for the purposes that A.I.D. and Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date such currencies are used for the Project, at the rate of exchange yielding the greatest number of gourdes per dollar which, at the time of such use, is not unlawful in Haiti.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04), and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment.  
All payments of interest and Principal hereunder shall be made in

United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D. C. 20523, U. S. A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. In the light of the undertakings of the United States of America, and the other signatories of the Act of Bogota and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the Republic of Haiti, taking into consideration the relative capital requirements of the Republic of Haiti and of the other signatories of the Act of Bogota and the Charter of Punta del Este.

### ARTICLE III

#### Conditions Precedent to Disbursement

##### SECTION 3.01. Conditions Precedent to Initial Disbursement.

Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) an opinion of the Minister of Justice of Haiti or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;

(b) a statement of the names of the persons holding or acting in the office of Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;

(c) an executed contract for technical advisory services for the Project acceptable to A.I.D. with a firm acceptable to A.I.D.

##### SECTION 3.02. Conditions Precedent to Additional Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for any purpose other than to finance the services referred to in Section 3.01 and commodities related thereto, and spare parts for Borrower's present

equipment, Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D., evidence of:

- (a) having made adequate provisions for the support of the budget of the Permanent Maintenance Service for the National Highway Network ("SEPRRN") at an annual level of not less than the equivalent of \$780,000, and of having made adequate provisions to maintain the minimum working balance of the SEPRRN account in the National Bank of Haiti at an amount equal to no less than ten percent (10%) of SEPRRN's annual operating budget;
- (b) having relieved SEPRRN of all liabilities of SEPRRN incurred prior to March 31, 1972 by predecessor maintenance authorities; and
- (c) the availability for the Project of suitable sites for the construction of a new central workshop and an auxiliary workshop in Les Cayes.

SECTION 3.03. Conditions Precedent to Disbursement in Excess of U. S. \$3,050,000. Prior to any disbursement under the Loan in excess of \$3,050,000, Borrower shall

- (a) meet with A.I.D. and the technical advisors on the Project to review Project performance and shall furnish to A.I.D., in form and substance satisfactory

to A.I.D., evidence that it is taking the steps necessary to implement the recommendations of this review;

- (b) furnish to A.I.D., in form and substance satisfactory to A.I.D., a maintenance plan of SEPRRN, which plan shall include, but not necessarily be limited to, an ordering of road priorities; and
- (c) furnish to A.I.D. evidence, supported by an audit conducted by an independent certified public accountant approved by A.I.D., of, inter alia, the proper use of funds and the adequacy of Borrower's contribution to the Project.

SECTION 3.04. Terminal Dates for Meeting Conditions Precedent to Disbursement.

(a) If all of the conditions specified in Section 3.01 shall not have been met by July 31, 1973, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

(b) If all of the conditions specified in Section 3.02 shall not have been met by November 30, 1973, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the

then undisbursed balance of the amount of the Loan and/or may terminate this Agreement by giving written notice to Borrower. In the event of a termination, upon the giving of notice, Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.05. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 and, as the case may be, 3.02 and 3.03 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices.

(b) Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. Borrower shall provide promptly as needed all funds, in addition to the Loan but not including those amounts required to be provided pursuant to Section 5.01 hereof, and all other resources required for the punctual and effective carrying out and operation of the Project.

SECTION 4.03. Continuing Consultation. Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by Borrower of its obligations under this Agreement, the performance of the

consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project. The effect of the Project on the natural environment shall be taken into consideration prior to and during the implementation of the Project, and Borrower and A.I.D. shall cooperate to minimize any harmful effects upon the natural environment.

SECTION 4.04. Management. Borrower shall provide qualified and experienced management for the Project, and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

SECTION 4.05. Operation and Maintenance. Borrower shall operate and maintain the Project in conformity with sound engineering, financial, administrative, and construction practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within Haiti. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Haiti, Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

**SECTION 4.07. Utilization of Goods and Services.**

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. Upon completion of the Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Project, Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

**SECTION 4.08. Disclosure of Material Facts and Circumstances.**

Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of Borrower's obligations under this Agreement.

**SECTION 4.09. Commissions, Fees, and Other Payments.**

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this

Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to Borrower's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in Haiti.

