

Public Disclosure Authorized

CONFIRMED COPY

GRANT NUMBER H286-0-HA

Financing Agreement

(Education for All Project)

between

REPUBLIC OF HAITI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Public Disclosure Authorized

Dated April 27, 2007

GRANT NUMBER H286-0-HA

FINANCING AGREEMENT

AGREEMENT dated April 27, 2007, entered into between REPUBLIC OF HAITI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in 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 sixteen million eight hundred thousand Special Drawing Rights (SDR16,800,000) (variously, “Grant” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is its Minister of Education and Vocational Training.
- 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%).
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the 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. The Additional Condition of Effectiveness consists of the following, namely that an operational manual, satisfactory to the Association, has been adopted by the Recipient.
- 4.02. 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 Financing which expires on October 27, 2008.

ARTICLE V— REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is its Minister of Economy and Finance.
- 5.02. The Recipient's Address is:

Ministère de l'Economie et des Finances
Palais des Ministères
Port-au-Prince
Republic of Haiti
Facsimile: (509) 299 17 32

5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF HAITI

By /s/ Leon Charles

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caroline Anstey

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to assist the Recipient in implementing its National Education For All Strategy through: (a) improving access to primary education for poor children age 6 through 12; while (b) improving equity, quality and governance of the education sector.

The Project constitutes the first phase of the Program, and consists of the following parts:

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 carrying out of new training programs for pre-service teacher professional development.

1.C. The strengthening of SMCs' capacity for, *inter alia*: (a) the identification and preparation of Student Enrollment Subprojects; (b) financial management; (c) supervision of selected school-level projects, including quality improvement projects and school feeding programs; and (d) school management under increased transparency and accountability procedures.

Part 2: Improving the Quality of Primary Education

2.A. The development of multi-grade learning programs to support learning in rural areas, using a five step approach requiring the elaboration of all relevant strategies and their operationalization, including all training and all monitoring and evaluation procedures and activities in relation thereto.

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; (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 and the Education Sector

3.A. The strengthening of the institutional capacity of MENFP to manage public funds and complete public procurement in a transparent and fully accountable manner, through the modernization of: (a) its department of administrative affairs and department of human resources; and (b) the electronic communication between MENFP's central and departmental levels.

3.B. The provision of support for the establishment, institutional capacity building and operation of NEPO as a public entity responsible for channeling public funds to non-public school management committees following transparent, rigorous, equitable and monitorable eligibility criteria.

3.C. The provision of support for the strengthening of the capacity of MENFP to: (a) increase coordination and effectiveness between its technical departments at central and regional levels; (b) develop and maintain a GIS-based school mapping database; and (c) carry out evaluation and accrediting activities for non public schools through its department for private education and partnership.

Part 4: Project Coordination and Evaluation

4.A. The Provision of support for the establishment and operation of the PMT within MENFP to be responsible for Project coordination.

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. The Recipient shall:
 - (a) establish within MENFP and maintain at all times thereafter during the implementation of the Project, a Project management team appointed in accordance with the provisions of Section III of this Schedule and comprising: (i) a technical unit consisting of a program coordinator and four sub-coordinators, each one responsible for their specific Project component; and (ii) an administrative unit with staff responsible for the Project's financial and procurement matters, all established within MENFP's existing structures;
 - (b) provide specific policy guidelines and address identified issues and constraints in respect of Project implementation, establish and thereafter maintain throughout Project implementation, a Project advisory committee consisting, of representatives of selected departments and services of MENFP, as set forth in detail in the Project Operational Manual;
 - (c) ensure that the technical and administrative units of PMT function under, and comply with, the policy directives established by PAC; and
 - (d) ensure that PMT, through MENFP, submits annual Project work plans and budgets to the Association for its prior review and approval.
2. For purposes of appraising and approving eligible Student Enrollment Subprojects, the Recipient shall establish a nine member steering committee consisting of representatives of MENFP, MEF, non-public education providers, parents' associations and teachers' unions.

