ADMINISTRATION AGREEMENT

between

THE INTER-AMERICAN DEVELOPMENT BANK

And

THE GOVERNMENT OF SWITZERLAND

represented by the Swiss Agency for Development and Cooperation

regarding

Project Specific Grant to the Inter-American Development Bank for Project HA-M1049/HA-X1037 titled "Creating Alliances in Cocoa for Improved Access and Organization in Haiti"

THIS ADMINISTRATION AGREEMENT is entered into between the Inter-American Development Bank (the "Bank") and the Government of Switzerland, represented by the Swiss Agency for Development and Cooperation ("Switzerland") (together referred to as the "Parties").

WHEREAS, the Bank is a public international organization, the purpose of which is to contribute to the acceleration of the process of economic and social development of its regional developing member countries in Latin America and the Caribbean, individually and collectively;

WHEREAS, the Multilateral Investment Fund II (hereinafter referred to as the "MIF") was established by the Agreement Establishing the Multilateral Investment Fund II, dated April 9, 2005 with the purpose of supporting economic growth and poverty reduction in the regional developing member countries of the Bank and the developing member countries of the Caribbean Development Bank by encouraging increased private investment and advancing private sector development;

WHEREAS, the Bank is the administrator of the MIF, pursuant to the Agreement for the Administration of the Multilateral Investment Fund II, dated April 9, 2005;

WHEREAS, the Bank has designed and approved a project titled "Creating Alliances in Cocoa for Improved Access and Organization in Haiti" (the "Project", project number HA-M1049/HA-X1037), as further described in the attached Project Document (the "Project Document"), Annex A; which forms an integral part of the present agreement;

WHEREAS, Switzerland wishes to support the execution of the Project by providing additional grant resources in the form of a project specific grant to be administered by the Bank; and

WHEREAS, the Bank is prepared to receive and administer the contribution funds to be made available by Switzerland.

NOW, THEREFORE, the Parties hereby agree as follows:

1. Switzerland will make available to the Bank a grant contribution in the maximum amount of USD 1,111,110 (one million one hundred eleven thousand one hundred ten United States dollars) (the "Contribution") to be administered by the Bank to co-finance the Project. This amount represents 18% of the global budget of the Project.

2. The Contribution will be solely for the purposes indicated in the Project Document. Any other material deviations from the objectives and activities of the Project described in the Project Document will require Switzerland's written approval.

3. a) Switzerland shall transfer the Contribution to the Bank according to the following payment schedule:

Date:	Amount:
Upon signature of this Administration Agreement by the Parties:	USD 275,000 (two hundred seventy five thousand US Dollars)
No later than June 30, 2015 and after the acceptance of first intermediary operational and financial reports:	USD 275,000 (two hundred seventy five thousand US dollars)
No later than June 30, 2016 and after the acceptance of second intermediary operational and financial reports:	USD 275,000 (two hundred seventy five thousand US dollars)
No later than June 30, 2017 and after the acceptance of third intermediary operational and financial reports:	USD 230,000 (two hundred, thirty thousand US dollars)
After the acceptance of final operational and financial reports	USD 56,110 USD (fifty six thousand one hundred and ten US dollars)

b) Switzerland will deposit the Contribution installments, upon the Bank's written request, into an account indicated by the Bank (the "Account"). The Account is denominated in U.S. dollars ("Dollars") and includes resources provided as grant funds by other donors for other Bank projects.

4. The Bank will administer the Contribution in accordance with the provisions of this Administration Agreement and the Bank's applicable policies and procedures. The Bank will exercise the same care in the discharge of its functions, as described in this Administration Agreement, as it exercises with respect to the administration and management of resources from other donors.