SECTION 4.10. Maintenance and Audit of Records. Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;

- (c) the basis of the award of contracts and orders to successful bidders; and
- (d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and borrower's books, records, and other documents relating to the Project and the Loan. Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of Haiti for any purpose relating to the Loan.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. SEPRRN Budget Support. Borrower covenants to support the budget of SEPRRN at an annual level of not less than the equivalent of U. S. \$780,000, and to maintain the minimum working balance of the SEPRRN account in the National Bank of Haiti at an amount equal to no less than ten percent (10%) of SEPRRN's annual operating budget, except as A.I.D. may otherwise agree in writing.

SECTION 5.02. Use of Project Equipment. Borrower covenants to use Project equipment for no other purpose than road maintenance (excluding road construction), except as A.I.D. may otherwise agree in writing.

SECTION 5.03. Labor Intensive Techniques. Borrower covenants to emphasize to the degree feasible, consistent with national road requirements, the use of labor intensive maintenance techniques in the development of its maintenance capacity.

SECTION 5.04. Continuing Support of Maintenance Program. Borrower hereby pledges its continuing support of this Project and of national road maintenance, and covenants to give priority to the maintenance of National Routes 100 and 200.

SECTION 5.05. Annual Reviews. Borrower covenants to hold annual reviews of the Project with A.I.D. and the technical advisors on the Project, commencing approximately one year after the review meeting referred to in subsection 3.03(a) hereof.

**SECTION 5.06. Staff of SEPRRN. Borrower shall cause SEPRRN to be adequately staffed with qualified managers, technicians, mechanics and other personnel, and shall implement such organizational changes recommended by the recent UNDP/IDB study as may be approved by the technical advisors on the Project and by Borrower.**

ARTICLE VI

Procurement

SECTION 6.01. Selected Free World Procurement. Except as Borrower and A.I.D. may otherwise agree in writing, and except as provided in subsection 6.09(c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book, as in effect at the time orders are placed or contracts are entered into for such goods and services ("Selected Free World Goods and Services"). All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment, excluding Haiti.

SECTION 6.02. Procurement from Haiti. Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Haiti.

SECTION 6.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04. Goods and Services Not Financed Under Loan.

Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.05. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Section 6.01, 6.02, and 6.06 will be set forth in detail in Implementation Letters.

SECTION 6.06. Plans, Specifications, and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, construction schedules, bid documents, and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications, and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for engineering and other professional services,
- (ii) contracts for construction services,
- (iii) contracts for such other services as A.I.D. may specify, and
- (iv) contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used by Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

SECTION 6.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional

services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.08. Employment of Third-country Nationals under Construction Contracts. The employment of personnel to perform services under construction contracts financed under the Loan shall be subject to requirements with respect to third-country nationals prescribed in Implementation Letters.

SECTION 6.09. Shipping and Insurance.

(a) Selected Free World Goods financed under the Loan shall be transported to the Republic of Haiti on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all Selected Free World Goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels unless A.I.D. determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. In addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported on dry cargo liners shall be paid to or for the benefit of privately owned United States flag commercial vessels, unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for

United States flag commercial vessels. No goods financed under the Loan may be transported on any ocean vessel or aircraft (i) which A.I.D., in a notice to Borrower, has designated as ineligible to carry A.I.D. financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(c) Marine insurance on Selected Free World Goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in Haiti or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Haiti, by statute, decree, rule, or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Selected Free World Goods financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) Borrower shall insure, or cause to be insured, all Selected Free World Goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance

shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by Borrower under such insurance shall be used to replace or repair any material damage to or any loss of the goods insured or shall be used to reimburse Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.10. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.11. United States Government-owned Excess Property. Borrower shall utilize, with respect to goods financed under the Loan to which Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. Borrower shall seek assistance from A.I.D. and A.I.D. will assist Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary

inspection of such property by Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.12. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, identify Project sites, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of Borrower and may be financed under the Loan.

SECTION 7.02. Disbursement for Local Currency Costs. Upon satisfaction of conditions precedent, Borrower may, from time to time, request disbursement by A.I.D. of local currency for Local Currency Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D. shall make such disbursements from local currency owned by the United States Government and that obtained by A.I.D. with United

States dollars. The United States dollar equivalent of the local currency made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the local currency.

SECTION 7.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as Borrower and A.I.D. may agree to in writing.