B. Implementation Documents

1. (a) The Recipient shall adopt through MENFP, not later than the Effective Date, an operational manual, satisfactory in form and substance to the Association which consists of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans,

standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto;
 - (ii) the Project administrative, accounting, auditing, reporting, financial, and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;
 - (iii) (A) the selection criteria for SMCs and Beneficiary CBOs; and (B) the eligibility criteria for Student Enrollment Subprojects and School Feeding Subprojects;
 - (iv) the plan for the capacity building activities under the Project;
 - (vi) the plan for the monitoring, evaluation and supervision of the Project;
 - (vii) the performance indicators for the Project; and
 - (viii) standardized models to be used for the preparation of Student Enrollment Grant Agreements and School Feeding Grant Agreements.
- (b) The Recipient shall carry out the Project, through MENFP in accordance with the Operational Manual.
2. In the event that any provision of the Operational Manual shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
3. The Operational Manual may only be amended from time to time in consultation with, and after approval of, the Association.

C. Sub-projects

1. The Recipient shall, through MENFP, enter into: (a) a Student Enrollment Grant Agreement, satisfactory to the Association, with an SMC; and (b) a School Feeding Grant Agreement, satisfactory to the Association, with a Beneficiary CBO, therein setting forth the respective obligations of the parties thereunder, notably with respect to the preparation and implementation of Student Enrollment Subprojects and the School Feeding Subprojects.

2. The Recipient shall make a Student Enrollment Grant to an SMC and a School Feeding Grant to a Beneficiary CBO, both in accordance with eligibility criteria and procedures acceptable to the Association, set forth in the Operational Manual and which shall include the following:
 - (a) The Grants for the Subprojects shall be made on a non-reimbursable basis, subject to the provisions of paragraph (c) hereunder.
 - (b) The Student Enrollment Grant shall be made for the financing of tuition costs and education material for prospective students. The School Feeding Grant shall be made to ensure the delivery of nutritional supplements able to assist in enhancing the school performance of targeted students.
 - (c) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the SMC and the Beneficiary CBO to use the proceeds of the Grant for the Subproject, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the SMC's and the Beneficiary CBO's failure to perform any of their obligations under the Grant Agreement; and
 - (ii) require each SMC and Beneficiary CBO to:
 - (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to Recipients of loan proceeds other than the Recipient;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Subproject and the achievement of its objectives;

- (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Association's or the Recipient's request have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
 - (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and
 - (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
3. The Recipient shall exercise its rights under each Grant for a Subproject in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

D. Anti-Corruption

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

E. Other Implementation Arrangements

- 1. Not later than 6 months after NEPO is established and made operational by the Recipient, the Recipient shall ensure that all responsibilities for appraising and approving Student Enrollment Subprojects are transferred to NEPO.
- 2. Not later than 1 month after the Effective Date, the Recipient shall, in accordance with the provisions of Section III of Schedule 2 to this Agreement, select and appoint at the MENFP department of administrative affairs, a financial management advisor which position shall remain staffed throughout Project implementation in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting, 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 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 July 31, 2011.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall, through MENFP, 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, through MENFP, prepare and furnish to the Association not later than forty five days after the end of each calendar quarter, interim un-audited financial reports for the Project, including integrated financial and technical reports of SMCs and Beneficiary CBOs, covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, through MENFP, have the Financial Statements for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements for the Project shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.
4. For purposes of Paragraph 3 above, the Recipient shall, through MENFP, appoint, not later than four months after the Effective Date, the independent auditors referred to in Section 4.09 (b) (i) of the General Conditions, selected with terms of reference satisfactory to the Association and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

Section III. Procurement

A. General

1. **Goods, 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 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 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 for the selection of Individual Consultants

