



UNITED STATES COORDINATOR
ALLIANCE FOR PROGRESS

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

521-073 E

5210073 - (5)

108

PD-AAA-992-A1

A.I.D. Loan No. 521-T-006
(Ref: AID-DLC/P-2029)

ALLIANCE FOR PROGRESS

LOAN AUTHORIZATION

Provided From: FAA Section 103 ("Food and Nutrition")
Haiti: Small Farmer Improvement

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961 as amended and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan pursuant to Section 103 of said Act, ~~and in furtherance of the Alliance for Progress,~~ to the Republic of Haiti ("Borrower") of not to exceed six million United States dollars to assist in financing the United States dollar costs and approximately \$550,000 of the local currency costs of a project for small farmer improvement through increased coffee production ("Project"). Of the Loan, approximately \$5,000,000 will be used to finance fertilizer; approximately \$550,000 will be used to finance construction of Operations Centers; and approximately \$450,000 will be used to finance equipment.

The Loan shall be subject to the following terms and conditions:

I. Interest and Terms of Repayment.

Borrower shall repay the Loan to the Agency for International Development ("A.I.D.") within forty years from the date of the first disbursement under the Loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars on the outstanding balance of the Loan, interest at the rate of two percent (2%) per annum during the grace period and three percent (3%) per annum thereafter.

II. Other Terms and Conditions.

A. Goods and services (except for ocean shipping) and marine insurance financed under the Loan shall have their source and origin in Haiti or

countries included in Code 941 of the A.I.D. Geographic Code Book. Marine insurance may be financed under the Loan only if it is obtained on a competitive basis and any claims thereunder are payable in freely convertible currencies. Ocean shipping financed under the Loan shall be procured in any country included in Code 941 of the A.I.D. Geographic Code Book, excluding Haiti.

- B. Prior to the issuance of any commitment documents or disbursements under the Loan for other than an initial \$100,000 for equipment and \$75,000 for fertilizer, Borrower shall furnish in form and substance satisfactory to A.I.D.:
- (i) Evidence that Borrower has established an account in the National Bank of Haiti for the deposit of Borrower's contribution to the Project and for A.I.D.'s local currency costs disbursements ("Project Account").
 - (ii) Evidence that Borrower's first contribution to the Project has been deposited in the Project Account in an amount no less than one-half of the Borrower's first year counterpart contribution in accordance with the Project's financial plan.
 - (iii) Evidence that the Haitian National Institute for Coffee Promotion ("IHPCADE") has entered into a formal institutional agreement with the Bureau of Agricultural Credit ("BCA") outlining the responsibilities of said institutions for carrying out the Project and in particular, setting forth the rules and regulations of the fertilizer credit and cash credit programs, including eligibility requirements, the amounts and terms of any subsidy element to small farmers, maximum terms, amounts of sub-loans and interest rates.
 - (iv) Evidence that suitable sites for the construction of the Operations Centers have been selected.

- (v) An implementation plan outlining the procedures and regulations for the purchase, control and distribution of fertilizer procured for the Project.

C. Borrower shall covenant that:

- (i) During the course of the Project, IHPCADE and BCA shall receive as their normal, annual budgetary allotments no less than those amounts received by each from Borrower's 1973-74 fiscal year budget.
- (ii) During the course of the Project, Borrower will contribute to the Project the equivalent of \$2,000,000 in cash in addition to those funds normally received by IHPCADE and BCA for recurrent annual budgetary expenditures.
- (iii) Borrower shall carry out during the first year of the Project a study of the impact of (i) current coffee tax rates in Haiti, and (ii) world market prices of coffee, on coffee producer prices. Such study shall include an analysis of the need to establish a coffee price stabilization mechanism, including alternative means of financing a coffee price stabilization fund.
- (iv) Borrower shall assure that BCA (i) maintains the administration and accountability for the credit elements of the Project separate from its other operations, (ii) deposits all repayments and interest from credits of cash and fertilizer extended under the Project into a separate revolving fund, and (iii) maintains said separate revolving fund for a period of at least ten years from receipt of the first repayment of said credits.
- (v) Borrower shall conduct with A.I.D. an annual evaluation of the progress of the Project.

III. The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Samuel...
Deputy U. S. Coordinator

5/24/74
Date

Clearances:

| | | | |
|------------------|---------------------------|------|----------------|
| GC/IA, I. Levy | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |
| IA/CAR/H, Gower | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |
| IA/DR, Venezia | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |
| IA/DR, Breen | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |
| PPC/DPR, Kimball | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |
| SER/EM/C, Brown | <u><i>[Signature]</i></u> | Date | <u>5/24/74</u> |

GC/IA, EHarkins:lb:5/22/74

2029
file
4

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

**ASSISTANT
ADMINISTRATOR**

AID-DLC/P-2029

AMENDMENT TO LOAN AUTHORIZATION

A.I.D. Loan No. 521-T-006 (521-15-140-073)

Provided From: FAA Section 103, ("Food and Nutrition")
FOR: HAITI Small Farmer Improvement

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the authorization dated May 24, 1974, for A.I.D. Loan 521-T-006 as follows:

1. The first paragraph of said authorization is hereby deleted and the following paragraph substituted in lieu thereof:

"Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan pursuant to Section 103 of said Act, and in furtherance of the Alliance for Progress to the Republic of Haiti ("Borrower") of not to exceed six million United States dollars to assist in financing the United States dollar costs and approximately \$950,000 of the local currency costs of a project for small farmer improvement through increased coffee production ("Project"). Of the Loan, approximately \$4,600,000 will be used to finance fertilizer; approximately \$950,000 will be used to finance construction of Operations Centers; and approximately \$450,000 will be used to finance equipment."

2. Except as expressly amended hereby, said authorization remains in full force and effect.

J. N. S. Girard II

E.N.S. Girard II
Assistant Administrator for
Latin America

11/20/77

Date

Clearances:

| | | | |
|-------------------|-----------------|------|-----------------|
| GC/LA, JLKessler | _____ | Date | _____ |
| LA/CAR, WRhodes | _____ | Date | _____ |
| LA/DR, CWeinberg | <i>11/20/77</i> | Date | <i>11/20/77</i> |
| LA/DR, TStukel | _____ | Date | _____ |
| PPC/DPR, EBHogan | _____ | Date | _____ |
| SER/FM/C, TBlacka | <i>11/20/77</i> | Date | <i>11/20/77</i> |

GC/LA, TLGeiger:lb:11/9/76 *77A*

2029

JAN 25 1977

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LA)

FROM: LA/DR, Charles B. Weinberg

Problem: Amendment of Loan Authorization for Haiti's Small Farmer Improvement Loan (521-T-006).

521-15-140-073

Discussion: The \$6 million loan was authorized on May 24, 1974, to finance a five year coffee production program for small farmers. The program provides for annual purchases of fertilizer and the construction and equipping of six regional operations centers in rural Haiti. The total project is \$8 million, with the Government of Haiti contributing \$2 million. As of November 30, 1976, AID disbursements and commitments total \$723,000 and \$1,571,000 respectively. The Loan Authorization and Loan Agreement provided for approximately \$5,450,000 in U.S. dollar costs and approximately \$550,000 in local currency costs to finance construction of the operations centers. Of the foreign exchange component, \$5 million was budgeted for fertilizer procurement and the remaining \$450,000 for equipment.

Due to increased costs for local construction, the Mission has requested (Attachment A) that the Loan Authorization be amended to reprogram \$400,000 of the loan to provide for an increase in the local currency budget (a new total of \$950,000). Approximately \$200,000 of the additional local currency financing is required to finance increased construction costs of the six original centers. The balance of the additional local currency financing will be used to finance one additional operations center and a supplemental field station consisting of a combination office and warehouse at Changieux. These two additional facilities were previously added to the project by a revision to the original implementation plan.

The Mission estimates that actual costs for the original six centers will be 36 percent higher than budgeted. Mission estimates for the two new facilities reflect the increase in construction costs experienced to date and allow for anticipated further increases.

The local currency of \$400,000 would be made available by reducing the amount budgeted for fertilizer from \$5.0 million to \$4.6 million. These funds are available because present world prices for fertilizer are about 50 percent lower than the estimates made during development of the Capital Assistance Paper (CAP). By January 1977, one-third of the total planned fertilizer procurements will have been completed at an estimated savings of \$800,000. Thus, even if the world price of fertilizer were to again reach the levels estimated in the CAP, there would be sufficient funds remaining to procure the balance of the fertilizer requirements. We have reviewed the Mission's request and

believe the amendment is necessary to accomplish program objectives. Pursuant to Section 1.01 of the Loan Agreement, which permits AID to change the amount of local currency financing, Annex I of the Loan Agreement, the Project Description, will be amended through an implementation letter after you sign the amended Loan Authorization.

Recommendation: That you sign the attached Loan Authorization Amendment.

Attachment

A - Telegram PAP 2935

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ASSISTANT
ADMINISTRATOR

AID-DLC/P-2029

AMENDMENT TO LOAN AUTHORIZATION

A.I.D. Loan No. 521-T-006

Provided From: FAA Section 103, ("Food and Nutrition")
FOR: HAITI Small Farmer Improvement

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the authorization dated May 24, 1974, for A.I.D. Loan 521-T-006 as follows:

1. The first paragraph of said authorization is hereby deleted and the following paragraph substituted in lieu thereof:

"Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a Loan pursuant to Section 103 of said Act, and in furtherance of the Alliance for Progress to the Republic of Haiti ("Borrower") of not to exceed six million United States dollars to assist in financing the United States dollar costs and approximately \$950,000 of the local currency costs of a project for small farmer improvement through increased coffee production ("Project"). Of the Loan, approximately \$4,600,000 will be used to finance fertilizer; approximately \$950,000 will be used to finance construction of Operations Centers; and approximately \$450,000 will be used to finance equipment."

2. Except as expressly amended hereby, said authorization remains in full force and effect.

J. N. S. Girard II

..... E.N.S. Girard II
Assistant Administrator for
Latin America

11/20/77

Date

Clearances:

| | | | |
|-------------------|-----------|------|-----------------|
| GC/LA, JLKessler | _____ | Date | _____ |
| LA/CAR, WRhodes | _____ | Date | _____ |
| LA/DR, CWeinberg | _____ | Date | <i>11/10/76</i> |
| LA/DR, TStukel | _____ | Date | _____ |
| PPC/DPR, EBHogan | _____ | Date | _____ |
| SER/FM/C, TBlacka | <i>ju</i> | Date | <i>11/20/76</i> |

GC/LA, TLGeiger:lb:11/9/76 *JA*

FAC AB

PDAAA-9928

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
Several Agencies (See Block 14)

5210073 - (6)
8p

AN AGENCY OF THE GOVERNMENT OF The Republic of Haiti

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

- PROJECT DESCRIPTION ANNEX A** **FOREIGN CURRENCY STANDARD PROVISIONS ANNEX**
 STANDARD PROVISIONS ANNEX **SPECIAL LOAN PROVISIONS ANNEX**

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION** DATE _____
 ECONOMIC COOPERATION AGREEMENT DATE _____
 (Other) DATE _____

1. PROJECT/ACTIVITY NO. **521-15-140-073** PAGE 1 OF 8 PAGES

2. AGREEMENT NO. **76-3** 3. EST. NUMBER, GO _____
 SPECIAL NO. _____

4. PROJECT/ACTIVITY TITLE
Small Farmer Improvement

5. PROJECT DESCRIPTION AND EXPLANATION
 (See Annex A attached)

6. AID APPROPRIATION SYMBOL **72-11 X 1023** 7. AID ALLOTMENT SYMBOL **402-50-521-00-69-61**

| | E. AID FINANCING <input checked="" type="checkbox"/> DOLLARS <input type="checkbox"/> LOCAL CURRENCY | PREVIOUS TOTAL (A) | INCREASE (B) | DECREASE (C) | TOTAL TO DATE (D) |
|--|---|-----------------------|-----------------|-----------------|----------------------|
| | | | | | |
| (A) Total | | | 245,000 | | 245,000 |
| (B) Contract Services | | | 206,000 | | 206,000 |
| (C) Commodities | | | 5,000 | | 5,000 |
| (D) Other Costs | | | 34,000 | | 34,000 |
| 8. COOPERATING AGENCY PARTICIPATION, DOLLAR EQUIVALENT | | | | | |
| (A) Total | | | 136,400 | | 136,400 |
| (B) Technical and other Services | | | 136,400 | | 136,400 |
| (C) Commodities | | | | | |
| (D) Other Costs | | | | | |

Clearances

LRP

LRR assigned
USAID/ADO

HAY

H. Johnson
AID/CONT

W. J. Wilson
AID/PRM
USAID

W. J. Wilson
AID/PRM
USAID

10. SPECIAL PROVISIONS (See Attached Contracting Schedule if Necessary)

Annex A - Project Description
 Standard Provisions Annex

11. DATE OF ORIGINAL AGREEMENT **1/9/76** 12. DATE OF THIS REVISION _____ 13. ESTIMATED FINAL COMPLETION DATE **December 31st, 1977**

14. FOR THE COOPERATING GOVERNMENT OR AGENCY 15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT

(See page 2)

SIGNATURE _____ DATE _____ SIGNATURE *Scott L. Behotéguy* DATE **1-9-76**
 TITLE _____ TITLE **AID DIRECTOR**

AID 1220-1A
9-761

PROJECT AGREEMENT
BETWEEN AID AND

1. Project/Activity No.
521-15-140-073

PAGE 2 OF 5 PAGES

PRO AG
CONTRIBUTION
SHEET

2. Agreement No.
76-3

3. Original or
Revision No.

MARK A

AN AGENCY OF THE GOVERNMENT OF
The Republic of Haiti

3. Project/Activity Title.

Small Farmer Development

9-1-76

Jaurès Lévêque
Secretary of State
Department of Agriculture, Natural Resources
and Rural Development

9-1-76

Emmanuel Gros
Secretary of State
Department of Finance and Economic Affairs
and
Executive Secretary of CONADP

For the Cooperating Government or Agency

For the Agency for International Development

See above

See Page 1

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

7

PROJECT AGREEMENT
BETWEEN AID AGENCIES

1. Project/Activity No.
521-15-140-073

PAGE 5 OF 5 PAGES

PROJ AG
CONTINUATION
SHEET

2. Agreement No.
76-3

3. Original or
Revised No.

ANNEX A

AN AGENCY OF THE GOVERNMENT OF
The Republic of Haiti

3. Project/Activity Title.
Small Farmer Improvement

Project Des-
cription

Background

Over 80% of the total population of Haiti which is estimated at 4.5 million (1975), lives and works in rural areas. The amount of land that can be safely cultivated in annual crops is limited and a large percentage of the rural people must find a source of income from tree crops that can be safely cultivated on steeply sloping mountainsides. While a wide variety of crops are grown on these areas, coffee is the only crop that has maintained an important position in the Haitian economy from pre-colonial times until the present.