SECTION 7.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur (a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 7.02; on the date on which A.I.D. disburses the local currency to Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment documents which may be called for by another form of disbursement under Section 7.03 or amendment thereto shall be issued in response to requests received by A.I.D. after June 30, 1976, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after December 31, 1976. A.I.D., at its option, may at any time or times after December 31, 1976, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by Borrower. Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower or any of its agencies and A.I.D., or any of its predecessor agencies,

then A.I.D. may, at its option, give to Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) the amount of any further disbursements made under then outstanding irrevocable letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

- (a) an Event of Default has occurred;
- (b) an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either than the purpose of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement;
- (c) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (d) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between Borrower or

any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may, at its option:

- (i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made or made under irrevocable Letters of Credit, and in the event A.I.D. shall give notice to the Government thereafter;
- (ii) decline to make disbursements under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that goods financed under the loan be returned to the A.I.D. if the goods are not delivered or are in a deliverable position, or are in parts of entry of the Government or to be made under the terms of the transferred goods shall be subject to the provisions

**SECTION 8.04. Cancellation by A.I.D.**

of disbursements pursuant to Section 8.03, if the Government

such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund such amount in United States dollars to A.I.D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five (5) years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made, or sent by Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegrams, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Conseil National de Développement et  
de Planification (CONADEP)  
Palais des Ministères  
Port-au-Prince, Haiti

Cable Address: CONADEP, Port-au-Prince, Haiti

TO A.I.D.:

Mail Address: United States A.I.D. Representative to Haiti  
c/o American Embassy  
Port-au-Prince, Haiti

Cable Address: AIDREP  
AMEMBASSY  
Port-au-Prince

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder may be in French, with an official English translation of equal legal standing, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, Borrower will be represented by the individual holding or acting in the office of Secrétaire Exécutif of CONADEP and A.I.D. will be represented by the individual holding or acting in the office of A.I.D. Representative. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

**SECTION 9.05. Termination Upon Full Payment.** Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of Borrower and A.I.D. under this Loan Agreement shall terminate.

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

THE REPUBLIC OF HAITI

UNITED STATES OF AMERICA

By: /s/ E. Francisque  
Dr. Edouard Francisque  
Secrétaire d'Etat  
des Finances et des Affaires  
Economique, et Secrétaire  
Exécutif du CONADEP

By: /s/ Clinton E. Knox  
Clinton E. Knox  
Ambassador Extraordinary  
and Plenipotentiary

By: /s/ S. L. Behoteguy  
Scott L. Behoteguy  
U.S. A.I.D. Representative  
TO Haiti

## ANNEX 1

### Detailed Project Description

The Project is designed to establish an effective national highway maintenance service. Phase I of the Project will consist of significant training and infrastructure development followed by equipment inputs as the capability of SEPRRN, including the skills of its operators and mechanics, warrants. The emphasis will be on limiting the amount of equipment used and increasing maintenance performed by manual labor, to the degree feasible.

The initial activities will be the contracting of technical advisory services, acceptable to the Borrower and A.I.D, and the acquisition by Borrower of suitable sites for the Central Workshop in Port-au-Prince and the auxiliary workshop at Les Cayes. Once the necessary advisors arrive in Haiti they will assist SEPRRN in the design and construction of the Central Workshop, which will serve as the prime training facility, the design and construction of the auxiliary workshop at Les Cayes, the renovation of the Pote Cole shop building at Cap Haitien, the improvement of the present SEPRRN Port-au-Prince workshop, which will also be used for project training activities, and for minor repairs of existing equipment including the procurement of spare parts for the repair of such equipment.

In addition, the advisors will begin work with their divisional counterparts in SEPRRN in selected areas for intensive training while, in the case of the administration and accounting specialists, they will initially be involved in developing operating procedures. As spare

parts for repair of existing equipment arrive, mechanic trainees will be chosen to work on the equipment. As the equipment is put on the ready line, the operator trainees will start their on-the-job training.

Since the proposed plan of operation is to have equipment centralized in Port-au-Prince, both instruction of trainees and supervision of equipment should be a manageable task for a relatively small number of technical advisors. As now planned, District Chiefs will permanently control only minimal equipment, such as pickup trucks, but will have an expense authorization against which they may rent equipment from the central Division of Equipment, pay for labor costs, supplies and other miscellaneous costs. Each piece of equipment will have a time-based rental rate which will include costs of fuel and lubricants, and operator costs.