5. The Contribution will be accounted for separately from the Bank's assets, and will be administered together with other contributions received by the Bank. The Bank may freely exchange the Contribution funds into other currencies as may facilitate their administration and disbursement. The Bank will not be responsible for foreign exchange risk in the receipt, conversion or administration of Contribution funds. Further, the Bank may at its discretion invest and reinvest the resources of the Contribution pending their disbursement in connection with the Project. The Contribution will be administered in the Account in US Dollars without distinction from other donors' contributions. Any reporting on the use of the Contribution will be made in US Dollars.

6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain:
   a) any investment income generated by the Contribution pending its disbursement towards the Project.

7. The Bank's procurement policies and procedures will be applicable to the procurement of goods and services, as well as the contracting of consulting services, carried out with the Contribution, as required by the different components of the Project. Further, Switzerland accepts that:

    a) the resources of the Contribution will be completely untied;

    b) the consultancy services, goods and/or works financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any Bank member country.

8. Switzerland will not be responsible for the activities of any person or third-party engaged by the Bank as a result of this Administration Agreement, nor will Switzerland be liable for any costs incurred by the Bank in terminating the engagement of any such person.

9. The following reports will be submitted by the Bank to Switzerland:

    a) Annual operational and financial reports due on following dates: the first one no later than March 30, 2015; the second one no later than March 30, 2016; the third one no later than March 30, 2017.
    b) Three months after completion of the Project, a final operational and financial Project report.
    c) Switzerland may also request a non-audited financial expense report of the Contribution. In addition, Switzerland may request an "agreed upon procedures" report issued by an external auditor selected by the Bank on the use of the Contribution resources. The cost of such auditor's report will be borne by Switzerland and will not be deducted from the Contribution. Switzerland will reimburse the Bank for the cost of this report promptly after receiving a written request from the Bank. The Bank will not provide audited financial statements for the Account.

10. The Bank shall invite Switzerland to participate in Project Supervision missions as well in the Project mid-term review mission. Subject to the approval of the Government of Haiti, Switzerland may participate in those missions and meetings either through its own staff or by designating a competent consultant.

11. The Bank shall endeavor to maximize opportunities to highlight the Swiss Contribution to the Project (e.g. in documentation, public information, including the Swiss logo), and invite Switzerland to participate in key events related to the Project.
12. Switzerland shall be responsible for its own costs with respect to any participation in meetings, missions or events.

13. As soon as possible upon completion of the Project, the Bank will return to Switzerland any remaining uncommitted Contribution funds, unless otherwise agreed to in writing by the Parties.

14. The parties agree that neither of them shall offer a third person nor seek, accept or get promised directly or indirectly for itself or for another party any gift or benefit which would or could be construed as an illegal or corrupt practice.

15. Following consultations between the Parties, either Party may determine that if the purposes of this Administration Agreement can no longer be effectively or appropriately carried out, either Party may give notice of termination of this Administration Agreement. Such termination shall enter into effect three (3) months after notice has been received, subject to the settlement of any outstanding obligations made prior to the notice being received. If in the Donor's written, reasonable and justified opinion, the Contribution is not being used or has not been used for the purposes of this Administration Agreement, the Donor shall have the right to suspend any undisbursed and uncommitted funds to the Bank and/or terminate this Administration Agreement with immediate effect. In the event of termination by either Party, both Parties shall cooperate to ensure that all arrangements made hereunder are settled in a fair and orderly manner.

16. The offices responsible for coordination of all matters and receiving any notice or request in writing in connection with this Administration Agreement or the Project are as follows:

   a) For the Bank:

      i. All communications pertaining to donor relations and resource mobilization will be directed to:

         Inter-American Development Bank
         1300 New York Avenue, NW
         Washington, D.C. 20577
         UNITED STATES OF AMERICA
         Attention: Manager, Office of Outreach and Partnerships (ORP)
         Tel.: +1 (202) 623-1583
         Fax: +1 (202) 623-2543
         E-mail: partnerships@iadb.org

      ii. Day-to-day communications regarding the implementation of this Administration Arrangement will be directed to:

         Inter-American Development Bank
         1300 New York Avenue, NW
         Washington, D.C. 20577
         UNITED STATES OF AMERICA
         Attention: Chief, Grants and Co-financing Management Unit
         Office of Outreach and Partnerships (ORP/GCM)
         Tel.: +1 (202) 623-2018
         Fax: +1 (202) 623-3171
         E-mail: orp-gcm@iadb.org

b) For Switzerland:

Mr. Bernard Zaugg
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Rue Ogé 12, Place Saint-Pierre, BP 15396
6140 Pétion-Ville, Haïti

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17. This Administration Agreement will come into force on the date of its signature by each of the Parties and remain valid till all Parties have fulfilled their obligations arising from it, covering the period starting December 15 2014 to October 10 2018.

18. The Parties may amend any provision of this Administration Agreement in writing.

19. Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.

20. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.

21. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, the Parties, each acting through its duly authorized representative, have signed this Administration Agreement in two (2) original counterparts in the English language as of the dates indicated below.

INTER-AMERICAN DEVELOPMENT BANK	**GOVERNMENT OF SWITZERLAND**
Bernardo Guillamon Manager Office of Outreach and Partnerships	Bernard Zaugg Chef de Coopération Département fédéral des affaires étrangères
Date: 12/8/14	Date: 09/12/2014

ANNEX A

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

HAITI

CREATING ALLIANCES IN COCOA FOR IMPROVED ACCESS AND ORGANIZATION IN HAITI

(HA-M1049)

DONORS MEMORANDUM

This document was prepared by the project team comprised of: Yolanda Strachan, team leader (MIF/AMC), Alejandro Escobar (MIF/AMC), Ralph Denizé (MIF/CHA), Frednel Isma (MIF/CHA), Bruno Jacquet (RND/CHA), Winsome Leslie (MIF/ATF), Maria Teresa Villanueva (MIF/DEU), Dora Moscoso (MIF/DEU), Yves Lesenfants (MIF/KSC), and Anne Marie Lauschus (LEG/NSG).

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Project Summary

Creating Alliances in Cocoa for Improved Access and Organization in Haiti

(HA-M1049)

The Multilateral Investment Fund (MIF), working alongside Catholic Relief Services and various partners in the Haitian cocoa industry, is launching an initiative to help small-scale farmers in Haiti to expand into global supply chains. This $6.0 million project aims to revive and catalyze change in the cocoa sector by providing small holders and cooperatives with new technical and business skills to capture greater value from the supply chain. The initial project funded at $5,020,200 and approved in October 2013, will receive an additional USD 1,111,110 from the SDC to further the project's objectives of increasing cocoa production, improving quality, and strengthening the capacity of farmer cooperatives. With an extended implementation period from three to four years, lessons learned from the project will guide the SDC's long-term strategy of support to the Haitian cocoa value chain over the next 12 years.

There is great potential for positioning Haiti as a supplier of specialty cocoa in the Caribbean. Haiti is a country with a long tradition and comparative advantage in cocoa cultivation. The cocoa sector continues to provide important income generating opportunities to approximately 20,000 smallholder producers, the majority of whom are at or below the poverty line. The main challenges facing the industry are low volumes and quality, which negatively affect the sector's ability access new markets. Cocoa producers in Haiti have some of the lowest yields in the region and have limited technical knowledge of ways to improve cocoa quality through the post-harvest process. Furthermore, most of Haiti's cocoa cooperatives remain very fragile and have limited capacity to engage in direct trade with buyers seeking high quality supplies of cocoa.