Coffee cultivation in Haiti is characterized by a low level of technology as it grows in an essentially wild state on the wetter slopes of the many mountainous areas. Less labor is presently expended on coffee than on any other cultivated crop.

Grown as it is (or mostly gathered) by an estimated 371,000 farmers with predominantly small holdings (coffee covers about 140,000 hectares of land) it constitutes the main cash crop and, therefore, the major source of income for nearly 40% (1.7 million members) of the population. The low level of production (230-250 kilograms per hectare) is susceptible to substantial increases if more modern technology, provision of agricultural credit, and agricultural institutional strengthening can be realized.

This role as a cash crop makes the possibility of a successful agricultural credit program more likely. There exists an established system of marketing and processing which could accommodate an opposite flow of production-increasing inputs. There is an established extension network and administrative staff. There is a recent history of some Haitian farmers joining together into pre-cooperative groups to utilize credit and to seek a wider role in the marketing processes.

II. Objectives of the Project

Within the framework of the goals established for the Small Farmer Development Loan, the objectives of this project are the following:

- (a) to strengthen the Bureau of Agricultural Credit as an agricultural credit institution for the purpose of assisting with the formation of more pre-cooperative groups and eventually forming them into cooperatives for the purpose of mobilizing rural capital and making loans to increase the production of coffee and other crops.

For the Cooperating Government or Agency

For the Agency for International Development

[Signature]
SIGNATURE

See Page 2

DATE: 1/19/76

See Page 1

[Signature]
SIGNATURE

DATE: 1-29-76

TITLE

TITLE

| | | | |
|-----------------------|--------------------------------|----------------------------|--------------------|
| AID 1980-1A (1-70) | PROJECT AGREEMENT | 1. Project Activity No. | PAGE 1 OF 2 PAGES |
| PRO AG | BETWEEN AID AND | 521-15-140-073 | |
| CONTRIBUTION | | 2. Agreement No. | 3. [] Original or |
| SHEET | ON AGENCY OF THE GOVERNMENT OF | 76-3 | Revision No. |
| ANNEX A | The Republic of Haiti | 3. Project/Activity Title. | |
| | | Small Farmer Improvement | |

(b) to create an effective group within the Ministry of Agriculture which will be capable of operating IPHCADE (The Organization responsible for encouraging coffee production) regional operations centers in several major coffee growing areas and which will be capable of maintaining and improving rural access roads between the operations centers and adjacent coffee-producing areas.

1. Increase the average yield of coffee per hectare from the present 250 kilograms per hectare to 750 kgs per hectare on new and rehabilitated plantings on 12,778 hectares of land. (1,100 kgs per hectare on new plantings).
2. Increase the exportable annual production of coffee from Haiti by 150,000 sacks (60 kgs per sack) by the end of ten years.
3. Improve the balance of payments of the Republic by adding an increased cumulative \$50 million in exports over 10 years.
4. Establish six regional IPHCAD operations centers for the conduct of coffee research, fertilizer and credit distribution points, production of nursery stock, seed multiplication, etc...
5. Establish pre-cooperative groups serving 12,000 farmers through which fertilizer and complementary cash credits will be channeled. (\$26 million total over a ten-year period).
6. Increase GOR budgetary revenues by at least one million dollars annually over expected amounts by the end of ten years.
7. Raise the level of the GOR investment of their own resources into the coffee sector to at least 4% of the value of the annual export crop by the end of five years.

III. Work Plan for the Project

A. Agriculture Credit - BCA

The work plan for the BCA involves taking steps to more fully develop the institutional strength of that organization so that it can fulfill its functions under the Small Farmer Improvement Loan, and also permit BCA to assist in other areas of the Haitian Government's agricultural development efforts. A basic work plan has been prepared and has been approved by the Secretary of State for Agriculture and the USAID Director to Haiti.

| | |
|--|--|
| For the Cooperating Government or Agency | For the Agency for International Development |
| See Page 2 | See Page 3 |
| SIGNATURE:  | SIGNATURE:  |
| TITLE: | DATE: 1-9-76 |

| | | | |
|---|---|--|---|
| AID 100-111 (2-70) PRO AG CONTRIBUTION SHEET ANNEX A | PROJECT AGREEMENT BETWEEN AID AND Several Agencies AN AGENCY OF THE GOVERNMENT OF The Republic of Haiti | 1. Project/Activity No. 121-15-140-073 | PAGE 2 OF 2 PAGES |
| | | 2. Agreement No. 76-3 | 3. <input checked="" type="checkbox"/> Original or Revised No. |
| | | 3. Project/Activity Title. Small Farmer Improvement | |

II. Engineering

The work plan for engineering assistance involves assisting and training GOH personnel in the design, contracting for, and construction of the operations centers. It also provides for assistance and training in the procurement of project materials and the improvement and maintenance of access roads. A basic work plan has been prepared and has been approved by The Secretary of State for Agriculture Natural Resources and Rural Development and by the USAID Director to Haiti.

IV Contributions and Responsibilities

A. The United States Government

1. The United States Government agrees to furnish \$211,000 to assist in
 - (a) creating a more effective agriculture credit program and, (b) assisting INPCADE with the establishment of training programs at the regional operation centers.
2. The United States Government agrees to furnish \$34,000 for the payment of local costs in support of paragraph 1 immediately above.

B. The Government of Haiti

1. The Government of Haiti will provide in kind contribution of \$65,000 in support of the United States Government financed credit advisory services that will be provided to the COA.
2. The Government of Haiti will provide in kind contribution of \$92,000 to support INPCADE in its expanding role of assisting small farmers.
3. In order to facilitate work on this project, the Government of Haiti also hereby agrees to provide customs exemptions for project commodities and for any items imported by non-Haitian project personnel for the personal use of themselves and their families.
4. The Government of Haiti will provide a minimum counterpart contribution of 25% for the life of this project. This amount will be determined on the basis of funds obligated by AID cumulatively under successive Project Agreements.

For the Cooperating Government or Agency

For the Agency for International Development

[Signature]

See Page 2 1/9/76

See Page 1. *[Signature]*

SIGNATURE: _____ DATE: _____

SIGNATURE: _____ DATE: 1-9-76

TITLE: _____

TITLE: _____

PRO AG

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND

Several Agencies

AN AGENCY OF THE GOVERNMENT OF The Republic of Haiti

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

| | |
|--|---|
| 1. PROJECT/ACTIVITY NO. 521-15-140-073 | PAGE 1 OF 2 PAGES |
| 2. AGREEMENT NO. 76-3 | D. <input type="checkbox"/> ORIGINAL OR <input type="checkbox"/> COPY NO. 1 |
| 3. PROJECT/ACTIVITY TITLE Small Farmer Improvement | |

PROJECT DESCRIPTION ANNEX A FOREIGN CURRENCY STANDARD PROVISIONS ANNEX

STANDARD PROVISIONS ANNEX SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATE _____

ECONOMIC COOPERATION AGREEMENT DATE _____

(Other) DATE _____

5. PROJECT INFORMATION AND EXPLANATION
(See Annex A attached)

| | |
|--|---|
| 6. AID APPROPRIATION SYMBOL 72-11X1023 | 7. AID ALLOTMENT SYMBOL 402-50-521-00-69-61 |
|--|---|

| | PRECEDENT YEAR (A) | INCREASE | | TOTAL TO DATE (D) |
|---|--------------------|----------|-------|-------------------|
| | | (B) | (C) | |
| (M) Total | 245,000 | | | 245,000 |
| (N) Contract Services | 206,000 | | | 206,000 |
| (O) Commodities | 5,000 | 1,000 | | 6,000 |
| (P) Other Costs | 34,000 | | 1,000 | 33,000 |
| D. COOPERATING AGENCY FINANCING DOLLAR EQUIVALENT | | | | |
| (Q) Total | 136,400 | | | 136,400 |
| (R) Technical and other Services | 136,400 | | | 136,400 |
| (S) Commodities | | | | 136,400 |
| (T) Other Costs | | | | |

10. SPECIAL PROVISIONS (See Attachment Schedule A Herewith)

The purpose of this amendment is to decrease Other Costs (Block D) by \$1,000 and to increase commodities (Block C) by \$1,000.

All other terms and conditions remain the same.

| | | |
|---|--|---|
| 11. DATE OF ORIGINAL AGREEMENT 1-9-76 | 12. DATE OF THIS PROVISION June 25, 1976 | 13. ESTIMATED FINAL CONTRIBUTION DATE Dec. 31, 1977 |
|---|--|---|

14. FOR THE COOPERATING GOVERNMENT OR AGENCY
 Original Project Agreement has authorized signatures
 SIGNATURE: _____ DATE: _____

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT
 SIGNATURE: *Scott B. Behoteguy* DATE: **6-25-76**
 TITLE: **USAID Director**

Clearances

 LRR/USAMBBB
 USAID/ADG

 Johnson
 AID/CONT

FABer truck
 PRM/CAP

JDWilson
 USAID/PRM

TO : See Distribution
FROM : USAID/Haiti
SUBJECT: Documentation Distribution

Attached for your information or action as appropriate, are copies of recently executed documents. A summary of each document is noted hereunder.

Summary Description:

Pro Ag 76-3, Revision No. 1 - Small Farmer Improvement
This revision decreases Other Costs by \$1,000 and increases block B by \$1,000 - Other terms and conditions remain the same.

PIO/C No. 521-073-6-60016, Amendment No. 1 - Small Farmer Improvement
This amendment increases the total cost of commodities from \$5,000 to \$6,000 and references Pro Ag 76-3, Revision No. 1 above. Other terms and conditions remain the same.

PIO/C No. 521-073-9-60034 - Small Farmer Development Loan
This document provides \$9,100 for procurement of polyethylene bags by the GOH.

PIO/C No. 521-075-6-60037 - Nutrition Improvement
This document provides \$8,000 for the procurement of a Jeep Wagoneer. GOH is requesting proprietary procurement based on interchangeability and standardization.

Distribution:

| | | | |
|---------------------------------|-------|-----------|-------|
| LA Operations AID/W | _____ | C/FRD/VEB | _____ |
| Desk Officer ARA/LA/CAR Rm 3248 | _____ | AG/AUD | _____ |
| PPC/PTIS/ARC | _____ | C/BUD/FPB | _____ |
| <u>C/ACC/VAE</u> | _____ | | _____ |

PROAG

PROJECT AGREEMENT

BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND SEVERAL AGENCIES

OF THE GOVERNMENT OF The Republic of Haiti

GOH
E. B...
R. Cont...
ADO
E. Car...
ENCR
T. Nagy
CONT
A. De R...
M.D.
CAP
A. Mc Donal...
J.W. Wilson

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

- Project Description Annex A
- Foreign Currency Standard Provisions Annex
- Standard Provisions Annex
- Special Loan Provisions Annex

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- General Agreement for Technical Cooperation
- Economic Cooperation Agreement
- (other)

1. Project/Activity No. 521-15-140-073

PAGE 1 OF 1 PAGES

2. Agreement No. 17-3

3. Original or Revision No. 1

4. Project/Activity Title
Small Farmer Development
521-15-140-073

5. Project Description and Explanation
(See Annex A attached)

6. AID Appropriation Symbol 72-11x1023

7. AID Allotment Symbol 402-50-521-00-69-71

| 8. AID FINANCING | | Previous Total (A) | Increase (B) | Decrease (C) | Total to Date (D) |
|---|---|--------------------|--------------|--------------|-------------------|
| <input checked="" type="checkbox"/> Dollars | <input type="checkbox"/> Local Currency | | | | |
| (a) Total | | 120,000 | 172,000 | | 292,000 |
| (b) Contract Services | | 100,000 | 172,000 | | 272,000 |
| (c) Commodities | | | | | |
| (d) Other Costs | | 20,000 | | | 20,000 |
| 9. COOPERATING AGENCY FINANCING Dollar Equivalent | | | | | |
| \$1.00 = | | | | | |
| (a) Total | | 10,000 | 43,000 | | 53,000 |
| (b) Technical and Other Services | | 10,000 | 43,000 | | 53,000 |
| (c) Commodities | | | | | |
| (d) Other Costs | | | | | |

10. Special Provisions (Use Additional Continuation Sheets, if Necessary)
Amend Section IV of Pro Ag as follows: Sec. IV.A.1- Change amount to \$164,000.
Add new paragraph as follows:

4. The United States Government agrees to furnish \$108,000 for payment of technical assistance being provided under contract to BCA.

| | | |
|--|--|---|
| 11. Date of Original Agreement February 14, 1977 | 12. Date of This Revision August 1977 | 13. Estimated Final Contribution Date October 1978 |
| 14. For the Governing Government or Agency Ag. Edouard Barrouet, Sec. of State, DARND | | 15. For the Agency for International Development Parke D. Massey |
| SIGNATURE: Emmanuel Barrouet DATE: 8/23/77 TITLE: Secretary of State for Finance | | SIGNATURE: Parke D. Massey DATE: 8/23/77 TITLE: AIDg. Mission Director |

PDAAA-992-D1

| | | | |
|----------------------|--|---|---|
| AID 1350-1 (7-71) | DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT | 1. Cooperating Country, Haiti | Page 1 of 4 Pages |
| | | 2. PIO/T No. 521-073-3-70043 | 3. <input checked="" type="checkbox"/> Original or Amendment No. _____ |
| PIO/T | PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES | 4. Project/Activity No. and Title 521-15-140-073 Small Farmer Development | |

| | | | |
|--------------|---|--|--|
| DISTRIBUTION | 5. Appropriation Symbol 72-11X1023 | 6.A. Allotment Symbol and Charge 402-52-521-00-69-71 | 6.B. Funds Allotted to: <input type="checkbox"/> A.I.D./W <input checked="" type="checkbox"/> Mission |
| | 7. Obligation Status <input type="checkbox"/> Administrative Reservation <input checked="" type="checkbox"/> Implementing Document | 8. Funding Period (Mo., Day, Yr.) From 10/15/77 to 10/14/78 | |
| | 9.A. Services to Start (Mo., Day, Yr.) Between Continuing and _____ | 9.B. Completion date of Services (Mo., Day, Yr.) 10/14/78 | |
| | 11.A. Type of Action <input checked="" type="checkbox"/> A.I.D. Contract <input type="checkbox"/> Cooperating Country Contract <input type="checkbox"/> Participating Agency Services Agreement <input type="checkbox"/> Other | | |
| | 10.B. Authorized Agent CM/ROD/LA/AID/W | | |

| Estimated Financing | | (1) | (2) | (3) | (4) |
|---------------------------------------|------------------------------|----------------|----------|----------|---------------|
| | | Previous Total | Increase | Decrease | Total to Date |
| 11. | | | | | |
| Maximum A.I.D. Financing | A. Dollars | | 107,445 | | \$ 107,445 |
| | B. U.S.-Owned Local Currency | | | | |
| 12. Cooperating Country Contributions | A. Counterpart | | | | |
| | B. Other | | 27,000 | | \$ 27,000 |

13. Mission References
 Prop Small Farmer Dev. Amend No. 2 7/25/76
 PRO-AG-77-3 Amend. No. 1 8/1/77
 PIO/T 521-073-3 IQ-005

14. Instructions to Authorized Agent: This PIO/T provides the authorization to continue funding the contract AID/LA-C-1062 entered into between AID and CUNA, for providing technical services to BCA for an additional 12 month period, i.e. from 10/15/77 to 10/14/78, at its present level (three technicians). The original contract signed on 10/14/74, provided \$138,916. To date, a cumulative total of \$470,000 have been obligated under PIO/T's 40007, 50010, 60017 and IQ-005. It is estimated that there will be approximately \$35,000 unused funds at the end of the present contract year (Oct. 14, 1977). This amount, together with the \$107,445 being provided by this PIO/T will cover contract costs, at present level of expenditure, for an additional 8 months or to 5/14/78. Additional funding to cover the 12 month period will be provided under a separate PIO/T around mid October, upon receipt of FY 78 funds.