The technical advisors will also finalize a list of specifications for the new training-related equipment to be procured. This equipment, some portions of which will require long lead times between order and delivery, will provide the core of the training program and of the new maintenance authority capability. Utilization of the new equipment will be primarily for districts responsible for sections of the national Routes 100 and 200. It will be the responsibility of the Director of SEPRRN and the Chief of the technical assistance team to insure that such is the case. Districts considered as falling within the highest priority of the program are Cap Haitien, Gonaives, Port-au-Prince, and Les Cayes. Further, the new equipment will be used in the context

of a maintenance plan within the above limitations which will have been approved by the Administrative Council of SEPRRN. Included in this equipment package will be the equipping of one heavily mechanized team, one special operations team, and one district team.

Thus, the first tranche of the loan will cover: (a) technical assistance and training costs; (b) Central Shop and Les Cayes auxiliary workshop construction; (c) hand and machine tools for the Central Shop and auxiliary workshop; (d) preparation of the temporary training area and renovation of Pote Cole shop; (e) spare parts for existing equipment; and (f) maintenance equipment -- all amounting to approximately U.S. \$3,050,000.

The second tranche will not be available until after a full review of the progress of the Project has been completed. With A.I.D. concurrence that performance has been satisfactory, and agreement between A.I.D. and Borrower on ways to correct any deficiencies, the final tranche will then become available. Procurement in this Phase II of the Project will focus on providing district equipment for the priority areas along the national trunk routes or as modified during the progress review and approved by A.I.D. The pilot districts selected will be staffed with qualified personnel from the training program. By the time the equipment from the second tranche arrives, the Central Workshop construction should be finished and machine tools installed, providing adequate facilities for storage, repair and maintenance for the full complement of project equipment. This final tranche will amount to about U.S. \$650,000.

The Project is intended to furnish the core of a nationwide maintenance authority expanded later either by Haitian Government or by foreign assistance financing. It is not designed to provide adequate maintenance throughout the national road network. At the completion of the three-year project period, SEPRRN should be able to effectively maintain highways reconstructed by IDB and IBRD financing, have sufficient trained staff to efficiently organize and operate continuously most maintenance activities in four districts and the central headquarters, and have developed a planning and programming mechanism capable of expanding operations to maintain a National Road Network of 1,790 kilometers. The project differs significantly from previous efforts to assist road maintenance in Haiti in that major road rehabilitation and reconstruction are not SEPRRN's operational function.

The fact that some work can be done less expensively by hand will encourage the District Engineers to use these labor intensive methods to a maximum, thus giving better usage of the equipment in areas of better performance. By having a guaranteed annual budget and a minimum working balance, SEPRRN will be able to plan its operations without budgetary constraints.

Proj. No 5210063  
PA

A.I.D. LOAN NO. 521-2-711  
Proj # 521-22-310-063

AMENDMENT NO. 1 TO LOAN AGREEMENT

BETWEEN

THE REPUBLIC OF LAOS

AND THE

UNITED STATES OF AMERICA

FOR

HIGHWAY MAINTENANCE

Dated: August 1, 1973

Amendment No. 1 dated August 1, 1973 between the Republic of Haiti ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D."), amending the Loan Agreement ("Loan Agreement") between the Borrower and A.I.D., dated February 28, 1973, and identified as A.I.D. Loan No. 521-L-003.

NOW, THEREFORE, the BORROWER and A.I.D. HEREBY AGREE AS FOLLOWS:

1. Section 1.01 of the Loan Agreement is amended to read as follows:

"Section 1.01. The Loan. A.I.D. agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Three Million One Hundred and Fifty Thousand United States Dollars (\$ 3,150,000) ("Loan") to assist Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance the United States dollar costs ("Dollar Costs") and local currency costs ("Local Currency Costs") of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as 'Principal'."