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 100% of Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, Works, Non Consultant Services, consultants' services, and Operating Costs for Part 1 of the Project, including those required for Student Enrollment Subprojects.	12,452,000	100%
(2) Goods, Works, Non Consultant Services, consultants' services and Operating Costs for Part 2A and Part 2C of the Project.	894,000	100%
(3) Goods, Works, Non Consultant Services, consultants' services and Operating Costs for Part 2B of the Project, including those required for School Feeding Subprojects.	1,149,000	100%
(4) Goods, Works, Non Consultant Services, consultants' services, and Operating Costs for Part 3 of the Project	598,000	100%
(5) Goods, Works, Non Consultant Services, consultants' services, and Operating Costs for Part 4 of the Project	1,035,000	100%
(6) Refund of Project Preparation Advance	672,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	<u>16,800,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) under Categories (1) and (3) of paragraph 2 of Section IV of this Schedule for any Student Enrollment Subproject or School Feeding Subproject, until and unless the pertinent Student Enrollment Grant Agreement or School Feeding Grant Agreement shall have been entered into between (i) MENFP and an SMC; and between (ii) MENFP and a Beneficiary CBO, all in accordance with the procedures, terms and conditions set forth in the Operational Manual;
 - (c) under Category (1) of paragraph 2 of Section IV of this Schedule once all payments thereunder have reached the amount of US\$750,000, absent evidence satisfactory to the Association that an independent monitoring agency for the carrying out of Student Enrollment Subprojects scheme satisfactory to the Association: (i) has been contracted by the Recipient; and thereafter (ii) is maintained under terms of reference and functions satisfactory to the association, at all times throughout Project implementation; and
 - (d) under Category (3) of paragraph 2 of Section IV of this Schedule, in the event that, in the opinion of the Association, the NSFP's unit price in any school year shall exceed by at least 25% the average unit price of the three largest non-governmental school feeding providers in the territory of the Recipient.
2. The Closing Date is January 31, 2011.

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 and 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. “Department of Administrative Affairs” means MENFP’s *Direction des Affaires Administratives*.
7. “Department of Human Resources” means *MENFP’s Direction des Ressources Humaines*.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
9. “GIS” means Geographic Information Software.
10. “Grant Agreements” means, collectively, a Student Enrollment Grant Agreement and a School Feeding Grant Agreement.
11. “Grants for Subprojects” means, collectively, a Student Enrollment Grant and a School Feeding Grant.
12. “MEF” means the Recipient’s Ministry of Economy and Finance.
13. “MENFP” means *Ministère de l’ Education Nationale et de la Formation Professionnelle*, the Recipient’s Ministry of Education and Vocational Training and any successor thereto.

14. “National Education for All Strategy” means the Recipient’s strategy for achieving universal primary education by 2015, dated January 15, 2007.
15. “NEPO” means the National Education Partnership Office, an office of the Recipient to be established under the Project.
16. “NGO” means a Non Governmental Organization, established and operating pursuant to the laws of the Recipient.
17. “Non Consultant Services” means in respect of the categories (1), (2), (3) (4) and (5) of the disbursement table in Section IV.A(2) of Schedule 2 to this Agreement, services to be contracted for the carrying out of activities related to the reproduction and dissemination of textbooks and education materials .
18. “Operating Costs” means, in respect of Categories (1) through (5) of the table in Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, 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.
19. “Operational Manual” means the manual referred to in Section I.B.1 (a) of Schedule 2 to this Agreement.
20. “PAC” means Project Advisory Committee, as referred to in Section I. A.1 (b) of Schedule 2 to this Agreement.
21. “PMT” means Project Management Team, as referred to in Section I.A.1 (a) of schedule 2 to this Agreement.
22. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
23. “Procurement Plan” means the Recipient’s procurement plan for the Project, signed and dated March 03, 2007 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.
24. “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.

25. "Project Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 14, 2006 and on behalf of the Recipient on December 18, 2006.
26. "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 Financing.
27. "School Feeding Grant Agreement" means an agreement entered into pursuant to Section I.C.2 of Schedule 2 to this Agreement
28. "School Feeding Subproject" means a specific Project for managing the delivery of nutritional supplements to schoolchildren in order to maximize their scholastic performance.
29. "SMC" means the School Management Committee of a non public primary school in the Recipient's territory.
30. "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 Financing.
31. "Student Enrollment Grant Agreement" means an agreement entered into pursuant to Section I.C.2 of Schedule 2 to this Agreement.
32. "Student Enrollment Subproject" means a specific project to finance tuition costs and education material for prospective students of non-public primary schools of the Recipient's territory.
33. "Subproject" means collectively a Student Enrollment Subproject and a School Feeding Subproject