15. Clearance - Show Office Symbol, Signature and Date for all Necessary Clearances.

| | |
|---|---|
| A. The applicant is in the agency work area technically adequate Luis A. Morales, Project Officer | B. Funds for the services requested are available Albert D. Hullung, REG/CONT |
| C. The scope of work lies within the approved Agency Programs William E. Garvey, ADO | D. Ann McDonald, AID/CAP |
| E. John T. Craig, AID/PRM | F. |

16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to
 Signature and date: **Edouard Berrouet**
 Title: **Secretary of State for DARNDR**

17. For the Agency for International Development
 Signature: **Parke D. Massey**
 Title: **Acting DIR of the Mission**

18. Date of Signature
8/23/77

| | | | |
|----------------------|--|---|---|
| AID 1350-1 (7-73) | DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT | 1. Cooperating Country Haiti | Page 1 of 1 Pages |
| PIO/T | PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES | 2. PIO/T No. 521-073-3-70043 | 3. <input checked="" type="checkbox"/> Original or Amendment No. _____ |
| | | 4. Project/Activity No. and Title 521-15-140-073 Small Farmer Development | |

| | | | |
|--------------|---|---|--|
| DISTRIBUTION | 5. Appropriation Symbol 72-11X1023 | 6.A. Allotment Symbol and Charge 402-521-00-69-71 | 6.B. Funds Allotted for <input type="checkbox"/> A.I.D./W <input checked="" type="checkbox"/> Mission |
| | 7. Obligation Status <input type="checkbox"/> Administrative Reservation <input checked="" type="checkbox"/> Implementing Document | | 8. Funding Period (Mo., Day, Yr.) From 10/15/77 to 10/14/78 |
| | 9.A. Services to Start (Mo., Day, Yr.) Between Continuing and _____ | | 9.B. Completion date of Services (Mo., Day, Yr.) 10/14/78 |

| | | | | | |
|--|------------------------------|----------------|----------|----------|---------------|
| 11.A. Type of Action <input checked="" type="checkbox"/> A.I.D. Contract <input type="checkbox"/> Cooperating Country Contract <input type="checkbox"/> Participating Agency Service Agreement <input type="checkbox"/> Other | | | | | |
| 10.B. Authorized Agent CM/ROD/LA/AID/W | | | | | |
| Estimated Financing | | (1) | (2) | (3) | (4) |
| | | Previous Total | Increase | Decrease | Total to Date |
| 11. Maximum A.I.D. Financing | A. Dollars | | 107,445 | | \$ 107,445 |
| | B. U.S.-Owned Local Currency | | | | |
| 12. Cooperating Country Contributions | A. Counterpart | | | | |
| | B. Other | | 27,000 | | \$ 27,000 |

13. Mission Reference
Prop. Small Farmer Dev. Amend No. 2 7/26/76
PRO-AG 77-3 Amend No. 1 8/1/77
PIO/T 521-073-3-10-005

14. Instructions to Authorized Agent: This PIO/T provides the authorization to continue funding the contract AID/1a-C-1062 entered into between AID and CUNA, for providing technical services to BCA for an additional 12 month period, i.e. from 10/15/77 to 10/14/78, at its present level (three technicians). The original contract signed on 10/14/74, provided \$138,916. To date, a cumulative total of \$470,000 have been obligated under PIO/T's 40007, 50010, 60017 and 10-005. It is estimated that there will be approximately \$35,000 unused funds at the end of the present contract year (Oct. 14, 1977). This amount, together with the \$107,445 being provided by this PIO/T will cover contract costs, at present level of expenditure, for an additional 8 months or to 5/14/78. Additional funding to cover the 12 month period will be provided under a separate PIO/T around mid October, upon receipt of FY 78 funds.

| | |
|--|--|
| 15. Clearances - Show Office Symbol, Signature and Date for all Necessary Clearances. | |
| A. The executing agency in the cooperating country is technically adequate Luis A. Morales, Project Officer | B. Funds for the services requested are available Albert D. Hulliang, REG/CONT <i>HS</i> |
| C. The scope of work lies within the purview of the initiative and approved Agency Program William E. Garvey, ADO <i>WEG</i> | D. Ann McDonald, AID/CAP <i>AM</i> |
| E. John T. Craig, AID/PRM <i>JTC</i> | F. |

| | | |
|---|--|---|
| 16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to Signature and date: Edouard Berrouet Title: Secretary of State for DARNDR | 17. For the Agency for International Development Signature: Parke D. Massey Title: Acting DIR of the Mission | 18. Date of Signature 8/23/77 |
|---|--|---|

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PIO/T

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

1. Cooperating Country
Haiti

2. PIO/T No. **521-073-3-70010**

4. Project/Activity No. and Title
521-15-140-073
Small Farmer Development

Page 1 of 1 Pages

3. Original or
Amendment No. **2**

DISTRIBUTION

5. Appropriation Symbol
72-11X1023

6.A. Allotment Symbol and Charge
402-50-521-00-69-71

6.B. Funds Allotted to:
 A.I.D./N Mission

7. Obligation Status
 Administrative Reservation Implementing Document

8. Funding Period (Mo., Day, Yr.)
From **7/15/77** to **7/11/78**

9.A. Services to Start (Mo., Day, Yr.)
Between **7/15/77** and

9.B. Completion Date of Services
(Mo., Day, Yr.) **7/11/78**

10.A. Type of Action
 A.I.D. Contract Cooperating
Country Contract Participating Agency
Service Agreement Other

10.B. Authorized Agent

| Estimated Financing | | (1) | (2) | (3) | (4) |
|---------------------------------------|------------------------------|----------------|----------|----------|---------------|
| | | Previous Total | Increase | Decrease | Total to Date |
| 11. Maximum A.I.D. Financing | A. Dollars | 100,000 | 64,555 | | 164,555 |
| | B. U.S.-Owned Local Currency | | | | |
| 12. Cooperating Country Contributions | A. Commodity | | | | |
| | B. Other | 10,000 | | | 10,000 |

13. Mission Subelement

14. Instructions to Authorized Agent
This amendment provides the additional funding required to execute a contract with the engineering firm of Hoskins, Western-Sonderegger, as per State Cable 061239 July 17.

Pro-Ag 71-3
Amendment
No. 1

15. Clearances - Show Office Symbol, Signature and Date for all Necessary Clearances.

A. The specifications in the scope of work are technically adequate
Tibor Nagy, AID/ENG *Tibor Nagy*

B. Funds for the services requested are available
Albert D. Hulliang, REG/CONT *ADH*

C. The scope of work lies within the purview of the initiating and approved Agency Programs
William E. Garvey, AID/AEO *WEG*

D.
Ann McDonald, AID/CAP *AM*

E.
John T. Craig, AID/PRM *JTC*

16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to
Edouard Berruyer
Signature and date: **Edouard Berruyer**
Title: **Secretary of State for DARNOR**

17. For the Agency for International Development
Parke D. Massey
Signature: **Parke D. Massey**
Title: **Acting Director of Mission**

18. Date of Signature
8/23/77

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT1. Cooperating Country
Haiti

Page 1 of 1 Pages

PIO/T

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

2. PIO/T No. 521-073-3-70010

3. Original or
Amendment No. 2

4. Project/Activity No. and Title

521-15-140-073
Small Farmer Development

DISTRIBUTION

5. Appropriation Symbol

72-113023

6.A. Allotment Symbol and Charge

402-50-521-00-69-71

6.B. Funds Allotted to

 A.I.D./W Miscellaneous

7. Obligation Status

 Administrative Reservation Implementing Document

8. Funding Period (Mo., Day, Yr.)

From 7/15/77 To 7/31/78

9.A. Services to Start (Mo., Day, Yr.)

Between 7/15/77

and

9.B. Completion date of Services
(Mo., Day, Yr.)

7/31/78

10.A. Type of Action

 A.I.D. Contract Cooperating Country Contract Participating Agency Service Agreement Other

10.B. Authorized Agent

| Estimated Financing | | (1) | (2) | (3) | (4) |
|--|---------------------------------|----------------|----------|----------|---------------|
| \$1,000- | | Previous Total | Increase | Decrease | Total to Date |
| 11. Maximum A.I.D. Financing | A. Dollars | 100,000 | 64,555 | | 164,555 |
| | B. U.S.-Owned Local Currency | | | | |
| 12. Cooperating Country Contributions | A. Counterpart | | | | |
| | B. Other | 10,000 | | | 10,000 |

13. Mission
ReferencePro-Ag 77-3
Amendment
No. 1

14. Instructions to Authorized Agent

This amendment provides the additional funding required to execute a contract with the engineering firm of Hoskins, Western-Sonderegger, as per State Cable 061239 July 77.

15. Clearances - Show Office Symbol, Signature and Date for all Necessary Clearances.

A. The specifications in the scope of work are technically adequate

Edouard Bergeret, AID/ENG

B. Funds for the services requested are available

Albert D. Halliung, REG/CONT

C. The scope of work lies within the purview of the initiating and approved Agency Program

William E. Garvey, AID/ADO

D.

Ann McDonald, AID/CAP

E.

John T. Craig, AID/PRM

F.

16. For the cooperating country: The terms and conditions set forth herein are hereby agreed to.

Signature and date: Edouard Bergeret

Title: Secretary of State for DARNDP

17. For the Agency for International Development

Signature: Parke D. Massey

Title: Acting Director of Mission

18. Date of Signature

8/23/77

5210073 - ⑨

5210073

PDAAA-992-EI 2024

21 ~~Clary~~
Clary

MEMORANDUM

TO: AA/LA, Herman Kleine

FROM: LA/DR, John R. Breen

SUBJECT: Haiti Small Farmer Development: IRR Issues Paper

FEB 14 1974

Project Summary

The project is intended to increase the cash income of small coffee growers by providing an integrated program which includes the following: a) the strengthening of the institution responsible for the coffee sub-sector with technical assistance and establishment of five regional centers; b) the development and delivery of the necessary technological, financial and agricultural input package to increase small farmer production and yields, through applied research, introduction of improved rust-resistant coffee varieties, and agricultural credit; and c) provide a financial mechanism, a stabilization fund, to assure the farmer of a fair price for his product.

Issues

1. Given that Haiti is the only least developed country in the Western Hemisphere, the minimum percentage (25%) of host government project financing should be allowed.
2. In view of the fact that crop diversification was not determined appropriate for inclusion in this coffee sub-sector project, consideration should be given to support initial food production programs under the Agricultural Development Support Project, as proposed in the PROP submission of November 1973. Such an approach is responsive to the identified problem of general malnutrition, as well as possible inflationary effects of increased domestic revenue generated by coffee-related activities at the local level, with no commensurate increase in supply of foodstuffs.
3. In view of worldwide shortages of fertilizer and its importance to this project, there must be reasonable assurances that Haiti can be supplied with project needs for fertilizer of the quantity, type and at the time prescribed. Can this be demonstrated during intensive review?
4. The Stabilization Fund will prove its worth in its first two years of operation or not at all. Can we structure the loan so that after

two years a joint AID/GOH review of all loan activities can determine which of the two major financial activities (credit or stabilization) has been most effective, and allow reallocation of resources accordingly?

5. The analysis relating to the feasibility of this project indicates that the producers are presently receiving 55% of each coffee dollar and further indicates that recent increases in production are apparently a favorable reaction to rising world market prices. Given these indications, is this the time to require a new study of the GOH taxing policies as they relate to discouraging coffee production?
6. Is it appropriate to fund some, if not all, of the \$500,000 technical assistance component with grant rather than loan financing?
7. Is it appropriate to proceed with intensive review of this coffee production-oriented project before the completion and review of the agriculture sector assessment?
8. Would it be feasible to provide supplementary/alternative agricultural approaches to improve the well-being of small farmers, e.g. to include assistance for food crops as part of this package?

Plus
LA/DR:RSeifman:cg:2-14-74

DISTRIBUTION:
LA/DR:JBreen
 BSidman
 FSchieck
LA/OPNS:Cuyehara
GC/LA:ILevy
LA/DP:IHarrison
LA/MRSD:DLion
LA/CAR:GGower
PPC/DPR:NCohen

FD-302-992-F1

5210073-10

INFORMATION MEMORANDUM FOR THE U. S. COORDINATOR

2029

FROM: LA/DR, John R. Breen

24

SUBJECT: Issues Paper: Haiti CAP - Small Farmer Improvement Loan

The DAEC will review subject CAP on Friday, May 17th at 2:30 PM in Room 2248. The CAP proposes a loan of \$6.0 million to the Government of Haiti, with the Ministry of Agriculture (DARNDR) the principle executing agency through two sub-departments; the Haitian Coffee Promotion Institute (IHPCADE) and the Agriculture Credit Bureau (BCA). The loan will assist the GOH in implementing a five-year small farmer coffee production program which aims at increasing small farmer income through increased production and also increasing the Balance of Payments position of Haiti through increased exports of high quality coffee.

Specifically, the resources provided will assist the GOH in establishing a delivery system whereby improved technology, fertilizer, credit, and training may be channeled to the small farmer. AID resources will provide for construction and equipping of six (6) regional operations centers and the provision of up to \$5 million in fertilizer. The GOH will provide, as a net addition to resources presently earmarked for coffee promotion and agricultural credit, up to \$2 million to pay for local cash credit contributions, farmer training, expanded coffee and credit operations, and rural road improvement in coffee areas.

The following issues are suggested for review by the DAEC:

1. Five-year Program: The CAP proposes a five-year program on the assumption that this is the minimum time needed for an investment program in coffee, and the required institutional strengthening, to have the intended effect. The CAP argues that the institutional and technical factors, regardless of the amount of funds involved, cannot be divided into shorter and separate periods. Is this time frame reasonable for AID?

