

Public Disclosure Authorized

**CONFORMED COPY**

**GRANT NUMBER H509-0-HT**

# **Financing Agreement**

**(Strengthening of Agriculture Public Services Project)**

**between**

**REPUBLIC OF HAITI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 27, 2009**

Public Disclosure Authorized



**GRANT NUMBER H509-0-HT**

**FINANCING AGREEMENT**

AGREEMENT dated July 27, 2009, 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 three million four hundred thousand Special Drawing Rights (SDR 3,400,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MARNDR 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**

- 401. The Additional Condition of Effectiveness consists of the following, namely that MARNDR has been staffed with a financial management specialist and a procurement specialist for the Project, both appointed in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.
- 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 expire on December 27, 2010.
- 4.03. 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  
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 the District of Columbia, United States of America, as of the day and year first above written.

**REPUBLIC OF HAITI**

**By /s/ Raymond Joseph**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Yvonne Tsikata**

**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient in prioritizing and targeting investments in the agriculture sector and improving local agriculture support services.

The Project consists of the following parts:

#### **Part 1: Strengthening MARNDR's Managerial Functions**

Enhancing MARNDR's stewardship role in the agriculture sector through the acquisition of goods, the carrying out of small civil works and the provision of technical advisory services and training in connection with the building of capacity of selected staff of MARNDR in:

- 1.1. (a) Policy formulation and implementation, including the modernization and ensuing public dissemination of the Recipient's agriculture sector policy; (b) the mainstreaming of environmental aspects in the agriculture sector, including the establishment within MARNDR of a dedicated environmental technical unit; (c) the prioritization of pertinent investments and regulatory instruments for the sector; and (d) the harmonization of processes for all stakeholders' involvement in the sector.
- 1.2. The strengthening of MARNDR's: (a) budgetary processes, procurement and fiduciary capacity, including *inter alia*, the planning, preparation and execution of operational and investment budgets; the modernization of internal and external controls for budgetary execution; the updating of monitoring and evaluation mechanisms; the preparation, in collaboration with MEF and MPCE, of an administrative, procurement and budgetary procedures manual; and (b) administrative procedures for staff, including *inter alia*, the development and use of communication technologies and methodologies and the upgrading of human resource management and skills.

#### **Part 2: Strengthening Farmer Extension and Support Services**

Piloting a scheme for improved agriculture services in Selected Areas of the Recipient's territory through the acquisition of goods and the provision of technical advisory services and training in relation to:

- 2.1. The development of an electronic farmer registry and service provider registry covering the Selected Areas.

- 2.2. The carrying out of a Farmer Subsidy Scheme for Eligible Farmers in the farmer registry who adopt improved agriculture technologies that are environmentally sound and higher-income generating, following criteria, terms and conditions defined in the Operational Manual.
- 2.3 The building of relevant capacity in local farmers, Recipient's support service structures, private service providers and extension agents, to enable an optimal implementation of the Farmer Subsidy Scheme by all participants, including in relation thereto, the carrying out by MARNDR of agriculture research priorities programs defined in respect of the Selected Areas, and to be further specified, as needed under the Project.

### **Part 3: Project Coordination and Supervision**

Ensuring optimal implementation of the Project through the provision of support for the carrying out of coordination, management, public awareness and communication, supervision, monitoring and evaluation activities in respect of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall maintain MARNDR responsible for the Project at all times during the implementation thereof.
2. MARNDR shall allocate responsibility for the effective implementation and coordination of the Project among selected structures and units described in the OM, including, *inter alia*, its DG and its DAAF.
3. MARNDR shall entrust exclusive responsibility for overall Project coordination to its DG which shall consist, *inter alia*, of a Project coordinator having qualifications and experience satisfactory to the Association and selected from among MARNDR staff. Said Project coordinator shall be assisted by a small Project team which shall consist, *inter alia*, of a procurement specialist and a financial management specialist, both selected and appointed in accordance with the provisions of Section III of this Schedule and who shall provide technical support to the DAAF.
4. MARNDR shall submit annual Project work plans and budgets to the Association for its prior review and approval.