The first phase of this combined effort will improve the participation of small-scale cocoa farmers , their cooperatives and other private sector operators in the cocoa value chain by focusing on key areas for overcoming low competitiveness. First, it is geared to promote market access by creating direct links between cooperatives and private operators, reducing the need for intermediaries and allowing producers to capture a higher share of prices. To boost production, it will improve yields, quality, and natural resource management. It aims to overcome a critical bottleneck by facilitating access to finance for cooperatives and its members through collaboration with SYFAAH, a Canadian and Swiss funded project that mobilizes funds from the banking sector and microfinance institutions for agricultural finance and offers an insurance system to mitigate the harvest vulnerability of farmers against natural disasters. In addition, an alliance with the social lender Root Capital will provide business and financial training. Last, it will adopt a holistic perspective to promote coordination and collaboration with other actors of the chain to establish linkages, find synergies and improve the performance of the industry as a whole. The creation of a Cocoa Cluster, under the directive of the Ministry of Agriculture, will facilitate a national platform to ensure leadership and coordinated action among the various actors in the sector.

The project, representing the first phase of long-term support to Haiti's cocoa industry, is expected to be completed by 2018 and will benefit 7,000 small scale cocoa producers, nearly 35% of cocoa producers in Haiti. It will catalyze systemic change by achieving significant scale at the national level in the two main cacao production zones through strengthening private institutions ability to access new markets. MIF and CRS will partner with a host of stakeholders to pull together the financial resource and technical expertise needed to address the needs of the cocoa value chain at a national level. Two subsequent phases to be led by the Swiss Cooperation will consolidate the experiences, lessons learned and expand to a larger number of producers (2018-21) and a final phase (2022-25) will seek to support activities aimed at sustaining the cocoa industry.

Annexes

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ACRONYMS AND ABBREVIATIONS

AMC	Access to Markets and Skills
AOP	Annual Operating Plan
CAUD	Cooperative Agricole Union Development
CHA	Haiti Country Office
CRS	Catholic Relief Services
DNA	Diagnostic of Executing Agency Needs
FECCANO	Fédération des Coopératives Cacaoyères du Nord
GOH	Government of Haiti
IADB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
LWR	Lutheran World Relief
MIF	Multilateral Investment Fund
OR	Operating Regulations
PCU	Project Coordination Unit
PPI	Progress out of Poverty Index
QED	Quality for Effectiveness in Development
SOGEPA	Société Générale de Production Agro Industrielle
TOR	Terms of Reference

PROJECT INFORMATION

CREATING ALLIANCES IN COCOA FOR IMPROVED ACCESS AND ORGANIZATION IN HAITI

(HA-M1049)

Country and Geographic Location:	Haiti, Northern Department and Grand'Anse	
Executing Agency:	CATHOLIC RELIEF SERVICES (CRS)	
Access Area:	Access to Markets and Skills (AMC)	
Agenda:	Linking Small Farmers to High Value Markets	
Coordination with Other Donors/Bank Operations:	The project will coordinate with the IIC to provide technical assistance to cooperatives through its FINPYME Export Plus program. Through a partnership with Lutheran World Relief, the project will reach an additional 3,000 producers in the North. Lastly, the project will leverage assistance from Root Capital, a social investment fund, and SYFAAH, a Canadian and Swiss funded project that mobilizes funds from the banking sector and microfinance institutions for agricultural finance to improve access to finance for cooperatives and small-scale producers.	
Direct Beneficiaries:	7000 small scale cocoa producers living below the poverty line: 4000 in Grand' Anse and 3000 in the North Department, 40% of which are women.	
Indirect Beneficiaries:	28,000 family members of cocoa producers (assuming 4 additional people per household).	
Financing:	Technical Cooperation:	US$ 2,902,700

	Investment:	n.a.	
	Loan:	n.a.	
	TOTAL MIF FUNDING:	US$ 2,902,700	47%
	Counterpart:	US$ 2,117,500	35%
	Co-financing (if available):	US$ 1,111,110	18 %
	TOTAL PROJECT BUDGET:	US $6,131,310	100%
Execution and Disbursement Period:	48 months of execution and 54 months of disbursement		
Special Contractual Conditions:	Conditions prior to first disbursement will be: (i) hiring of the Project Coordinator; (ii) approval by the Bank of the Program Operating Manual and Annual Operating Plan for the first year; (iii) signature of an agreement between CRS and LWR on project execution; and (iv) establishment of the Project Steering Committee.		
Environmental and Social Impact Review:	This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C.		
Unit with Disbursement Responsibility:	MIF/CHA		