2. Eligibility: The CAP proposes limiting access to the program to small farmers to the degree that no more than 15% of the loans made each year should be made to farmers with more than six (6) he. of coffee. Haiti's land holdings are already extremely fragmented. It will be difficult and costly to attempt to strictly enforce this requirement. Does sufficient concern exist that a disproportionate share of the program will go to "larger" (in the Haitian context) farmers to warrant such a restriction? What is the cost of such a policy?

3. Coffee Price Stabilization Fund: Such a fund is not included in the program, but rather a study of such a fund is included within the first year of the program. What assurances then are there that the price paid to producers will be a fair return for his product, in relation to the world price? What means are provided to review tax policy on coffee during the program to assure that producer's share does not decline disproportionately if world prices decline?

4. Institutional Capacity: The program envisions a major expansion of present IHPCADE and BCA operations, involving management of an expanding fertilizer distribution program, expanded cash credit operations, extension, nursery management, etc. Can IHPCASE and BCA gear up in advance. What institutional reorganization or coordination is contemplated to assure effective implementation of the program? What TA requirements exist to assure that they will be adequately prepared? Is the timing and scope of the TA proposed in the accompanying PROP sufficient to the task? (Copy attached)

5. Beneficiaries: The program will benefit directly 12,778 he. of coffee and approximately 13,000 farmers. What are the anticipated benefits to coffee growers not directly served by the program?

6. Fertilizer: The program involves a large element of fertilizer. Will fertilizer be available on the world market in the amounts required? What safeguards will exist in the program to guard against diversion to other crops or other misuse?

7. World Coffee Prices: If coffee prices were to drop, will farmers remain in the program? At the same level? Would funding requirements or magnitude of the project change?

PD-AAA-99 2- A1
 INTENSIVE REVIEW REQUEST (IRR)

- SMALL FARMER DEVELOPMENT

29p 2029

I. BORROWER

The Borrower will be the Government of the Republic of Haiti (GOH) acting through the Department of Agriculture, Natural Resources and Rural Development (DARNDR) and the Department of Finance (FinDept). Responsibility for project execution will be assigned to a specialized agency of DARNDR, the Institut Haitien de Promotion du Cafe et des Denrees d'Exportation (IHPCADE).

II. AMOUNT & TERMS

A loan of approximately \$4.3 million is requested to assist in the execution of a five-year small farmer coffee production program. A \$.5 million complementary technical assistance and training package will be developed in conjunction with the loan project, but will be submitted for grant financing. If grant funding is not available the amount of the loan request will be increased accordingly.

III. RATIONALE

A. Statement of the Goal

The proposed project is primarily intended to ~~increase the cash income of~~ small coffee growers (under 10 hectares) and thereby potentially improve their standard of living. To accomplish this task the proposal presents an integrated program which includes (a) the strengthening of the institution responsible for the coffee sub-sector; (b) the development and the delivery of the necessary technological, financial and input package to generate increased small farmer production and yields; (c) and the provision of a financial mechanism to assist the farmer in the marketing of his product at a fair price.

Subsidiary goals are to bring about ~~increases in go-~~vernment revenues and to improve the balance of payments, both of which will result from augmenting the quantity and the quality of coffee produced in Haiti.

B. Relationship to Haitian Sector Goals

The National Planning Agency (CONADEP) proposes in their current development plan (1972-1976) the following priorities for investment: transportation and communication 28%, agriculture 27%, electric energy 13%, public health 6% with lesser percentages for industry, tourism, education and scientific research.

As a part of the development effort GOH has prepared a detailed five-year plan designed to increase the quantity and the quality of coffee produced in the Republic. Lack of investment funds thus far has prevented the project from being implemented.

The (draft) pre-investment survey of the Haitian Rural Sector completed in December 1973 for the IDB, identifies the GOH coffee project as particularly promising. The IDB analysis indicates that project planning is in an advanced stage, sufficient manpower is available to launch the program, the cost-to-benefit ratio is favorable, and the results are likely to bring important gains in rural social development.

Although a complementary USAID agricultural sector assessment is still in its final stages, sufficient data has been developed to clearly show the benefits that will accrue to small farmers, state revenues, and the GOH balance of payments situation, if coffee production can be raised to a level equal to the Haitian world market quota in existence at the time of the suspension of quotas by the ICO a little over one year ago.

The development overview presented in the DAP for Haiti shows the trend of increasing private investment in urban centers during the three past years while the rural sector continues to suffer from an almost total absence of investment funds. Coffee production is practiced on 16% (140,000 ha.) of the total arable land area by approximately 384,000 rural farm families. The DAP concludes that a national program for increasing coffee production could contribute substantially to the improvement of rural welfare by making good use of the comparative advantage that Haiti enjoys for the production of its principal export crop. The purpose of this project is to:

1,210 (1000)

(a) Increase the production of coffee by 170,000 sacks (60 kgs) a year, over a period of five years, by systematically replacing old coffee stands with new plantings;

(b) Improve the quality of the coffee produced through encouraging a system of rural cooperatives and the provision of agricultural credit for the purchase of improved seedlings, fertilizers and tools, and improvement of the facilities for drying, dispulping, and decorticating coffee, etc.

(c) Carry on a continuous program of adaptive research, making use of regional research linkages to improve production through selection and identification of rust-resistant varieties;

(d) Bring to the rural population the concept of improved management of coffee farms.

The project, if successful, will produce the following conditions:

(1) The establishment of five regional IHPCADE offices, each a logical extension of the headquarters in Port-au-Prince;

ha each

(2) 20,000 hectares of new and rehabilitated coffee plantings throughout the country which will assist approximately 10,000 farmers directly and over time the entire Haitian coffee industry.

(3) An increase in the average yield of coffee per hectare from the present 250 kgs./ha. to 750 kgs./ha. on the new and rehabilitated plantings;

5,000 (1000)
+ 4,000
1,000

(4) Increases in revenues as follows: (in millions of \$'s)

| <u>Item</u> | <u>1973</u> | <u>Forecast 1978</u> |
|----------------------|-------------|----------------------|
| FX earnings for BOP | 23.9 | 36.2 |
| Revenue to Producers | 11.7 | 17.7 |
| Revenue to Exporters | 6.5 | 9.8 |
| Revenue to the State | 5.8 | 8.8 |

(5) The establishment of a program of adaptive research particularly in the fields of improvement of varieties and disease control, for coffee, the principal export crop of the Republic. This will be the first national effort of widespread introduction of varieties resistant to coffee rust.

C. Identification of Problems and Constraints

A special study was made by an AID-sponsored five-man technical assistance team in January 1974 which reviewed the general status of the coffee sub-sector and assisted USAID in designing a coffee production project addressed to improve the income and standard of living of small farmers in the coffee production areas and redistributing income throughout the public and private sectors. Five constraints were identified:

- (a) Poor cultural practices including the severe soil fertility problems;
- (b) Lack of farmer credit to finance the cost of improved coffee practices;
- (c) Low farmer share of the benefits derived from coffee production and marketing;
- (d) Limited institutional infrastructure to assist farmers; and
- (e) Difficult and costly transportation for inputs and products.

Elements were included in the project design which attempted to resolve these critical constraints. They included the following:

- (a) Support to a national program on a modest basis to improve coffee production through the introduction and the use of ~~better~~ technology;
- (b) Establishment of a system of credit for groups of small farmers to pay for costs of production employing new technology;
- (c) Assistance in improvement of the marketing system to assure incentive coffee prices to farmers;
- (d) Strengthening of the institutional capabilities of the GOH to achieve its coffee production goals through loan and grant programs;
- (e) Reliance upon other donor and AID assistance programs for improvements in the transportation system.

D. Basic Assumptions

The following assumptions are essential to the attainment of the project objectives.

1. IHPCADE's existing and new field agents possess or will acquire the knowledge and ability to apply the level of technology necessary to change the peasant population's current archaic attitude regarding coffee culture.
2. The GOH will maintain its ~~new~~ policies on the taxation of exported coffee. In accordance with these policies, coffee of high quality is taxed at the lowest rate whereas coffee of lesser quality is taxed at the highest level. The apparent purpose of this policy is to encourage export of high-grade coffee and internal consumption of lower grade coffee. ~~If~~ during the life of the project analysis shows that ~~taxation levels are acting as a disincentive~~ to the attainment of the project's objectives, USAID will urge the GOH to modify the tax structure accordingly.
3. IHPCADE has or will acquire the managerial capacity and GOH budgetary support necessary to implement the project as planned.
4. A GOH entity responsible for disbursement, collection and control of agricultural credit, both cash and in-kind, will be ~~established or be in place~~ to effectively complement the technical assistance efforts expected to be provided. This entity should either be integrated into IHPCADE or serve in a parallel functional role with IHPCADE to provide supervised credit to groups of small farmers.
5. The International Coffee Organization, upon resumption of the coffee quota system, will be amenable to grant to the GOH an export quota of at least 490,000 sacks of coffee per year, which was Haiti's (unattained) quota under the prior agreement.
6. IHPCADE, through continuation of existing laws and by means of GOH and AID loan source funds will exercise its powers to stabilize coffee prices to assure incentive prices to the small farmer.

E. Target Beneficiary

The intended beneficiary of the project is the small farmer who grows coffee on steep mountainous slopes at 1,000 to 4,000 feet in altitude. ~~More than~~ 90% of all farms in Haiti are less than six hectares in size with the average land holding less than 2 hectares. Almost all coffee holdings are of small size with the ten or so very large holdings being only 20-30 hectares.

The target farmer for this project, therefore, is the truly small farmer whose total family income probably does not exceed 100 to 200 dollars per year

While he traditionally owns his own land and is constantly seeking more land as future security for his children, he is living at a very low level of well being. His food is largely derived from the traditional crops that he may be able to grow in conjunction with coffee production, e. g. bananas, yams, fruits or a few stalks of sugar cane or other crops near his simple house.

Some of his food needs, such as corn, sweet potatoes, etc., must be purchased in local markets. His minimal nutritional requirements are not being met, nor is his general standard of living conducive to attitudes of security or dignity. The target farmer is considered receptive to assistance in a form that will allow him to improve his coffee production and thus his income, resulting in a better standard of living.

It will be noted that the immediate goal of this proposal is the establishment of high technology production on 20,000 hectares within an overall coffee sector totalling some 140,000 ha. This does not mean that the effort expended will not reach out to the larger percentage of rural producers. The introduction of disease-resistant and high-yielding varieties will be available to all who practice coffee cultivation. The intervention of IHPCADE in the area of price stabilization and marketing will increase the returns to all coffee producers, not only the immediate target group. The initial establishment of cooperatives and the channeling of credit through community groups represent the first steps by which all producers in the country may eventually be blanketed into a system designed to bring the producer maximum profit. It should be noted that at the present time Haiti exports 330,000 sacks of coffee per year and that an estimated 100,000 sacks enters domestic markets for internal consumption. All of these producers, as well as the initial holders of the 20,000 hectares cited as the program objective, will benefit from this project.

Technical judgements have been made by competent crop specialists that there is little or no possibility of crop diversification with the target farmer in the coffee areas. The principal reasons are that there are only a limited number of marketed crops which can be grown together with coffee and for those that can, such as bananas or plantain, transportation and marketing constraints must first be resolved. Farmers are not interested in other crops if coffee can be grown. There is little probability that coffee growers would reduce the size of their coffee plantings to diversify out of coffee into other crops even if their yields were significantly increased because of the high value of coffee, in relation to any alternative crops.

F. Anticipated Benefits

Income generated from coffee exports amounted to \$23.9 million in 1972-73. This does not take into consideration the value of domestic consumption which likely has a value of \$10.0 million. Of the amount exported, it is estimated that producers received in the neighborhood of \$11.6 million or a market share of slightly over 55%. It is likely that domestic consumption will continue to increase during the next few years. Assuming a continued market share of 55% for that portion of the crop exported and project goal achievement of 170,000 60-kg. sacks an additional \$11.0 million in sales could be expected at 1972-73 prices. This would increase total farm income from coffee exports by 50%.

IV. DESCRIPTION OF THE PROJECT

The project consists of a carefully conceived plan to increase coffee production through the application of a production package on 20,000 hectares in the five major coffee-producing Departments of the country. The project includes elements of technical assistance, training, (supervised) credit, marketing and the delivery of the supplies and materials required by farmers to the areas where they are needed.

The IHPCADE will be the agency responsible for carrying out the work as well as bearing the responsibility for coordinating the activities of other participants

A. Technical Assistance

IHPCADE has twenty technicians with university level training and 152 technicians who are graduates of technical high schools on the staff in the field. Both of these groups will receive training by means of intensive short courses to be conducted in Haiti. It is contemplated that a course of ~~6 to 8 weeks~~ duration be conducted for at least half of the college level staff, who will be later assigned as directors of the regional centers or who will function in other roles of key leadership in the project. This training will be followed by another course of two to three months for members of the lower level staff. The first group will participate in both courses.

IICA-CATIE, Turrialba, Costa Rica is one institution capable of conducting this training.

Similar courses will be conducted successively throughout the first two years of the project in order to reach most, if not all, of the technical personnel. At the end of two years, Haitian personnel will be expected to assume the responsibility for any future training programs.

Selected technicians may be sent abroad for training in special areas of competence. This could include training in various technical specialties, such as soil fertility. Another example of this type of training could include graduate training in critical disciplines in which Haiti is totally lacking, such as plant pathology or entomology. It is recommended that one technician be sent to the Rural University of Vicosa in Brazil for training in plant pathology. Special emphasis on diseases of coffee and in particular coffee leaf rust can be obtained at this institution at the master degree candidate level.

In addition, it is anticipated that an Agricultural Credit Specialist will be assigned to the project during the first three years of the project-life (see CREDIT section which follows), and a full-time, direct-hire USAID project manager whose function will be to assist IHPCADE obtain external assistance on a timely basis, to act on behalf of the lender as regards contracting for services and supplies, and who shall assist IHPCADE management meet the timetables and the output goals for the project.

B. Establishment of Regional Centers

A regional coffee center will be established in each of the five coffee-producing Departments (Provinces). The centers will serve as headquarters for the development program, as locations for the multiplication of new varieties and for the application of research findings and demonstrations. The centers will also be a central supply point for the marshalling of inputs, or for the marketing of coffee. Technical personnel will work out from the centers, and the agricultural credit organization will centralize its operations at the center.

C. Field Tests and Demonstrations

Tests and demonstrations of new varieties, pruning techniques, planting densities, shade reduction and the use of fertilizers will be established on the properties of key farmers in the sub-areas served by the center. Special problems such as the appearance of disease or pests, terracing to impede erosion, etc., will also be field tested both at the Center and on farms in the area.