##### B. Implementation Document

1. The Recipient has adopted, through MARNDR, an operational manual dated May 20, 2009, 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:
  - (a) the detailed description of all Project implementation activities by all units and structures considered under this Agreement, their sequencing and the prospective timetable and benchmarks in relation thereto;
  - (b) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents;
  - (c) (i) the eligibility criteria for farmers to participate in the Farmer Subsidy Scheme; and (ii) the conditions and procedures for receiving Farmer Subsidy Scheme Payments;



- (d) the ESF for the Project;
  - (e) the capacity building and training activities to be carried out for purposes of the Project;
  - (f) the plan for the monitoring, evaluation and supervision of the Project; and
  - (g) the performance indicators for the Project.
2. The Recipient shall: (a) maintain the OM throughout Project implementation; (b) take all measures necessary to ensure that the Project is carried out in conformity with the OM; and (c) only amend the OM, from time to time, with the Association's prior consent.
  3. In case of a conflict between any provision of the OM and any one under this Agreement, the provisions of this Agreement will prevail.

**C. Anti-Corruption**

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

**D. Farmer Subsidy Scheme**

1. Not later than 5 months after the Effective Date, the Recipient shall, through MARNDR, select and appoint in accordance with the provisions of Section III.C of Schedule 2 to this Agreement and pursuant to terms of reference previously agreed with the Association, one or several Service Providers with whom an agreement (the Service Agreement) shall be entered into, satisfactory to the Association, with respect to the technical implementation and supervision of the Farmer Subsidy Scheme.
2. Not later than 5 months after the Effective Date, the Recipient shall: (a) select and appoint, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement and pursuant to terms of reference previously agreed with the Association, a Financial Agent acceptable to the Association, to administer all payments and financial transfers under the Farmer Subsidy Scheme; and (b) enter into an agreement (the Financial Agency Agreement) satisfactory to the Association, with the Financial Agent to set forth the Financial Agent's obligations under the Project. The Financial Agency Agreement shall incorporate the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds.

3. The Recipient shall cause the Financial Agent to make Farmer Subsidy Scheme Payments available to Eligible Farmers in accordance with detailed provisions, procedures, sequencing and timing in relation thereto, set forth in the Operational Manual, and including, *inter alia*, the following:
  - (a) Farmer Subsidy Scheme Payments shall be made in respect of Eligible Farmers of the farmer registry maintained by MARNDR after initial validation thereof, duly registered in said farmer registry, shall have been made by the Service Providers and the related information received by the Association, in respect of the Selected Areas;
  - (b) thereafter, the Farmer Subsidy Scheme Payments shall be released by the Financial agent and made available to Eligible Farmers every 3 months upon their continued satisfactory registration, through periodic validation, as Eligible Farmers in good standing in the farmer registry for the immediate prior period in reference, as certified by the Service Providers and all as set forth in the OM; and
  - (c) the validation of the continued adherence of Eligible Farmers against the relevant performance indicators set forth in the OM shall be made through the use of independent external technical audits carried out by auditors appointed by MARNDR for that purpose, in accordance with the provisions of Section III of Schedule 2 to this Agreement and pursuant to terms of reference satisfactory to the Association. Each audit shall cover the period of one fiscal year of the Recipient and shall be furnished to the Association not later than four months after the end of such period.
4. The Recipient, through MARNDR, shall ensure that: (a) reviews of selected activities of Project implementation and the periodicity therefor as described in the Operational Manual, including the Farmer Subsidy Scheme, are carried out jointly with the Association; and (b) the implementation of the Project is subsequently carried out, applying the views and recommendations of the Association in that respect.
5. The Recipient shall exercise its rights and carry out its obligations under the Service Agreement and Financial Agency Agreement in such manner as to protect the interest of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not amend, assign, abrogate, suspend, terminate, waive or fail to enforce the Service Agreement, the Financial Agency Agreement or any of their provisions.

**E. Safeguards**

The Recipient shall, through MARNDR, ensure that the Project is carried out in accordance with the ESF.

**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 indicators agreed with the Association and set forth in the OM. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association by DG not later than 45 days after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than January 15, 2014.

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

1. The Recipient shall, through MARNDR, 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, as part of the Project Report, not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its 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. The audited Project's 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 MARNDR, 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.

5. The Recipient shall, not later than 4 months after the Effective Date, carry out, through MARNDR, the action plan dated June 16, 2009, agreed with the Association for the acquisition and installation of the accounting software needed for the strengthening of the financial management system for the Project.