2. Section 3.03 of the Loan Agreement is amended to read as follows:

"Section 3.03. Conditions Precedent to Disbursement in Excess of U.S. \$2,500,000. Prior to any disbursement under the Loan in excess of \$2,500,000 Borrower shall

- (a) meet with A.I.D. and the technical advisors on the Project to review Project performance and shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that it is taking the steps necessary to implement the recommendations of this review;
- (b) furnish to A.I.D., in form and substance satisfactory to A.I.D., a maintenance plan or SEPARR, which plan shall include, but not necessarily be limited to, an ordering of road priorities; and
- (c) furnish to A.I.D. evidence, supported by an audit conducted by an independent certified public accountant approved by A.I.D., of, inter alia, the proper use of funds and the adequacy of Borrower's contribution to the Project."

3. Except as expressly indicated in this Amendment No. 1 to the Loan Agreement, all other provisions of the Loan Agreement are continued in full force and effect.

IN WITNESS WHEREOF, HONDURAS and the United States of America, each acting through its respective duly authorized representatives have caused this Amendment No. 1 to the Loan Agreement to be signed in their names and delivered as of the day and year first above written.

THE REPUBLIC OF HONDURAS

UNITED STATES OF AMERICA

*[Signature]*  
\_\_\_\_\_  
Minister of Foreign Affairs  
Calle Financas de las Americas  
Managua, ex Secretario  
Ejecutivo de COMDEP

*[Signature]*  
\_\_\_\_\_  
SCOTT L. HENNING  
U.S. A.M.S. Representative  
to Honduras

PDAAA-959-D1

1077

*Group*

INFORMATION MEMORANDUM FOR THE DEPUTY U.S. COORDINATOR

FROM: LA/DR, Frank E. Kimball

SUBJECT: Issues - Haiti Highway Maintenance Capital Assistance Paper

The DAEC will review at 10:00 a.m. on February 15, 1973, a \$3.7 million loan to the Government of Haiti. The loan will provide funds to the Haiti Highway Maintenance Authority to assist in financing the U.S. dollar and local costs of purchasing shop and maintenance equipment, construction of workshop facilities, and technical assistance necessary to develop an adequate highway maintenance program.

The following issues are for the DAEC's consideration:

1. Part Means of Maintenance Equipment, Funds, and other Resources - To what extent do the conditions and covenants in the loan paper assure adequate provision for counterpart funds, protect against diversion of such funds, personnel and equipment for new construction, and provide for sufficient maintenance inputs of new equipment procured?
2. Technical Advisor Services - Should the technical advisory services be grant or loan financed? What kind of organization is best equipped to provide the technical assistance required under the loan? Should AID direct hire, IPA employees or a private consultant be given the task of advising the COM Maintenance Authority?
3. U.S. Technician participation on the Administrative Council of Maintenance Authority - Should the senior U.S. technical advisor for the loan be allowed to sit on the Administrative Council of the Maintenance Authority as set forth in the COM Decree Law?
4. Size of the loan - The CAP proposes AID financing in the amount of \$3.7 million, an increase from the \$3.0 million indicated in the RRR. Is the increase in amount justified in light of the anticipated COM contribution for highway maintenance of \$3.4 million over the project period?

- LA/DR: Seifman; 2-14-73
- c: LA/DR: Kimball, Stinson, Schient, Grend, Hurley
- LA/DR: Harrison
- LA/CR: Levy
- LA/HR: Blinn
- LA/OPS: C. Chabard
- PPC: McCher
- LA/CAK: [unclear]

Clearance: LA/DR: RBobel

INTENSIVE REVIEW REQUEST

8p

HAITI - Highway Maintenance

I. Host Government: The Borrower will be the Republic of Haiti (GOH). Responsibility for project execution will be assigned to the Ministry of Public Works (MPW).

II. Amount and Terms: The loan is not to exceed \$3,000,000 at AID's most concessional terms (repaid over 40 years, including 10 years of grace with interest at 2% during the grace period and 3% thereafter).

III. Purpose: The basic objective of this loan is to create a viable, on-going highway maintenance service in Haiti with the ultimate goal of making the country's road network a positive factor in its development process. At present, there is no country-wide highway maintenance capability in the country with the result that Haiti's road network has deteriorated to the point that it has become a formidable obstacle to development. As a consequence, the movement of people and goods (particularly agricultural commodities moving to market) are severely restricted with resulting high costs. Creation of a highway maintenance capability is a fundamental step in the process of improving communication within the country because it not only provides the GOH with a long-term capability for maintaining and upgrading roads, but it also is a prerequisite to accessing external resources for major road construction and reconstruction. Loans are now being developed by the IIB and IBRD for reconstruction of the two principal roads (Route 100 South and Route 200 North) for FY 1973 authorization. These projects, which total some \$300 million, are dependent upon the existence of a GOH maintenance capability. It was precisely the lack of such a capability which caused the roads to deteriorate in the first place.