D. Soil Fertility Studies

In order that effective and economical recommendations for the application of chemical fertilizer may be made to the farmers, it will be necessary to conduct application and yield trials on major soil types. Such trials must include soil and foliar analysis. The TAB/North Carolina State Soil Test Contract will be called upon to perform this service.

E. Disease and Insect Control

The occurrence of disease and insects will be monitored by field agents with a view towards anticipating problems before they become epiphytotic. Varieties of coffee that are resistant to the leaf rust have already been introduced to Haiti and are being multiplied. Additional disease-resistant material will be introduced as it becomes available. The TAB Pest Management Project may be useful for this purpose.

F. Credit

Individual farmers, as well as groups of farmers, will require both short (production) and middle term (up to three years) credit to carry out the work of rehabilitating coffee orchards, establishing new plantings, or improving processing facilities. A credit division is to be established within IHPCADE. Though no firm plan has yet been made concerning the organization of this section, preliminary discussion with the Minister of Agriculture indicates that the present institution, BCA (Bureau of Agricultural Credit) within the Ministry will be either reorganized within IHPCADE to perform this service, or will be charged with the responsibility for the credit program, working parallel to the IHPCADE organization. It is agreed by all parties that the credit program should include the development of rural cooperatives as quickly as possible, and that all credit activities be funneled through local community action groups.

(L)

G. Marketing

Given the history of depressed coffee prices at the farm level and the need to develop greater price stability as an incentive factor, a price stabilization mechanism is included as an important component of the project. The importance of reasonable production costs, and similar reasonable prices received by farmers for their coffee, have been cited as necessary conditions for the success of the program. Farmers cannot maximize returns from their coffee crops if they are forced to sell at harvest time to liquidate previously incurred obligations to provide immediate consumption capital.

One means by which farmers can attain their appropriate share of the FOB price for coffee is to develop a marketing mechanism which will provide for a floor price and reduce extreme seasonal price fluctuations. A floor price serves as a tool to reduce price fluctuations between years and the reduction of seasonal fluctuations in price reduces commodity speculation within a given season.

In 1972-73 coffee export prices remained about the same from October through February. Prices then moved up sharply (6%) in February and continued their upward movement to a high of 17% in September. During the same period farm prices increased from an average of 22¢ a pound to 31-plus cents, or an increase of 42%. While some of the price increase is a function of the cost of storage and seasonal supply, the fact that farmers are often forced to liquidate their supplies at spot prices does little to encourage greater effort and investment to increase coffee production.

The marketing mechanism suggested is the establishment of a price stabilization fund which would be designed to provide both a floor price for farmers relative to world market prices and to reduce unreasonable price fluctuations. It is the goal of the GOH to rely upon the private sector to continue carrying out the marketing function for coffee. The price stabilization mechanism, therefore, should be designed to have an immediate impact at the farm level.

The stabilization fund could operate in a number of ways. First, marketable supplies could be held on farms following harvest as farmers were advanced 80% or so of the market value of their commodity. This would reduce the government's requirement to construct extensive storage facilities, but would still provide the producer with marketing alternatives. Secondly, the government could intervene directly into the marketing system when prices fall below a predetermined level. Thirdly, the government could decree a floor price by mandate.

Agreement has been reached in principle between GOH and the USAID in respect to the need for such a price stabilization mechanism. Details for the operation and structure of the eventual system have not come to the development stage in this proposal.

H. Roads

The original IHPCADE proposal, from which the design for this project has been at least partially derived, included funds for improving access roads into coffee-producing areas. By mutual agreement, this element of the project has been taken out of the loan proposal. There are several reasons for this including the fact that other donor assistance currently scheduled to the transportation network will have some effect on the movement of coffee, although it is granted that this will benefit middlemen and exporters more than producers.

The construction and improvement of access roads is one way in which interested communities can help themselves with little or no outside assistance. When the coffee project becomes operational following the establishment of the regional centers, GOH will furnish engineering assistance to those communities willing to link up with established road nets for the purpose of participating in the project. In some cases, road building equipment may be available through the Public Works Department. In other cases voluntary agency programs such as HACHO - CRUDEM, to mention only two of many, can become useful tools for assisting isolated producers tie in to the national production program.

V. FINANCIAL PLAN

A. Estimated Project Costs and Source of Funds (Thousands of U. S. Dollars)

| ITEM | Total Cost | AID | | GOH |
|---|-------------|---|-------|-------------|
| | | FX | LC | |
| 1. Establishment of 5 IHPCADE centers 5 @\$150,000 (includes land, construction, equipment) | 750 | 300 | 400 | 50 |
| 2.(a) *Technical assistance (to be grant funded)* | 500* | 500 | | |
| (b) Training | 150 | 75 | 25 | 50 |
| 3. Administrative support for 5 IHPCADE centers for 5 years | 500 | - | - | 500 |
| 4. Agricultural credit (lending capital) | 2,500 | - | 2,000 | 500 |
| 5. Stabilization fund for producers | 2,000 | - | 1,500 | 500 |
| GRAND TOTALS | \$6,400,000 | \$4,800,000 (Loan \$4,300,000) (Grant \$ 500,000) \$500,000 is to be grant funded for technical assistance | | \$1,600,000 |

The loan is to be made to the Government of the Republic of Haiti and repayments of the AID loan are to be made from general GOH budgetary resources. While repayments possibly could be tied to coffee tax revenues, any such requirement might prove counterproductive in shifting the project balance and focus away from its primarily social orientation and more toward GOH revenue generation, e. g. such earmarking could result in the raising of coffee tax rates to make AID repayments, rather than a lowering of tax rates. Further, every opportunity should be taken to support efforts toward a consolidated GOH budget, instead of further special earmarking of revenues from coffee tax generat.

V. FINANCIAL PLAN (Continued)

B. 5-Year Annual Expenditure Plan (Thousands of U. S. Dollars)

| | YEARS I-V | | | | | | | | | |
|---|-----------|-----|--------|-----|--------|-----|--------|-----|--------|-----|
| | I | | II | | III | | IV | | V | |
| | AID | GOH | AID | GOH | AID | GOH | AID | GOH | AID | GOH |
| 1. IHPCADE Development Center | 250 | 50 | 450 | | | | | | | |
| 2. Technical Assistance | 175 | | 175 | | 150 | | | | | |
| 3. Training | 75 | 25 | 25 | 25 | | | | | | |
| 4. Administrative Support (Incremental) | | 50 | | 75 | 125 | | 125 | | 125 | |
| 5. Agricultural Credit | 100 | 50 | 200 | 100 | 400 | 100 | 550 | 125 | 750 | 125 |
| 6. Stabilization Fund | 50 | 50 | 200 | 100 | 300 | 100 | 450 | 125 | 500 | 125 |
| Sub-Totals | 650 | 225 | 1050 | 300 | 850 | 325 | 1000 | 375 | 1250 | 375 |
| Yearly Totals | \$875 | | \$1350 | | \$1175 | | \$1375 | | \$1625 | |

VI. BACKGROUND

One AID-financed project in northwestern Haiti, Rural Community Development (HACHO) implemented by a contract with CARE, has provided a very limited amount of assistance to small coffee farmers, mainly to provide them with seedlings, polyethylene sacks for use in nurseries, tools and insecticides. Where such assistance has been provided by HACHO, it has served the principal purposes of soil conservation by reforestation, but with a valuable additional cash earning tree crop.

USAID's current grant-funded project, Agriculture Development Support (Project No. 521-15-190-069) is expected to provide current as well as future year technical support to this proposed loan project. Elements anticipated under grant funding include training and technical assistance (two long-term contract and/or direct-hire technicians in credit and project management plus an undetermined number of short-term consultants in specialized fields as necessary. In addition two UNDP/FAO experts in coffee technology will be available from January 1, 1975 through the life of the project). These inputs are expected to be directly related and integrally supporting parts of the coffee loan project.

In the near future USAID's Loan No. 521-L-005 for the establishment and development of a road maintenance service in Haiti will bolster the feeder road network throughout the country and thus will provide support for efforts to increase the production and lower the costs of production of coffee.

VII. FEASIBILITY

Agricultural Policy

The economic and political environment and the agricultural policy framework is estimated to be more conducive to increased coffee production at current prices than any time since the early 1950's. The improved environment is more a function of chance than by design. The single most important factor is the relatively recent increased world coffee price. The FOB price of coffee began to decline in the mid-1950's and continued to fluctuate in the sixties at a level of about 25% below the 1950 price level. In 1970 the FOB price was 94% of the 1950 price level but this moved upward to 106% by the 1972-1973 crop year. Taxes during the 1950-73 period rose almost 70%, and marketing margins increased as much as 100%. Thus the farmers' share of the FOB price declined from 63% in 1950 to a low of 39% in 1969. It is estimated that marketing margins are currently about 175% of the 1950 level and the farmers' share of the FOB price is now slightly over 50%. As a result, production over the past twenty years declined and domestic consumption of total production tended to increase, leaving even less available for export. Exports in 1972-73 amounted to 323,000 sacks of 60 kilograms compared to over 500,000 in 1960.

The coffee marketing system is relatively free of government intervention particularly at the farm level. Thus farmers, because of small volumes, difficult road conditions, the lack of quality standards, the lack of significant political power, and the absence of about everything else that would insure a farmer more standardized marketing conditions, have few marketing alternatives.

The tax rate on coffee is reported to be one of the world's highest and regressive. Some of the regressive aspects of the tax structure were improved in the latest revision of August 1973,¹ but at November 1973 prices for coffee of \$74.40, the ad valorem tax is higher than before. For example:

| <u>FOB Price</u> 60-kilo sack | <u>Export Tax as of</u> August 2, 1973 | | <u>Export Tax Previous To</u> August 2, 1973 | |
|----------------------------------|---|----------------|---|----------------|
| | <u>Washed</u> | <u>Natural</u> | <u>Washed</u> | <u>Natural</u> |
| \$ 40 | \$ 4.60 | \$ 8.60 | \$ 12.61 | \$ 16.38 |
| 50 | 7.10 | 11.10 | 12.61 | 16.38 |
| 60 | 13.60 | 17.60 | 12.61 | 16.38 |
| 70 | 14.00 | 18.00 | 12.61 | 16.38 |

When FOB coffee prices are between \$58.00 and \$59.00 per bag the revenue generated from either tax rate schedule is approximately the same. ~~Both laws discriminate~~ in favor of washed coffee, a product small farmers are producing less and less of. It is reported ~~that~~ the GOH in revising the tax structure assumed that the average price for coffee will remain at a level of \$60.00 per bag (60 kg.) and above ~~it~~

¹/Made in trying to respond to IMF and IBRD suggestions.

the future. Revenue generation as a function of the coffee ad valorem tax is so critical to the GOH that, should lower prices return in the future, it is likely that further revision in the law would be made to maintain revenue levels. Since farm price is a residual price, the new tax revision further reduces the farmers' share of the FOB price.

While it is too early to detect a definite upward trend in production as a function of higher farm prices (21 cents per pound in 1970, 27 cents per pound in 1972-73 and 35 to 40 cents per pound in the first quarter of 1973-74) interviews with a limited number of farmers, middlemen and exporters suggest that Haiti farmers are responsive to price. However, even at prices of \$123.92 per 100-kg. sack as compared to \$102.00 in 1950 farmers are likely worse off with inflation and increased taxes, marketing costs and production-increasing inputs.

More recently the GOH has become more concerned about increasing purchasing power, both in the city and in the countryside. Increasing purchasing power of farmers is far more difficult than issuing minimum wage decrees for salary workers. There are several policies which are intended to assist agricultural development. No import duties are levied against commodities used in agricultural production. For example, farm machinery and equipment, fertilizers, insecticides and so on, have no import duties. The problem, of course, is that demand, because of the low level of purchasing power of the agricultural sector and the general lack of credit is limited for such items. IHPCADE, during the 1972-73 coffee season subsidized about 600 tons of fertilizer at a level of about half the \$100/ton price of fertilizers (15-10-20 analysis) selling in commercial establishments. With commercial fertilizers prices already at the \$180/ton level without transportation costs added IHPCADE cost per ton of fertilizer will double that of last year if this policy is to continue. While there is a tax on gasoline, there is no reported basic road tax where agricultural commodities would further be taxed. On the other hand, there are few adequate roads over which to rapidly move agricultural commodities.

While there has been no basic improvement in agricultural policy to serve as production incentive, the fact that farmers feel that they are relatively better off as a function of higher farm prices is encouraging. While there are no extensive studies pertaining to the cost of coffee production, figures secured through interviews suggest that farmers consider 25¢ per pound for natural coffee as the cost of production, using traditional practices. Since about half of the coffee farmers farm two hectares or less, it is likely that reasonably little non-family labor would be required to increase production. During most of the 1960's farmers were receiving from 12 to 21 cents per pound and decreasing production. Current prices are reported in the upper 30's. Labor and other production costs are increasing but at uneven rates. While seasonal price fluctuations will likely continue without improved policy, indications are that farmers are holding back supplies in anticipation of higher prices.

While there are no detailed studies pertaining to the cost of coffee production, IHPCADE has made some estimates. These estimates have been modified as a result of a limited number of producer interviews to reflect more current prices. It is particularly important that a more in depth analysis be made of production costs and a sensitivity analysis undertaken for both farm prices received by farmers and fertilizer prices paid by farmers.

The limited studies with respect to the cost of coffee production in Haiti indicates that a coffee farmer using traditional practices has a relatively low level of out-of-pocket costs on farm sizes approximately two hectares in size. About half of Haiti's coffee producers fall into this category. Over the two-hectare level the need for additional non-family labor increases, particularly at harvest time.

Using recommended levels of fertilizers and other improved cultural practices the need for additional non-family labor becomes even more of a necessity for production-oriented activities other than at harvest, particularly on the larger farms. In this case, the larger farms are described as a farm exceeding approximately two hectares in size. Thus, the need for credit and profit expectations are likely to be somewhat different as farm size increases.

While the average yield, using traditional practices is around 250 kgs. per hectare, demonstrated performance on the part of a few farmers suggests that yields can be increased to 700-1000 kgs. per hectare with improved practices and applications of fertilizers of about one ton per hectare. Some farmers claimed production levels of 2,500 to 3,000 kgs. per hectare.

IHPCADE has been subsidizing coffee farmers fertilizer purchases at \$50.00 per ton. During the 1972-73 season, farmers were paying \$50.00 per ton for fertilizers applied to coffee. Recently commercial fertilizer costs have doubled. Other costs are increasing, but at varying rates. Credit to rehabilitate or expand coffee plantings is not available to most coffee farmers even though they may want to capitalize on higher coffee prices.