**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:

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

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

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

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

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to 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:

<b><u>Category</u></b>	<b><u>Amount of the Financing Allocated (expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u></b>
(1) Goods, works, Non-consultant services, consultants’ services, Training and Operating Costs for Part 1 of the Project	1,410,000	100 %
(2) Farmer Subsidy Scheme under Part 2.2 of the Project		
(a) Consultant services	340,000	100%
(b) Goods, works, Non-consultant services, consultants’ services, Training and Operating Costs Financed by Farmer Subsidy Scheme payments	680,000	100% of amounts disbursed by the Recipient
(3) Goods, Non-consultant services, consultants’ services Training and Operating Costs for Part 2.1 and Part 2.3 of the Project	340,000	100%
(4) Goods, Non-consultant services, consultants’ services, Training and Operating Costs for Part 3 of the Project	540,000	100%
(5) Unallocated	90,000	
<b>TOTAL AMOUNT</b>	3,400,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 700 equivalent (SDR seven hundred) may be made for payments made prior to this date but on or after April 01, 2009, for Eligible Expenditures in respect of the Project;
  - (b) under category (2a) until and unless the Recipient through MARNDR has complied with the provisions of Section I. D.1 of Schedule 2 to this Agreement; and
  - (c) under Category (2b) until and unless the Recipient, through MARNDR, has furnished to the Association the information referred to in Section I D.3 (a) of Schedule 2 to this Agreement, in form and substance satisfactory to the Association.
  
2. The Closing Date is June 30, 2013.

**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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “DAAF” means *Direction des Affaires Administratives et Financières*, MARNDR’s Directorate of Administrative Affairs.
5. “DG” means *Direction Générale*, MARNDR’s General Directorate.
6. “Eligible Farmer” means a farmer in any of the Recipient’s Selected Area registered in the farmer registry maintained by MARNDR for that Selected Area and subsequently found to qualify for receiving Farmer Subsidy Scheme Payments under the Project , all pursuant to terms, conditions, procedures and criteria set forth in the OM.
7. “ESF” means the environment and social framework for the Project, prepared by MARNDR on behalf of the Recipient to identify and mitigate potential adverse environmental effects of Project implementation, dated April 23, 2009 and disclosed to the public on April 24, 2009.
8. “Farmer Subsidy Scheme” means the incentive-based mechanism being implemented for Eligible Farmers under the Project, as further described in Part 2.2 of Schedule 1 to this Agreement.
9. “Farmer Subsidy Scheme Payment” means the transfer of financial resources made to Eligible Farmers under the Farmer Subsidy Scheme.
10. “Financial Agency Agreement” means the agreement to be entered into between the Recipient and the Financial Agent for the purpose of administering Farmer Subsidy Scheme Payments, as further described in Section I.D.2 of Schedule 2 to this Agreement.



11. “Financial Agent” means the financial entity appointed under the Project to administer the financial transfers related to the implementation of the Farmer Subsidy scheme.
12. “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.
13. “MARNDR” means *Ministère de l’Agriculture, des Ressources Naturelles et du Développement Rural*, the Recipient’s Ministry of Agriculture, Natural Resources and Rural Development.
14. “MEF” means the Recipient’s Ministry of Economy and Finance.
15. “MPCE” means the Recipient’s Ministry of Planning and External Cooperation.
16. “Non-consultant services” means, in respect of Categories 1, 2, 3 and 4 in the table of Section IV.A.2 of Schedule 2 to this Agreement, services to be contracted for the carrying out of activities related to the carrying out of, *inter alia*, social communication campaigns, including surveys and outreach programs and information Technology (IT) connection.
17. “Operating Costs” means in respect of Categories 1, 2, 3 and 4 in the table in Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees.
18. “Operational Manual” and “OM” mean a manual for Project implementation as referred to in Section I.B.1 of Schedule 2 to this Agreement.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project dated May 20, 2009 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.
21. “Selected Areas” means any area of the Recipient’s territory in the vicinity of the research centers of *Ferme Levi* and *Thiotte-Savane Zombi*, respectively.

22. “Service Agreement” means the agreement between MARNDR and each selected Service Provider under the Project, as further referred to in Section I.D.1 of Schedule 2 to this Agreement.
23. “Service Provider” means a non-governmental organization, a qualified entity or individual or any private institution contracted under the Project to implement and supervise the operation of the Farmer Subsidy Scheme.
24. “Training” means in respect of Categories 1, 2, 3 and 4 in the table in Section IV.A.2 of Schedule 2 to this Agreement: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under Non-consultant services or Operating Costs.

## **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 (l) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

(l) *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 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.”

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:

- (a) 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.”