IV. Description of Loan: Essentially, the proposed loan is designed to take the GOH from what amounts to a complete absence of any maintenance capability to a point where country-wide road maintenance can be carried out on a regular basis along with road betterment activities on selected roads. When fully operational, the maintenance authority will be responsible for maintaining the country's entire road network with the exception of roads within urban areas. The present road system essentially consists of two main trunk roads which connect the northern and southern peninsulas with the capital, Port-au-Prince and a series of feeder roads connecting interior areas with the main routes. Together, the two main routes total 330 kilometers out of a total road network of 3,000 kilometers, of which an estimated 120 kilometers are paved.

At present, a maintenance authority exists on paper, having been created via a decree issued by the GOH in March, 1972. A director has been appointed, but no further work has been made to staff the organization pending completion of negotiations for international financing. The decree allocated half the proceeds from a 10¢ (U.S.) per gallon tax on gasoline specifically to fund maintenance operations with the other half going for construction.

A project structure has been developed which reflects two assumptions;

- that no large body of trained equipment operators, shop maintenance personnel, and supervisors presently exists; and,
- that estimated budget allocations which will be available to fund highway maintenance activities over the next two years are not sufficient to cover the operating costs of a fully staffed and operational maintenance service.

Because of these constraints, a three-phased approach has been developed as follows:

1. Training: A vocational training school for ministry personnel would be set up and supplied with equipment and facilities to support training in warehousing, equipment maintenance, equipment operation, and shop skills. Some small quantities of maintenance equipment, spare parts and shop equipment would be purchased and used in conjunction with an on-the-job training program on selected roads where present maintenance needs are greatest. Technical assistance for this effort will be loan financed as will some participant training if, during intensive review, it becomes evident that experienced supervisory and management personnel are not available to staff the maintenance organization.

2. Rehabilitation of Existing and/or Construction of New Maintenance Facilities: During intensive review, the status of a number of former maintenance facilities which belonged to an earlier maintenance service will be reviewed to determine their availability (and suitability) for the new service. The main shop, located in Port-au-Prince, will probably be available, but will have to be rehabilitated. Depending upon the situation outside of the capital city, new regional shops may have to be constructed.

3. Maintenance and Shop Equipment: This final phase will entail provision of sufficient equipment so that maintenance activities can be expanded throughout the country.

The key to this approach is that the project would progress in accordance with the availability of trained personnel and operational funding provided by the GOH. No operating funds, whether salaries or other costs, would be financed under the loan: the GOH will be responsible for the service from the beginning. Loan funded technical assistance will be provided as needed, both for the training function as well as for actual maintenance operations once underway. A three-year implementation period is contemplated, although it may prove desirable to finance some technical assistance over a four-year period.

V. Financial Plan: The following is a very tentative breakdown of projected project costs. Two important factors which bear on the plan will only be resolved during intensive review: whether AID financial inputs should be phased through two loans; and the amount of GOH contribution to the project. These factors are discussed in more detail in the issues section. (in 000's of dollars)

	<u>AID</u>	<u>GOH</u>
Road Maintenance, Equipment, and spare parts	\$ 1,700	
Shop Equipment	500	
Training Materials	100	
Technical Assistance	350	
Participant Training	50	
Construction & Rehabilitation of Shops & Training Facility	300	\$ 100
Equipment Operating Costs		1,000
Local Salaries		<u>600</u>
TOTAL	\$ 3,000	\$1,700

The GOH contribution for equipment operating costs and local salaries covers a three year period during which most of the projects' actual maintenance activities will be geared to on-the-job training on selected roads as well as equipment maintenance operations at the training facility. Based on preliminary estimates, no more than 10% of the AID loan would finance local costs.

VI. Background: In response to the recent Government of Haiti interest in seeking international financing for a wide-range of development projects, AID agreed to send a survey team to Haiti to review various possibilities identified to date (April 1972). The immediate objective of the visit (which took place between April 16 and 28) was to identify one project for possible FY 1973 development loan financing.