The average coffee producer at a 35¢ US per pound farm price is receiving around \$192.50 per hectare for his crop. This compares to \$148.50 in 1972-73 and \$115.50 in 1970 for the same size crop. His cost of production is estimated for computation purposes at about \$100 per hectare or 18¢ per pound, some 7¢ under the 25¢ indicated by farmers interviewed. The difference may well represent his reservation price before making additional investments in coffee. It is evident that when farm price was under 20¢ per pound little investment was being made by the private sector to increase coffee production.

A preliminary analysis of the economics of coffee production using recommended levels of fertilizers and improved practices suggests that fertilizer price levels are and will be extremely significant. The more family labor is employed, the lower will be the out-of-pocket cost associated with increasing production.

Analysis of the cost of planting one new hectare of coffee and bringing the land into full production at the fifth year is estimated at \$1564 if fertilizer cost \$200 per ton and \$1214 at fertilizer costs of \$100 per ton. Return over the same period at an average of 35¢ per pound at the farm level would amount to \$1540. This compares to a systematic replacement of an old stand of coffee tree over a period of eight years. Estimated costs are \$2243 at fertilizer prices of

\$200 and \$1801 at \$100. Returns would be about \$3057. A third alternative is the rehabilitation of existing coffee trees over a five-year period. Cost estimates were calculated at \$1250 per hectare at \$200 per ton fertilizer prices and \$795 at \$100 per ton. Income at 30¢ per pound would amount to \$1709.

Finally it should be noted that there are probably no acceptable alternatives uses of land or labor in the major coffee-producing areas. Coffee production is practiced on steep slopes that are unsuitable for row crop production. Although these same areas may be planted to such tree crops as mangos or bananas, these products are already available in abundance and are perishable. Coffee, then, because of its keeping qualities and because a ready market exists, is the best apparent use of local land resources and available labor.

In practice full annual applications of insecticides will not likely be made. New drying floors would not necessarily be constructed for many already exist. Equipment could be rented in some locations rather than purchased, and so on. A return to land and labor was also included in the above calculations which apparently are seldom considered in the decision-making process of Haitian farmers.

Looking now only at the cost of fertilizer and additional labor associated with incremental increases in production, the greatest returns are shown for the practice of systematic replacing 1/5 of the production each year, the second greatest to new plantings and the lowest to the rehabilitation of existing plantings.

Returns per dollar investment in fertilizers (including additional harvesting labor requirements)

| Fertilizer Cost/Ton | All New Plantings Farmprice | | System Replacement Farmprice | | Rehabilitation Farmprice | |
|------------------------|--------------------------------|-----------|---------------------------------|-----------|-----------------------------|-----------|
| | \$.35/lb. | \$.45/lb. | \$.35/lb. | \$.45/lb. | \$.35/lb. | \$.45/lb. |
| \$ 200 | .22 | .57 | .66 | 1.13 | .21 | .02 |
| \$ 100 | 1.32 | 1.98 | 2.12 | 3.01 | .54 | .98 |

It becomes very apparent that at best ~~two critical elements~~ in the profitability of the proposed production package is the level at which the ~~price of fertilizers~~ will be stabilized and the ~~price paid to farmers~~. Any shrinkage of the farmers' share of the FOB price could well endanger the number of farmers participating in the program. Further, the use of inputs of the levels proposed strongly suggests that unrealistic seasonal price fluctuations to farmers will need to be reduced through some form of a price stabilization program.

IHPCADE, the Department of Agriculture's specialized agency primarily responsible for project execution, has the essential institutional framework necessary to carry out an effective program. Its technical staff is familiar with its primary product, coffee, and has been trained at respected technical schools, including CATIE. Its field staff is located in the rural areas and are presently actively engaged in fertilizer sales, nursery development, and technical assistance to individual small farmers and farmer groups. They work closely in joint projects

undertaken by the rural community action councils, and the community action agency (ONAAC). It is anticipated that close coordination will be maintained with ONAAC and wherever community action councils are operating in project areas, consideration will be given as to how best to utilize such councils and complement their activities. While the technical assistance capabilities of the DARNDR assisting IHPCADE are somewhat limited, the project expects to adequately train those DARNDR personnel working in coffee. Thus, adequately trained people are expected to be in place to provide the technical assistance necessary to accompany the agricultural credit.

IHPCADE also performs regulatory activities in addition to its extension program. It makes determinations of adequate producer price levels and disseminates this information both to the producers and the coffee industry, although limited resources have hampered its effectiveness in this regard. Under a 1970 law IHPCADE has been empowered to purchase up to 20% of coffee production to protect the small farmer from middleman abuses but there have not been funds to take action to carry out such market intervention activities.

While IHPCADE is presently engaged in limited sales of fertilizer on a credit basis, it does not now have the capacity to execute a credit program of the dimensions described. The GOH has proposed two alternative schemes to provide this capacity, both of which involve the Bureau of Agricultural Credit (BCA), also an agency of the DARNDR. BCA is one of the two agencies involved in small farmer production credit at this time. Its program is essentially moribund. This situation has been attributed to various factors including lack of capital (last capital inputs were made in the early 1960's), lack of operating funds, and the numerous agricultural disasters of the last decade. In any case, ~~this agency has an experienced staff in~~ small farmer production credit and though its past programs showed poor collection records, its recent record has been better, albeit on a small portfolio. It is proposed that BCA either open a separate credit window for coffee producer activities using the present organizational framework, or be absorbed into IHPCADE as a credit division, in either case operating under IHPCADE's direction. BCA personnel would therefore be dealing with a single crop and with farmer groups rather than handling too many crop types and too many individual farmers. The GOH intends to give careful thought to credit mechanism design for the coffee production program and will prepare final recommendations in this regard.

VIII. ENVIRONMENTAL CONSIDERATIONS

The implementation of this project will produce positive environmental consequences. The establishment of new coffee plantings and the improvement of existing plantings on steep slopes will reduce to a considerable extent the serious soil erosion in coffee areas of Haiti. The improved management practices resulting from this project, e.g. proper spacing, weeding, replanting of old plantings, pruning and thinning, will have the positive effect of fostering vigorous growth of root systems which hold the soil and provide dense foliage which will break the force of rain, thus reducing possibilities of soil erosion and water runoff. Deep root penetration into the soil will recapture soil fertility nutrients before they are leaked too deeply into the soil by rains.

The only possible negative effects of this project on the environment might be the remote possibility of some incidences of harm to human beings if insecticides or fungicides are grossly mishandled during transport or application. The materials to be used, i. e. malathione, chlorodane and copper oxides, are among the safest agricultural chemicals. There are no negative environmental effects from the use of fertilizers at the rates anticipated.

IX. OTHER DONORS

Since 1967, the UNDP/FAO project in the southern peninsula (Cayes area) has included a certain amount of technical and material assistance to coffee growers. UN technicians working on the UNDP/FAO agricultural project in the Port-de-Paix area of northern Haiti also provide some advisory assistance to coffee growers, although this is not a formal part of the project. The Instituto Inter-Americano de Ciencias Agricolas (IICA), has provided some advisory and evaluation services to IHPCADE, and helped to develop its Five-Year Plan. As part of the approved Five-Year UNDP Country Program, FAO is planning to provide two coffee technicians in the near future to assist in coffee production. AID anticipates their cooperation in assisting in project implementation where their capabilities are most appropriate. The Venezuelan Government has made some initial soundings as to the possibility of providing Haiti with a fertilizer mixing plant.

Other donors, such as the IDB, have expressed interest in developing agricultural sector projects primarily in areas such as livestock and irrigation. Generally speaking, emphasis from other donors has been on transportation, with road construction projects in the southern and northern parts of the country to be financed by the IDB IBRD and the French

all of which will provide some indirect but important support for this project by facilitating marketing. Further, the IBRD is considering financing a national transportation survey which will serve to identify high priority highway and feeder road projects and, hopefully, lead to their early improvement.

X. ISSUES

1. Given that Haiti is the only least developed country in the Western Hemisphere, the minimum percentage (25%) of host government project financing should be allowed.

2. In view of the fact that crop diversification was not determined appropriate for inclusion in this coffee sub-sector project, consideration should be given to support initial food production programs under the Agricultural Development Support Project, as proposed in the PROP submission of November 1973. Such an approach is responsive to the identified problem of general malnutrition, as well as possible inflationary effects of increased domestic revenue generated by coffee-related activities at the local level, with no commensurate increase in supply of foodstuffs.

3. In view of worldwide shortages of fertilizer and its importance to this project, there must be reasonable assurances that Haiti can be supplied with project needs for fertilizer of the quantity, type and at the time prescribed. Can this be demonstrated during intensive review?

4. The Stabilization Fund will prove its worth in its first two years of operation or not at all. Can we structure the loan so that after two years a joint AID/GOH review of all loan activities can determine which of the two major financial activities (credit or stabilization) has been most effective, and allow reallocation of resources accordingly?

5. The analysis relating to the feasibility of this project indicates that the producers are presently receiving 55% of each coffee dollar and further indicates that recent increases in production are apparently a favorable reaction to rising world market prices. Given these indications, is this the time to require a new study of the GOH taxing policies as they relate to discouraging coffee production?

XI. INTENSIVE REVIEW PROCEDURES

If the review of this proposal in AID/W in mid-February 1974 results in authorization for USAID/Haiti to proceed with the intensive review process, such work is planned to be completed by May 15, 1974. Further TDY assistance is anticipated for a loan officer, an agricultural specialist and a credit/marketing specialist (all with French-speaking capabilities) for a period of three weeks each and preferably at the same time.

Their scope of work will be to assist the officials of IHPCADE and DARNDR to finalize numerous project details including:

- (a) Selection of the physical sites in five districts for the IHPCADE centers.
- (b) Determination of additional personnel requirements for IHPCADE.
- (c) Development of types, duration and content of training courses for coffee technology, credit methodology and administrative procedures.
- (d) Development of plans for the establishment, construction and equipping of five IHPCADE centers.
- (e) Determination of commodity requirements and methods of procurement, assuring that adequate fertilizer stocks will be available.
- (f) Estimation of credit requirements for target areas by type, quantity and time.
- (g) Assistance to GOH in determination of additional budget requirement for overall operations of the project.
- (h) Establishment of initial guidelines for utilization of the price stabilization fund to assure that adequate monetary contingencies exist but that large sums of money do not remain idle; and the identification of technical assistance requirements necessary for management of such a fund and analysis of the coffee tax structure.
- (i) Determination that an agricultural credit institution is adequately integrated and in place or in process of being formed by DARNDR or IHPCADE, with authority and responsibility to perform the credit disbursement/collection/control functions which are an essential element of the project. If changes in the existing laws are necessary to assure proper functioning of this entity, such changes should be identified and described.

(j) Completion of further studies or compilation of any information identified by AID/W as lacking in this proposal.

IHPCADE will be expected to play an essential role in performance of the intensive review. It will serve to gather necessary data, will assume responsibility to initiate any new legislation and will coordinate overall efforts of the intensive review process itself with the assistance of USAID and TDY personnel. The mutually agreed project details developed by the intensive review will be incorporated into the CAP which is expected to be completed and submitted to AID/W by early June 1974.

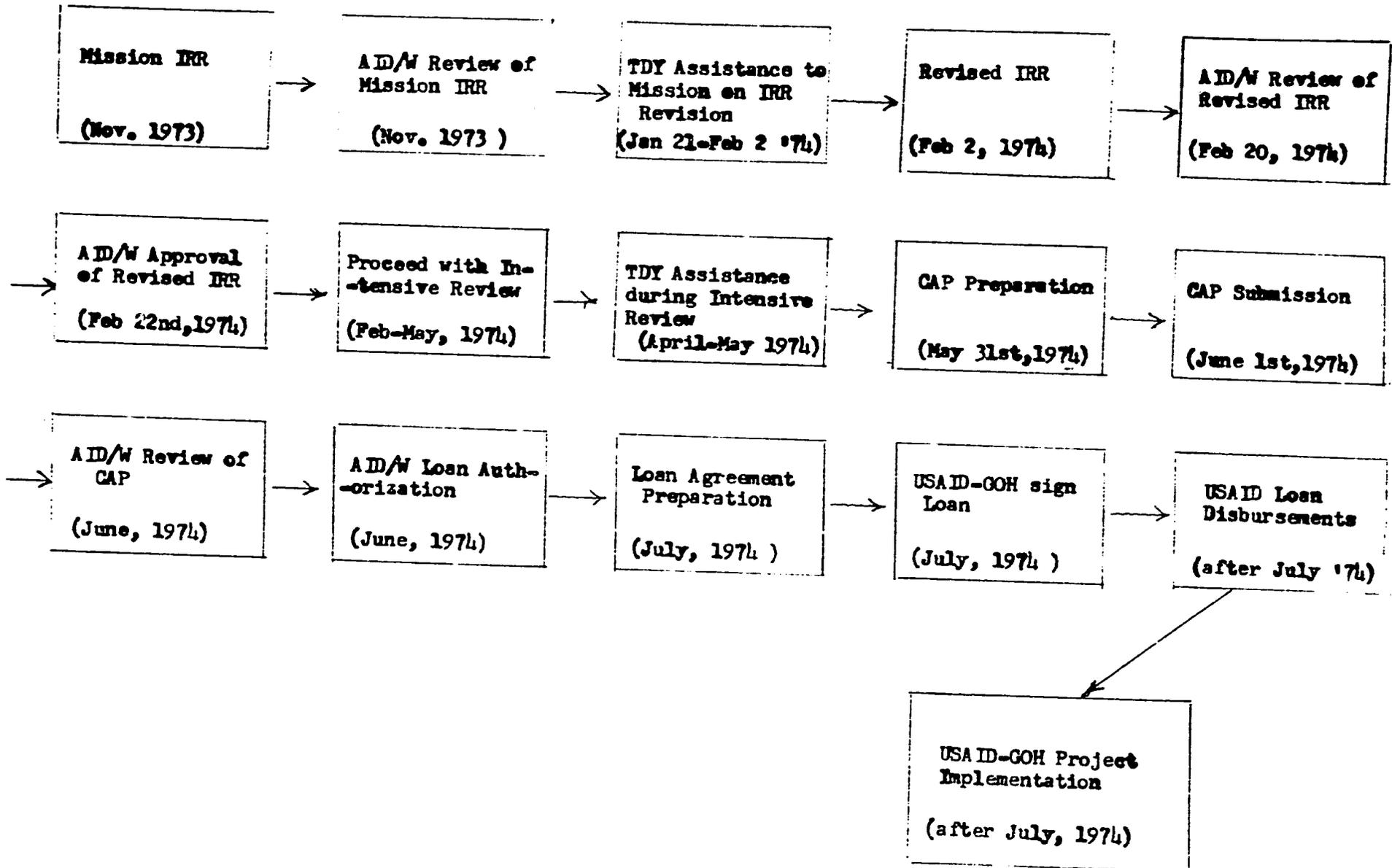
XII. PROJECT COMMITTEE

Leroy H. Rasmussen, Rural Development Officer
C. Raymond Douglass, General Engineering Officer
John T. Craig, Program Officer

