

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H588-0-HT

Financing Agreement

(Additional Financing for the Education for All Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 10, 2010

Public Disclosure Authorized

GRANT NUMBER H588-0-HT

FINANCING AGREEMENT

Agreement dated June 10, 2010, entered into between REPUBLIC OF HAITI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions 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 eight million Special Drawing Rights (SDR 8,000,000) (“Financing” or “Additional 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 Additional Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project, through MENFP, 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. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Association's approval of the Additional Financing which expires on November 27, 2011.
- 4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE 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
Rue Oswald Durand 104
Port-au-Prince
Republic of Haiti

Facsimile: (+509) 229 917 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)	1-202-477-6391

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

REPUBLIC OF HAITI

By /s/ Ronald Baudin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yvonne M. Tsikata

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project included in the Original Project (as amended herein solely for the purposes of the Additional Financing) are: (a) to improve access to, and equity of, primary education; (b) operationalize partnerships between public and non public sectors; and (c) build capacity to assess learning outcomes.

The Project constitutes the first phase of the Program, and consists of the following parts included in the Original Project, as amended solely for the purposes of the Additional Financing:

Part 1: Improving Access to Primary Education

1.A. The provision of Student Enrollment Grants for the carrying out of Student Enrollment Subprojects by SMCs, to assist in the financing of tuition costs and education materials for prospective students.

1.B. The strengthening of SMCs' capacity to reinforce transparency and accountability in school management including, *inter alia*, local accountability at the parents' level and at the district level.

Part 2: Improving the Quality of Primary Education

2.A. The development of a multi-grade learning policy and multi-grade learning programs to support learning in rural areas.

2.B. The improvement of schoolchildren's performance through: (a) the provision of support for the steady and efficient delivery of school feeding services, including a package of micronutrients supplementation and hygiene education that promotes balanced nutrition, clean water and high sanitary standards, both at school and at home; and (b) the provision of School Feeding Grants to Beneficiary CBOs, including SMCs and NGOs, to finance community-driven School Feeding Subprojects in the poorest areas of the Recipient's territory.

2.C. The improvement of literacy skills development in the first two grades for public and non-public schools alike and the improvement in the competencies in primary education curriculum for grade 1 through 6 through, *inter alia*: (a) the provision of textbooks in local Creole language and all associated training in relation thereto, including the training of trainers; and (b) the strengthening of MENFP's capacity to monitor the acquisition of literacy skills and related quality of teaching and learning at the primary level; and the training of teachers in the utilization of textbooks to be provided under the Project.

Part 3: Improving Institutional Governance of MENFP

3.A. The strengthening of the institutional capacity of central structures of the MENFP to, *inter alia*, manage public funds and carry out public procurement in a transparent and fully accountable manner, through: (a) the improvement of the electronic communication between MENFP's central and departmental levels; and (b) the design of a new strategy on public-private relationships and the reformulation of the education sector policies.

3.B. The strengthening of: (a) the institutional capacity of decentralized offices of the MENFP to carry out assessments of School Feeding Subprojects and Student Enrollment Subprojects; and (b) the managerial capacity of MENFP inspectorates through the provision of training required therefor.

Part 4: Project Coordination and Evaluation

4.A. The provision of support for the strengthening and operation of the PMT.

4.B. The carrying out of studies to evaluate Project impact, including the qualitative and quantitative impact of: (a) the implementation of Student Enrollment Subprojects; and (b) the delivery of school feeding programs and their contribution towards enhancing the quality of education.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of carrying out the Project, the Recipient shall maintain all the institutional arrangements set forth in the Original Financing Agreement, as further described in the Operational Manual.
2. Without limitation to the provisions of Section I.A.2 of Schedule 2 to the Original Financing Agreement, the Recipient shall ensure that the PMT is, throughout the implementation of the Project, assisted by professional staff, all in adequate number and with terms of reference, qualification and experience satisfactory to the Association.

B. Implementation Documents

1. The Recipient shall: (a) not later than October 31, 2010, amend, update and/or revise the Operational Manual in a manner satisfactory to the Association, all for purposes of scaling up of activities immediately relevant to the Additional Financing including, *inter alia*, (i) revising the indicators agreed with the Association; (ii) changing the means of verification of school subsidy implementation from financial reporting to physical inspection, in accordance with the provisions of Section II.A.3 of this Schedule; and (iii) including precisely the number of pupils supported under Part 1.A of the Project and the Recipients' regions (departments) in which Part 1.A of the Project will be carried out ; and (b) continue to carry out the Project in accordance with the Operational Manual.
2. In the event that any provision of the Operational Manual and/or the Procurement Plan shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.
3. The Operational Manual and the Procurement Plan may only be amended from time to time in consultation with, and after approval of, the Association.

C. Other Implementation Arrangements

1. For purposes of carrying out Parts 1.A and 2.B (b) of the Project, the Recipient, through MEFNP, shall continue to: (a) enter into student enrollment grant agreements (each a "Student Enrollment Grant Agreement") with SMCs (selected on the basis of eligibility criteria detailed in the Operational Manual), satisfactory to the Association, on the basis of the standard student enrollment

grant agreement attached to the Operational Manual; and (b) enter into school feeding grant agreements (each a “School Feeding Grant Agreement”), with Beneficiary CBOs (selected on the basis of eligibility criteria detailed in the Operational Manual), satisfactory to the Association, on the basis of the standard school feeding grant agreement attached to the Operational Manual. Each Student Enrollment Grant Agreement and each School Feeding Grant Agreement shall comply with the eligibility criteria and contain the provisions listed in Section I.C.2 of the Original Financing Agreement.