The GOH has identified a number of projects, many of which have been proposed to the international lending agencies (IBRD, IDB, AID) for consideration. Of these, it appears that four will receive serious consideration within the next year to 18 months as follows:

1. Port-au-Prince Port Improvement - This project is in the final processing stage by IDB.

2. Reconstruction of Road 200 South (Port-au-Prince Les Cayes). A feasibility study is underway to be completed by November 1972. The IDB has indicated interest in financing this \$15 million project which will be ready for consideration in early CY 1973.

3. Reconstruction of Road 100 North (Port-au-Prince -- Cap Haitian Coastal Road). The World Bank has indicated tentative interest in this project. A feasibility study will be required. Estimated total cost is \$14 to \$15 million. The loan will be processed in mid-CY 1973.

4. Highway Maintenance - The IDB has expanded the scope of work for the study of Road 1 South to include an analysis of road maintenance requirements for the country as a whole. This study will build on one recently completed by a GAO expert who looked at organizational requirements. This latter study was the basis of the recently issued GOH decree which created a highway maintenance authority. The GOH has informally requested AID assistance for this project.

With respect to the current road situation, most roads appear to have been built during the U.S. Marine presence on the island during the 1920's and early 1930's, and some have probably seen little maintenance since then. The World Bank financed a highway maintenance service in 1956, but did not follow-up with an anticipated second loan in the early 1960's when it became apparent that the government was not seriously interested in operating an efficient service. Equipment was diverted to other uses throughout the country, and once broken down, no repairs were made. An IBRD engineer, during a recent (May 1971) visit, found only a pile of junk equipment and several deserted regional maintenance shops with rusting machinery to show for the input of 15 years ago. As a result, the roads have deteriorated badly. Except for the first 35 miles of concrete road near Port-au-Prince and some sections near Les Cayes being maintained in passable condition by a regional FAO/UNEP project, the Southern Road is in total disrepair. The Northern road connecting the second largest city, Cap Haitien with the capital, cannot be used after heavy rains. Most other roads cannot be used by passenger cars. The principal interior route from the North is closed four months out of each year.

The GOH is pushing hard to rectify the situation, and as noted earlier in this paper, will probably sign \$30 million in loans from the IDB and IBRD to reconstruct the Northern and Southern roads which link the major population centers with Port-au-Prince. These agencies are however, greatly concerned with the maintenance problem as a continuation of the situation would in time nullify the new investment in roads. Certainly, as a partial response to this concern, the GOH in March of 1972, created a

National Road Service using as a basis an organizational framework developed by an OAS transportation advisor. Financing is to be provided through the receipt of tied gasoline taxes (and perhaps others as well) which are estimated to amount to \$1.1 million per year based on 1972 gasoline imports. However, 50% of this income is specifically allocated for construction purposes with the rest for maintenance activities. Quite possibly the funds tied to construction will be allocated as local contributions under the IDB and IBRD loans. An OAS advisor estimated that a country-wide maintenance program would require an operating budget of \$2.5 million per year.

VII. Economic Priority: The basic justification for this project revolves around the impact which improved roads will make on the development of the country. An estimated 85% of Haiti's population live in rural areas, depending upon agriculture for their livelihood. Based on preliminary observations, supported by conclusions drawn from various studies made by other international lending organizations, it is evident that the poor condition of Haiti's roads acts as a positive deterrent to development of the rural sector. The movement of agricultural products to urban markets is costly and haphazard. Potentially rich agricultural areas (such as the central plateau) are isolated the third part of each year. At the same time, a relatively modest effort in road maintenance would have a significant impact on the overall road situation. The basic road structure is in place. Distances are not great, and except in a few areas, the terrain is not particularly difficult. Thus the problem is one which does not require sophisticated skills or great amounts of money, with the result that the potential return to the economy from this relatively modest investment should be high. In an absolute sense, the highest priority sector in Haiti is agriculture, and one of the key elements for future development of this sector is improved access to markets.

VIII. Place In Country Program: The country team assigns high priority to this project. This will be the first U.S. loan to Haiti in more than ten years and as such represents a new course in U.S. policy towards that country. Because this is one of the GOH's highest priorities, the chances for successful execution are greatly enhanced, thereby laying a good foundation for structuring further AID assistance to Haiti if and when such is forthcoming.