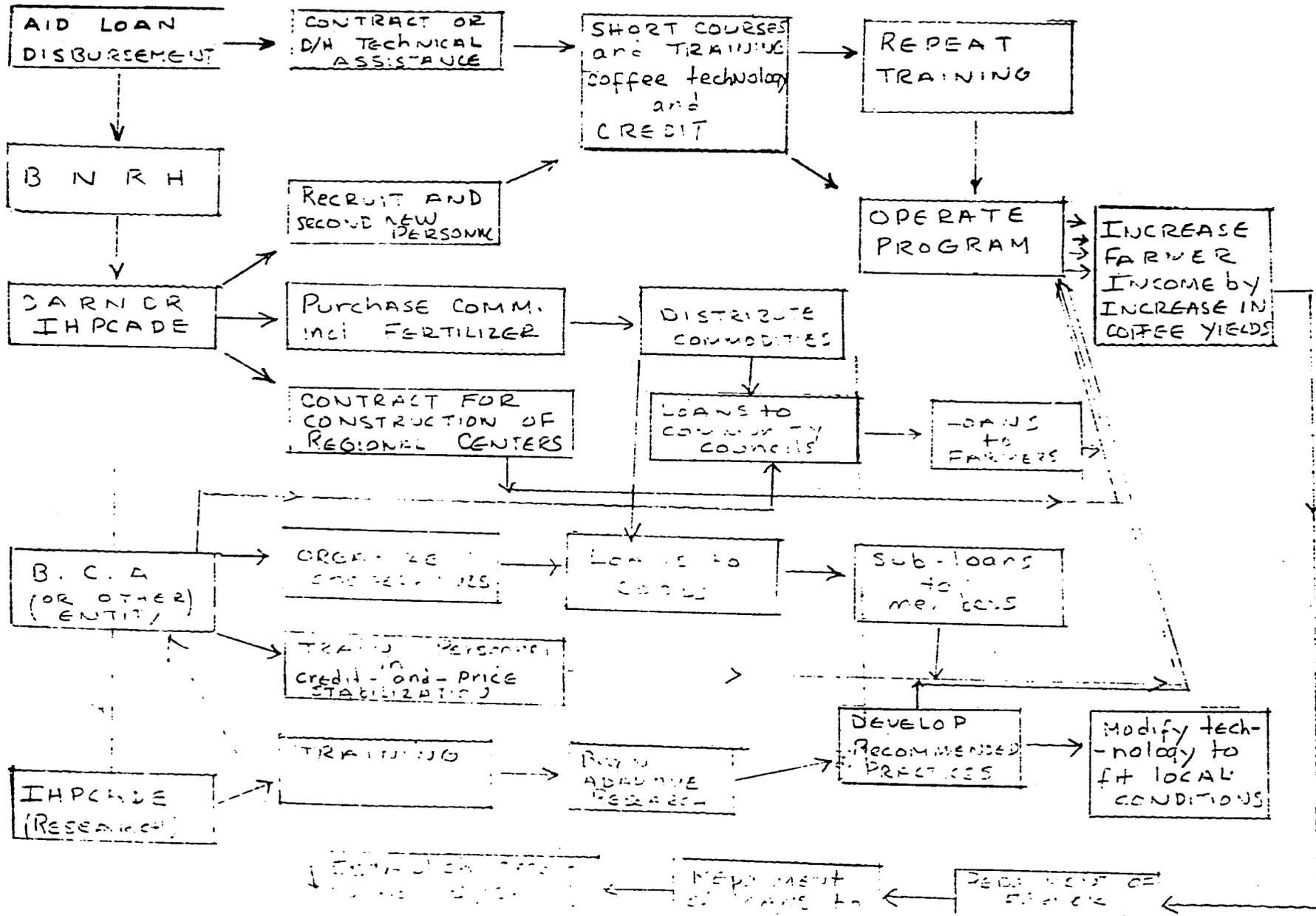
Port-au-Prince
February 5, 1974

Annex I

AID LOAN PROGRAM DOCUMENTATION PERT CHART



GRANT/LOAN PROJECT IMPLEMENTATION PERT CHART



5210073

[Handwritten signature]

2027

5210073 — (12)

54p

PD-AAA-992-C1

A.I.D. Loan No. 521-T-006

LOAN AGREEMENT
BETWEEN
THE REPUBLIC OF HAITI
AND
THE UNITED STATES OF AMERICA
FOR
SMALL FARMER IMPROVEMENT

Dated: July 30, 1974

"CONFORMED COPY"

INDEX

SMALL FARMER IMPROVEMENT LOAN

| ARTICLE AND SECTION | PAGE |
|---|-------|
| <u>ARTICLE I The Loan</u> | |
| Section 1.01 - The Loan | 1 |
| Section 1.02 - The Project | 1,2 |
| Section 1.03 - Use of Funds Generated by other United States Assistance | 2 |
| <u>ARTICLE II Loan Terms</u> | |
| Section 2.01 - Interest | 3 |
| Section 2.02 - Repayment | 3 |
| Section 2.03 - Application, Currency and Place of Payment | 4 |
| Section 2.04 - Prepayment | 4 |
| Section 2.05 - Renegotiation of the Terms of the Loan | 4 |
| <u>ARTICLE III Conditions Precedent to Disbursement</u> | |
| Section 3.01 - Conditions Precedent to Initial Disbursement | 5 |
| Section 3.02 - Conditions Precedent to Additional Disbursement | 6,7,8 |
| Section 3.03 - Conditions Precedent to Construction of Operations Centers | 8,9 |
| Section 3.04 - Conditions Precedent for Construction of any Particular Operations Center | 9 |
| Section 3.05 - Terminal Dates for Meeting Conditions Precedent to Disbursement | 10 |
| Section 3.06 - Notification of Meeting of Conditions Precedent to Disbursement | 10 |

ARTICLE AND SECTION

PAGE

ARTICLE IV General Covenants and Warranties

| | |
|--|-------|
| Section 4.01 - Execution of the Project | 11 |
| Section 4.02 - Borrower Counterpart Contribution | 11,12 |
| Section 4.03 - Continuing Consultation | 12,13 |
| Section 4.04 - Management | 13 |
| Section 4.05 - Operation and Management | 13 |
| Section 4.06 - Taxation | 13,14 |
| Section 4.07 - Utilization of Goods and Services | 14 |
| Section 4.08 - Disclosure of Material Facts and Circumstances | 14,15 |
| Section 4.09 - Commissions, Fees, and other Payments | 15,16 |
| Section 4.10 - Maintenance and Audit of Records | 16 |
| Section 4.11 - Reports | 17 |
| Section 4.12 - Inspections | 17 |

ARTICLE V Special Covenants and Warranties

| | |
|---|----|
| Section 5.01 - IHPCADE and BCA Budget | 18 |
| Section 5.02 - Borrower Coffee Study | 18 |
| Section 5.03 - BCA Revolving Fund and Administration thereof | 18 |
| Section 5.04 - Farmer Producer Price for Coffee | 19 |
| Section 5.05 - Periodic Reviews and Evaluations | 19 |
| Section 5.06 - BCA Delinquent Loans | 19 |
| Section 5.07 - Project Credit Priorities | 19 |
| Section 5.08 - Small Farmer Coffee Producers | 19 |

ARTICLE VI

| | |
|--|----|
| Section 6.01 - Procurement from Selected Free World Countries | 20 |
| Section 6.02 - Procurement from Haiti | 20 |
| Section 6.03 - Eligibility Date | 20 |
| Section 6.04 - Goods and Services not Financed under Loan | 21 |
| Section 6.05 - Implementation of Procurement Requirements | 21 |

ARTICLE AND SECTION

PAGE

| | |
|---|-------------|
| Section 6.06 - Plans, Specifications and Contracts | 21,22,23 |
| Section 6.07 - Reasonable Price | 23 |
| Section 6.08 - Employment of Non-Selected Free World Nationals Under Construction Contracts | 23 |
| Section 6.09 - Shipping and Insurance | 24,25,26,27 |
| Section 6.10 - Notification to Potential Suppliers | 27 |
| Section 6.11 - United States Government - Owned Excess Property | 27,28 |
| Section 6.12 - Information and Marking | 28 |

ARTICLE VII Disbursements

| | |
|---|-------|
| Section 7.01 - Disbursements for United States Dollar Costs - Letters of Commitment to United States Bank | 29 |
| Section 7.02 - Disbursement for Local Currency Costs | 29,30 |
| Section 7.03 - Other Forms of Disbursement | 30 |
| Section 7.04 - Procedure for and Date of Disbursement | 30 |
| Section 7.05 - Terminal Date for Disbursement | 30,31 |

ARTICLE VIII Cancellation and Suspension

| | |
|---|-------|
| Section 8.01 - Cancellation by Borrower | 32 |
| Section 8.02 - Events of Default; Acceleration | 32,33 |
| Section 8.03 - Suspension of Disbursement | 33,34 |
| Section 8.04 - Cancellation by A.I.D. | 35 |
| Section 8.05 - Continued Effectiveness of Agreement | 35 |
| Section 8.06 - Refunds | 35,36 |
| Section 8.07 - Expenses of Collection | 37 |
| Section 8.08 - Nonwaiver of Remedies | 37 |

ARTICLE IX Miscellaneous

| | |
|--|-------|
| Section 9.01 - Communications | 38,39 |
| Section 9.02 - Representatives | 39 |
| Section 9.03 - Implementation Letters | 39 |
| Section 9.04 - Promissory Notes | 40 |
| Section 9.05 - Termination Upon Full Payment | 40 |
| Section 9.06 - English Language Controls | 40 |
| Signature Page | 41 |

ANNEX I Project Description

LOAN AGREEMENT dated, JULY 30, 1974, 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 the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed SIX MILLION UNITED STATES DOLLARS (\$6,000,000) ("Loan") to assist Borrower in carrying out the Project referred to in Section 1.02. The Loan shall be used exclusively to finance the United States dollar costs of goods and services required for the Project ("Dollar Costs") and local currency costs of goods and services required for the Project ("Local Currency Costs"). Except as A.I.D. may otherwise agree in writing, the amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of Five Hundred and Fifty Thousand United States Dollars (\$550,000). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project shall consist of a program designed to increase the income and standard of living of the Haitian small farmer through the increased production of a higher grade

of coffee. The Project seeks to establish an overall delivery system consisting of two basic elements - (1) the provision of fertilizer, credit and training and (2) the construction and equipping of rural Operations Centers. The Project is more fully described in Annex 1 attached hereto, which Annex subject to the exception noted in Section 4.02 (a) infra, 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 (10) 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 semi-annually. 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 semi-annual 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 Agency for International Development (A.I.D.), Cashier (SER/CONT), Washington, D.C. 20523, United States of America. Payment shall be deemed made when received.

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 renegotiate 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 various 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 Secretary of State of Justice of the Republic of Haiti, or other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by and executed on behalf of, the Borrower and that it constitutes a valid and legally binding obligation of the 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.

SECTION 3.02. Conditions Precedent to Additional Disbursement.

Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan other than in connection with an initial disbursement of \$100,000 for equipment and \$75,000 for fertilizer, Borrower shall furnish in form and substance satisfactory to A.I.D.:

- (a) Evidence that Borrower has established an account in the National Bank of Haiti for the deposit of Borrower's counterpart contribution to the Project and for A.I.D.'s Local Currency Costs disbursements ("Project Account").
- (b) Evidence that Borrower's first contribution to the Project has been deposited in the Project Account in an amount no less than one-half of the Borrower's first year counterpart contribution in accordance with the Project's financial plan as set forth in Annex 1, attached hereto.
- (c) Evidence that (i) a separate revolving fund has been established within the Bureau of Agricultural Credit ("BCA") and (ii) one-half of said fund's first year's estimated cash credit requirements as set forth in Annex 1, has been deposited therein.

- (d) Evidence that the Haitian National Institute for Coffee Promotion ("IHPCADE") has entered into a formal institutional agreement with BCA outlining the responsibilities of said institutions for carrying out the Project, and in particular setting forth, inter alia,
- (i) the rules and regulations governing the fertilizer credit and cash credit programs;
 - (ii) sub-borrower eligibility requirements and the terms and conditions of cash and fertilizer sub-loans (including maximum terms and amounts);
 - (iii) the maximum amounts and terms of the subsidy components of fertilizer credits to small farmers; and,
 - (iv) a proposal for the establishment of a system for the processing and administration of bad debts.
- (e) A time-phased implementation plan for the first year of the Project, setting forth inter alia, the procedures and regulations to be followed for the purchase, control and distribution of fertilizer and equipment procured for the Project.

- (f) Evidence that suitable sites for the construction of the Operations Centers have been selected.
- (g) Evidence of the establishment of a Coordinating Committee for the Project comprised of representatives of:
 - (i) The Department of Agriculture Natural Resources and Rural Development ("DARNDR"),
 - (ii) IHPCADE,
 - (iii) BCA,
 - (iv) CONADEP
 - (v) A.I.D., and
 - (vi) such other representatives as Borrower and A.I.D. shall mutually agree to include.

SECTION 3.03. Condition Precedent to Construction of Operations Centers. Prior to any disbursement or to the issuance of any letter of commitment under the Loan for the construction of the Project's Operations Centers, 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) A time-phased implementation plan for the construction and use of the Operations Centers with provision for, inter alia,
 - (i) the recruitment of additional personnel to staff and administer said Operations Centers;

- (ii) the efficient coordination of the activities and resource utilization of BCA's and IHPCADE's present regional offices with those of the new Operations Centers; and,
- (iii) the construction and/or improvement and maintenance of rural roads to connect the Operations Centers with the existing road networks and the Project's primary coffee producing areas.

SECTION 3.04. Conditions Precedent for Construction of any Particular Operations Center. Prior to any disbursement, or the issuance of any Letter of Commitment under the Loan for the construction of any particular Operations Center, Borrower shall, except as A.I.D. shall otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence that the Borrower has acquired clear legal title to the land upon which the Operations Center is to be constructed.
- (b) An executed contract for the construction of the Operations Center with a firm acceptable to A.I.D.

SECTION 3.05. 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 November 1, 1974 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 the 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 May 1, 1975 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 the Borrower. In the event of a termination, upon the giving of notice, the 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 3.06. 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 Sections 3.01, 3.02, 3.03 and 3.04 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, administrative, planning and management practices. In this connection, Borrower shall at all times employ suitably qualified and experienced consultants and other personnel for the Project.
- (b) Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, rules, regulations, and all other arrangements, and with all modifications therein, approved by A.I.D., pursuant to this Agreement.