2. The Recipient shall continue to maintain and implement the Student Enrollment Grant Agreements and the School Feeding Grant Agreements, in a manner satisfactory to the Association, for the further carrying out of the Project under this Agreement.
3. The Recipient shall exercise its rights and carry out its obligations under the Student Enrollment Grant Agreements and the School Feeding Grant Agreements, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Additional Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive, terminate or fail to enforce any of the Student Enrollment Grant Agreements and the School Feeding Grant Agreements, or any of their provisions.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (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 November 30, 2012.
3. With respect to the monitoring of Part 1.A of the Project, the Recipient shall: (i) cause school inspectors to visit participating schools each year during Project

implementation to verify that Student Enrollment Agreements (including, *inter alia*, a list of students registered for the school year) have been signed by the parties thereto, as well as to verify student attendance and the availability of teaching materials (including text books) in classes; (ii) select and hire an independent auditor on the basis of terms of reference satisfactory to the Association and in accordance with the provisions of Section III of this Schedule, to conduct spot checks and verify the school inspectors' reports each year during Project implementation; and (iii) cause the auditor referred to in (ii) herein to prepare, not later than August 31 each year, a report acceptable to the Association integrating the results of the inspections, spot checks and verifications mentioned in (i) and (ii) herein, which report shall be made available to the Association upon request, all as further detailed in the Operational Manual.

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 and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project, including financial reports of SMCs and Beneficiary CBOs, covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.
4. For purposes of carrying out the audits mentioned in Paragraph B.3 of this Section, the Recipient shall, through MENFP, not later than four months after the Effective Date, amend in a manner satisfactory to the Association, the terms of reference of the independent auditors referred to in Section 4.09 (b) (i) of the General Conditions.

Section III. Procurement

A. General

1. **Goods, Works and Non Consultant Services.** All goods, works and Non Consultant Services required for the Project and to be financed out of the proceeds of the Additional 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 Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Additional 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 Section.
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, Works and Non Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non Consultant Services. 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 set forth in Paragraphs 5.1 through 5.3 of the Consultant Guidelines for the selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Additional Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Additional Financing ("Category"), the allocations of the amounts of the Additional Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Goods, Works, Non Consultant Services, consultants' services, and Operating Costs for Part 1 of the Project, including those required for Student Enrollment Subprojects	4,200,000	100%
(2) Goods, Works, Non Consultant Services, consultants' services and Operating Costs for Part 2A and Part 2C of the Project	200,000	100%
(3) Goods (including food expenditures), Works, Non Consultant Services, consultants' services and Operating Costs for Part 2B of the Project, including those required for School Feeding Subprojects	2,850,000	100%
(4) Goods, Works, Non Consultant Services, consultants' services and Operating Costs for Part 3 of the Project	360,000	100%
(5) Goods, Works, Non Consultant Services, consultants' services and Operating Costs for Part 4 of the Project	360,000	100%
(6) Unallocated	30,000	
TOTAL AMOUNT	8,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is May 31, 2012.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary CBO” means a community-based organization established and operating under the laws of the Recipient, including an SMC and an NGO, which is found eligible to receive a School Feeding Grant under the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Creole” means one of the national languages of the Recipient.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
7. “MENFP” means *Ministère de l’ Education Nationale et de la Formation Professionnelle*, the Recipient’s Ministry of Education and Vocational Training or any successor thereto.
8. “NGO” means a non-governmental organization, established and operating pursuant to the laws of the Recipient.
9. “Non Consultant Services” means in respect of the Categories (1), (2), (3) (4) and (5), services to be contracted for the carrying out of activities related to the reproduction and dissemination of textbooks and education materials.
10. “Operating Costs” means, in respect of Categories (1) through (5), the incremental expenses incurred on account of Project implementation, including office equipment and supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs and salaries of locally contracted employees.

11. “Operational Manual” means the operational manual for the Project dated March 26, 2007, as amended/updated for purposes of the Additional Financing, and referred to in Section I.B.1 (a) of Schedule 2 to this Agreement.
12. “Original Financing Agreement” means the financing agreement for an Education for All Project between the Recipient and the Association, dated April 27, 2007 (Grant No. H 286-0-HA).
13. “Original Project” means the Project described in the Original Financing Agreement.
14. “PMT” means Project Management Team, as referred to in Section I.A.1 (a) of Schedule 2 to the Original Financing Agreement.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project dated March 03, 2007, updated for the purpose of the Additional Financing on March 15, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Program” means the program of the Recipient designed to ensure education of all its children aged 6 to 12 by the year 2015 and set forth or referred to in the letter dated March 06, 2007 from the Recipient to the Association.
18. “School Feeding Grant” means a grant made to a Beneficiary CBO for the carrying out of an eligible School Feeding Subproject utilizing the proceeds of the Additional Financing.
19. “School Feeding Grant Agreement” means any of the agreements referred to in Section I.C.1 (b) of Schedule 2 to this Agreement.
20. “School Feeding Subproject” means a specific Project for managing the delivery of nutritional supplements to schoolchildren in order to maximize their scholastic performance.
21. “SMC” means the School Management Committee of a non public primary school on the Recipient’s territory.
22. “Student Enrollment Grant” means a grant made to a selected SMC for the carrying out of an eligible Student Enrollment Subproject utilizing the proceeds of the Additional Financing.

23. “Student Enrollment Grant Agreement” means any of the agreements referred to in Section I.C.1 (a) of Schedule 2 to this Agreement.
24. “Student Enrollment Subproject” means a specific project to finance tuition costs and education materials for prospective students of non-public primary schools on the Recipient’s territory.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of: (i) a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

Section III. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has

engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”