IX. Other Agency Interest: During July, 1972 a joint AID, IBRD, and IDB meeting was held to review each agency's plans with respect to future lending to Haiti. During the course of this meeting, representatives of the IDB and IBRD indicated that given projects now being processed for future lending, they were not interested in financing this project. Each indicated, however, that they considered this project to be of the highest priority in view of the large road reconstruction projects now being developed. The underlying factor here is that while the international lending agencies are interested in lending to Haiti, all are mindful of past experiences and thus are moving with one project at a time until implementation experience is gained. The Ex-Im Bank will be requested to review this project for possible interest in due course.

X. Loan Implementation: AID staff at Port-au-Prince will be increased (from the present single officer) which will permit some overall monitoring to be carried out. The basic monitoring responsibility will lie with LA/DR working with the U.S. technical personnel financed under the loan. During intensive review, the question of using DOT PASA personnel to carry-out project technical assistance will be explored, with these personnel controlling day-to-day project operations.

XI. Issues:

A. As noted in section VI above, past efforts to create a road maintenance capability in the country failed. This failure was not unique to this project as there have been numerous examples of projects which have died over time, or at least failed to achieve their full potential, after initial inputs were exhausted. The basic problem has been lack of GOH budgetary resources to cover normal operating costs of the administrating agencies with the result that project inputs were not utilized. The project team was very mindful of this history in formulating a preliminary project outline for this loan. Two factors must guide the project committee during intensive review; that project scope must be determined by, 1) realistic estimates of GOH resource availabilities to cover normal operating costs of the new organization and 2) availability of adequate human resources. For this reason, a phased approach is recommended. During the first stage, training would be emphasized, with on-the-job training, both in actual maintenance operations as well as in equipment maintenance, being key elements. Some equipment would be purchased immediately, but not in the quantities which eventually will be needed. Subsequent phases envisage expansion of maintenance operations through provision of additional equipment and necessary infrastructure. The key factor in this strategy is that each phase would be geared to anticipated and then actual GOH financial performance as well as to increasing availabilities of trained personnel. The U.S. technical assistance would be made available early to assist in the training effort and then later in the expansion of actual maintenance activities.

B. Assuming a phased approach, there is an issue as to whether one or two loans should be made. Related to this is the status of an IDB feasibility study on road maintenance which is due to get underway in September 1972, with completion scheduled for March 1973. This study will determine equipment needs based on a survey of present equipment availabilities coupled with a road inventory. A study of organizational requirements has been completed; this formed the basis

of a new law which set up a highway maintenance authority. The leadtime necessary to set up a training facility, obtain technical assistance, etc., is such that a great deal of time could be saved if work on this portion of the project could be initiated in advance of the feasibility study on actual equipment needs. The difficulty, of course, is that two loans would be required with the consequent extra management time which would have to be expended.

C. As noted above, GOH contribution to operating costs of the on-going maintenance institution is an absolute condition to the loan. Related is the question of a GOH contribution to project costs, most of which will be related to construction of maintenance shops and local costs of technical assistance. In view of the limited GOH budgetary resources, and the fact that Haiti is classified as one of the world's least developed countries, the project committee recommends that a more liberal approach be taken when defining an appropriate GOH contribution to the project. Some contribution should be necessary, but usual standards should not be applied.

XII. Intensive Review Procedures: Based on an approved IRR, a project team would be formed consisting of a loan officer, highway maintenance engineer, a maintenance training specialist, an economist, and a representative from ARA/LA/CAR. This team would be responsible for intensive review, under the general guidance of the U.S. Ambassador in Haiti. Intensive review would begin immediately after IRR approval, and depending upon the decision as to loan phasing, a capital assistance paper would be completed within three months. Authorization would be scheduled for January 1973.

XIII. Status of Technical Materials: An organizational study has been completed by an OAS highway maintenance expert. This study was the basis for the new GOH law creating a maintenance authority. A study of equipment and shop needs, based on a road inventory, will be carried out by a French consulting firm under an IDB contract. The study will begin in September with completion set for March, 1973.

Project Committee:

Frederick W. Schieck - LA/DR  
Gerald Gower - LA/CAR  
Michael Demetre - LA/DR  
David Wilson - SER/Engr.