SECTION 4.02. Borrower Counterpart Contribution

- (a) Borrower covenants that during the course of the Project, Borrower shall contribute the equivalent of two million United States dollars (\$2,000,000) in cash in addition to those funds normally received by IHPCADE and BCA for their annual budgetary allotments as referenced in Section 5.01, infra. Said \$2,000,000 shall be made available for the Project in installments (at least one per year) over a

five year period, to commence on the date of compliance with the conditions precedent specified in Section 3.02 herein, and in amounts no less than those specified in the column denoting Borrower's annual counterpart contributions in the financial summary contained in Annex 1 attached hereto, which said column is hereby incorporated by reference and made a part hereof.

- (b) Borrower shall provide promptly as needed all funds, in addition to the Loan, required for the punctual and effective carrying out 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 in 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. Without limitation upon the foregoing, Borrower and A.I.D. will carry out an annual review of the Project during the period of disbursement under the Loan.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management, acceptable to A.I.D. for the Project and it shall train such staff as may be appropriate for carrying out the Project.

SECTION 4.05. Operation and Management. Borrower shall carry out and maintain the Project in conformity with sound engineering, financial, administrative, agricultural, 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, financed hereunder 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 times as goods financed under the Loan can no longer be usefully 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. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect the Project or the discharge of the 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 by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Borrower's full-time bona fide professional, technical, or comparable services. The 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 Borrower, or any official of 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 agrees to furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may reasonably request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project sites, 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. IHPCADE and BCA Budget. Borrower covenants that during the course of the Project, IHPCADE and BCA shall receive as their normal, annual budgetary allocations no less than those amounts received by each from Borrower's 1973-74 fiscal year budget.

SECTION 5.02. Borrower Coffee Study. Borrower covenants to carry out during the first year of the Project a study of the impact of (i) current coffee tax rates in Haiti, and (ii) world market prices of coffee, on coffee producer prices. Such study shall include an analysis of the need to establish a coffee price stabilization mechanism, including alternative means of financing a coffee price stabilization fund.

SECTION 5.03. BCA Revolving Fund and Administration Thereof. Borrower shall assure that BCA (i) deposits all repayments and interest from credits of cash and fertilizer extended under the Project into a separate revolving fund, (ii) maintains said fund for a period of at least ten (10) years from receipt of the first repayment of said credits, and (iii) maintains the administration and accountability for the fertilizer and cash credit elements of the Project separate from its other operations.

SECTION 5.04. Farmer Producer Price for Coffee.

Borrower covenants to take all measures to insure that the price of coffee received by the coffee farmer producer shall not fall below fifty percent (50%) of the Haitian export price for Coffee.

SECTION 5.05. Periodic Reviews and Evaluations.

Borrower covenants to conduct periodically with A.I.D., and at least once a year from the date of the first disbursement, a review and evaluation of the progress of the Project, including past and proposed programming and allocation of Borrower's counterpart contributions to the Project.

SECTION 5.06. BCA Delinquent Loans. Borrower covenants to establish and maintain within the BCA a separate loan delinquency file as part of an overall system for the processing, ageing and collection of delinquent loans.

SECTION 5.07. Project Credit Priorities. Borrower covenants to give priority in the granting of fertilizer and cash credit to the Agricultural Credit Societies ("SAC's") and use its best efforts to encourage the formation of additional SAC's with a view toward their eventual growth and transition into agricultural cooperatives.

SECTION 5.08. Small Farmer Coffee Producers. Borrower covenants to use its best efforts to implement the Project in such a manner as to assist the greatest number of small farmer coffee producers.

ARTICLE VI

Procurement

SECTION 6.01. Procurement from Selected Free World Countries.

Except as A.I.D. may otherwise agree in writing, and except as provided in sub-section 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.

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 Sections 6.01, 6.02 and 6.04 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, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, schedules, bid documents, contracts and all other arrangements 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 schedules, etc., furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.
- (c) Except as A.I.D. may otherwise specify, 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. Such documents shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

- (d) Except as A.I.D. may otherwise agree in writing, the following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution;
- (i) contracts for engineering, consultant 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 material 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.

SECTION 6.09. Shipping and Insurance.

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

- (ii) at least fifty percent (50%) of the gross tonnage of all Selected Free World Goods financed under the Loan and transported on ocean vessels from non-United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately-owned United States-flag commercial vessels; and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World Goods financed under the Loan and transported on dry cargo liners from non-United States ports shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.
- (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) The 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 the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the 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 agrees to furnish to Lender 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 will 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 and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements 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 of Haiti owned by the United States Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the local currency made available hereunder shall be the amount of United States dollars required by A.I.D. to obtain the local currency of Haiti.

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. Procedure for and 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 document 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 November 1, 1979 and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after May 1, 1980. A.I.D., at

its option, may at any time or times after May 1, 1980, 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 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) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The 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) The 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 the 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 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 that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or
- (c) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.;
- (d) The 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 the 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 other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding commitment documents;
- (iii) decline to issue additional commitment documents;
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside Haiti, are in a deliverable state and have not been offloaded in ports of entry for Haiti. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursement pursuant to Section 8.03, if the cause or causes for 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 the 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 shall be reimbursed to A.I.D. by the Borrower in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. No delay in exercise 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.

o
p
o
s
t
t

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, but must be accompanied by an official English translation.

SECTION 9.02. Representative. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Secretary of State of DARNDR, and A.I.D. will be represented by the individual holding or acting in the office of the United States A.I.D. Representative to Haiti. 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 a 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 the duly authorized representatives of the 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, the Borrower shall issue promissory notes or such other evidence 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 repayment in full of the Principal and payment of all accrued interest, this Agreement and all obligations of the Borrower and A.I.D.D under this Loan Agreement shall terminate.

SECTION 9.06. English Language Controls. In the event that the parties hereto also execute this Agreement in the French language, then in the case of ambiguity or conflict between the English and French versions of this Agreement, the English version of this Agreement shall control.

IN WITNESS WHEREOF, BORROWER AND THE UNITED STATES OF AMERICA, each acting through its respective duly authorized representative, 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

By: 
Jaurès Leveque

Title: Secrétaire d'Etat

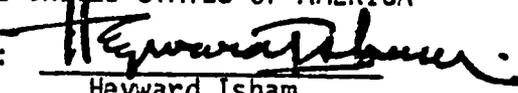
de l'Agriculture des
Ressources Naturelles
et du Développement Rural

By: 
Emmanuël Bros

Title: Secrétaire d'Etat

des Finances et des
Affaires Economiques,
et Secrétaire Exécutif
du CONADEP

THE UNITED STATES OF AMERICA

By: 
Heyward Isham

Title: Ambassador Extraordinary

Plenipotentiary

By: 
Scott L. Behotéguy

Title: A.I.D. Representative

to Haiti

ANNEX I

Project Description

A. The Loan will assist the Borrower to carry out a five-year small farmer coffee production program to increase small farmer income by improving the quantity and quality of Haitian coffee. Increased production will be promoted by the introduction of new technology to be provided the small farmer through increased research and extension activities, introduction of chemical fertilizer and pesticides, increased credit availability, improvement of rural farm roads in coffee-producing areas, expanded training of agricultural agents and farmers, and the establishment of an agricultural cooperative system. The Borrower will implement the program through the Department of Agriculture, Natural Resources and Rural Development (DARNDR) which will, in turn, delegate responsibility for project execution to two specialized agencies of the DARNDR, the Haitian Institute for Promotion of Coffee and Other Exports (IHPCADE) and the Bureau of Agricultural Credits (BCA). The specific activities to be carried out under the program are detailed as follows:

1. Operations Centers

Under the direction of IHPCADE, six Operations Centers will be constructed in the major coffee-producing centers of the country. IHPCADE will carry out a locational analysis to determine the most optimum location for each site. Construction will take place over the first two years of the Project. Each Center will consist of about 6 hectares of land for nurseries, seed production, demonstrations of farming methods and coffee research, living facilities for the Director and Farm Manager, offices,

classrooms and workrooms for technical, administrative and credit staff, a warehouse for storage of fertilizer and coffee, provision for drying and depulping coffee, if necessary, and a facility for training groups of up to 30 farmers in programs relating to coffee technology and agricultural cooperatives. A total of 10,200 square feet of buildings are estimated for each center. A. I. D. financing of up to \$1,000,000 will be provided for this activity, to be composed of approximately \$550,000 in local costs and approximately \$450,000 of equipment and hand tools for transport, operations and research related to the Centers' activities and complementary BCA credit program needs. In addition to the above amounts, approximately \$297,000 will be made available by the Borrower over the five-year period, to be programmed on an annual basis, for the increased costs of maintaining the Operations Centers and fertilizer distribution program described below.

2. Fertilizer

Based upon expectations regarding the world market price of fertilizer (plus ocean freight and internal delivery costs), the Project envisions the application of approximately 14,000 tons of chemical fertilizer (20-5-15) on approximately 12,800 hectares over a five-year period. Assumptions on these amounts depend upon inter alia, the type of coffee orchard improvement program adopted by each farmer (new plantings vs. rehabilitated plantings) and the following of recommended levels of fertilizer application by farmers. A.I.D. will provide financing of up to

\$5,000,000 for the purchase of fertilizer (and related agricultural chemicals pesticides, etc.) needed in the program. The fertilizer will be used exclusively for coffee production and will be distributed to farmer-borrowers under credit terms which shall be limited to a subsidized rate per farmer of not to exceed 50% of the delivered fertilizer value. Said subsidy to remain in effect on a gradually decreasing scale for a period of not to exceed a four-year period per farmer. Specific rules and regulations of the subsidy program will be developed and submitted to A. I. D. for approval. The subsidized rate will be available to farmers purchasing fertilizer for up to a maximum of six hectares of coffee per farmer. The program will emphasize smaller farmer participation with the aim that farmers owning six hectares or less of coffee will comprise approximately 85% of the value of fertilizer credits outstanding. Also, no coffee farmer shall receive more subsidized fertilizer than those amounts necessary for the cultivation of six hectares of coffee-producing land.

3. Rural Farm Roads

Construction and improvements of approximately 160 kilometers of rural farm roads is contemplated to connect the Operations Centers to the existing road network and to the most important coffee-producing communities. Approximately \$675,000 is estimated to be allocated to this program over the five-year period, to be provided from the Borrower's contribution to the Project and programmed on an annual basis. Community action is expected to complement this expenditure and every effort will be made to insure the maximum use of hand labor in this activity. Up to \$50,000 of the above amount will be available for the contracting of local engineering expertise to assist in the design and supervision requirements.

4. BCA Credit Operations

The Project envisions the strengthening of present BCA capacity to provide credit to both individuals and pre-cooperative farm groups in support of the Project's objectives. BCA will execute the credit programs of the Project, both in-kind (fertilizer, pesticides, coffee seedlings, etc.) and complementary cash credit for working capital needs of farmers in the program. Administration and accountability for project lending will be distinct from other BCA operations, and credit will be channelled through a special "window" established for this purpose. The value of all A. I. D.-financed fertilizer (and pesticides, etc.) shall, upon repayment by the farmers or farm group to BCA, become part of the permanent capital of BCA and be restricted thereafter for re-lending for cash credits to small coffee producers. The BCA will establish and carry out lending terms and conditions which will insure that the capital fund thus established will not be decapitalized, either through excessive subsidy provisions or by the granting of too liberal terms. Specific rules and regulations concerning the operations of the "window" will be developed and submitted to A. I. D. for approval. Within the approximately \$450,000 provided by A. I. D. financing for equipment related to the Operations Centers mentioned above, BCA will receive funds sufficient to adequately equip its central office and six regional offices to carry out its credit functions in support of the objectives of the program. In addition to these amounts, approximately \$297,000 will be made available by the Borrower over the five-year period, to be programmed on an annual basis for the increased operating costs of an expanded credit program.

5. Farmer Training

The program will include the training and retraining of agricultural agents and farmers in new coffee production techniques, including fertilizer use, spacing and pruning of trees, etc., as well as cooperative organization and management. Over the five-year period, the Borrower will provide approximately \$86,000 to be programmed on an annual basis, for the necessary expenses of in-country travel, per diem, instructors, materials, etc., which the program may require. Training of DARNDR personnel in the field of coffee technology will be conducted by two specialists to be provided by the United Nations Food and Agricultural Organization (FAO) at the IHPCADE Center at Fond-des-Negres and at Damien. Farmer training will be conducted at the IHPCADE Regional Operations Centers.

6. Price Stabilization

An important element of the program involves the provision of a mechanism to assist the farmers in marketing their product at a fair price. The Borrower will carry out and publish during the first year of the program a study of the impact of current coffee tax rates and world market prices on producer prices and the possible need for the establishment of a coffee price stabilization mechanism including alternative means of financing the capitalization of a coffee price stabilization fund. Subject to the availability of funds, A. I. D. will provide reasonable costs necessary to carry out this study from grant funds.

7. Project Coordination

The Project will be coordinated, at the working level, by a technical level committee comprised of representatives from IHPCADE, BCA, DARNDR, A. I. D. and other appropriate technical agencies, such as FAO, concerned with the proper functioning of the Project. The committee will formally meet at least quarterly to discuss program progress and needs, and make recommendations, as appropriate for any necessary action required by any of the agencies involved.

B. Scheduling

The program will be carried out over a five-year period, with total annual financial contributions from the Borrower and A. I. D. becoming available according to the schedule as follows:

The Borrower will contribute, on a semi-annual basis, a counterpart contribution to the Project which will be deposited into a jointly programmed Project Account in the Banque Nationale de la Republique d'Haiti (BNRH). The BNRH will act as the depository for Borrower counterpart contributions and A. I. D. local currency costs disbursements to the Project. Such Borrower contributions will be scheduled to coincide with the placing of orders for the amounts of fertilizer needed for the Project. In the event that such counterpart contributions are not forthcoming, A. I. D. may withhold additional disbursements for the purchase of fertilizer.

At appropriate times over the life of the Project, and at least annually, the Borrower, represented by the Ministry of Agriculture, the BNRH, IHPCADE and BCA, will meet with A. I. D. and discuss financial needs of the Project. Agreement will be reached as to the specific financial needs of each of the activities financed by the Borrower's contributions and described herein, in relation to planned activities and performance during the previous period, and an amount of funds required will be designated to each such agency and activity described herein. The BNRH will then disburse these funds to each agency over the period required, according to normal Borrower procedures and regulations; accounting for use and expenditure of such funds will be according to normal Borrower procedures and regulations subject to the approval of A. I. D. Quarterly reports of expenditures will be prepared by the BNRH and sent to each agency, the Ministry of Finance, and A. I. D. Further details concerning the specific operations of such funds will be developed as required.

Over the life of the Project, the Project fund will finance activities in support of the loan's activities as described herein. These specific allocations represent the best estimate as to need and timing at this time. Some variation is expected as experience is gained, and some reallocation of program needs may become apparent. Within the total amount programmed, no one activity financed by Borrower contributions will be allowed to vary, however, by more than 50% from its original projection over the life of the Project.