1. Background and Justification

A. Diagnosis of the Problem to be addressed by the Project

1.1. The global market for sustainable and specialty cocoa[1] has grown significantly in recent years driven by increasing consumer awareness and the growing commitment to sustainable sourcing by the world's leading chocolate manufacturers. It is estimated that production of sustainable cocoa more than doubled from 88,000 tons in 2009 to 231,000 tons in 2010[2]. Some of the world's largest food companies have been leading the trend, including Mars, Kraft, and Nestle, who have announced commitments to source 100% of their cocoa from sustainable sources in the coming years. At the same time, niche markets for specialty cocoa have been thriving as craft chocolate makers also seek to secure new sources of supply for fine and aromatic cocoa.

1.2. Sustainable cocoa represents a key strategic market for producers in Latin America and the Caribbean. Over the past decade, the Dominican Republic has emerged as the world's leading exporter of organic cocoa. Ecuador and Venezuela have established themselves as key suppliers of fine flavor cocoa for niche markets. Similarly, the cocoa industry in the Caribbean has been reinvigorated after a long period of decline.[3]

1.3. This growing demand for cocoa also represents a clear opportunity for Haiti, a country with a long tradition and comparative advantage of cocoa cultivation. Cocoa is Haiti's third largest agricultural export, after essential oils and mangoes, earning US$ 9.0 million export revenue in 2012[4]. The sector has comparatively low production costs and already, most producers use organic methods because of the absence of major pests and diseases on farms. The country is also endowed with its own indigenous criollo variety, providing a strong foundation for producing Haitian fine flavor cocoa in the future. Criollo beans are prized for their exceptional flavor by high-end chocolatiers, pastry companies and luxury chocolate brands. Furthermore, the cocoa sector already has an existing network of cooperatives and exporters, both with a strong desire to grow and access new markets.

1.4. Although there is great potential for exporting specialty cocoa, volumes are very low and most of what is produced is currently exported as bulk beans. In fact, most cocoa produced in Haiti is unfermented, meaning that it does not undergo a special process to bring out its unique aroma and flavor, the key elements that give specialty cocoa its high value. Currently, FECCANO (a federation of six cooperatives in the north) and one individual cooperative in the Grand'Anse are producing and exporting fermented cocoa

[1] Sustainable and specialty cocoa is a category that includes organic, fair trade cocoa, Rainforest Alliance, Utz Certified, fine flavor and single origin cocoas. It accounts for less than 10% of global production.

[2] A Brief Overview of the Sustainable Cocoa Sector in Latin America and the Caribbean. Finance Alliance for Sustainable Trade. October 2012.

[3] A Chocolate Tour of the Caribbean, The New York Times, November 12, 2012. http://travel.nytimes.com/2012/11/11/travel/a-chocolate-tour-of-the-caribbean.html?pagewanted=all.

[4] International Trade Center, Trade Map. 2012

to specialty buyers but this accounts for less than 5% of national exports. Approximately 75% of Haiti's exports are sold to the U.S. (the primary market for unfermented cocoa), 20% to Europe (largely Germany, Holland and Italy), and 5% to Canada.

1.5. **Problem analysis.** There is great potential for positioning Haiti as a supplier of sustainably produced and specialty cocoa in the Caribbean. . Strategic growth of the cocoa industry can increase export revenues and boost incomes for small holder farmers.. The main challenges facing the sector are low volumes and quality, which compromise the industry's ability to access higher value markets. **Thus the central problem that the project will address is the low capacity of producers and cooperatives to supply sustainably produced cocoa in high value markets.**

1.6. Haiti exports only 4,000 metric tons of cocoa per year, a decline from its peak of 20,000 in the 1960's[5]. In fact, 95% of beans are sold and exported in their raw, unprocessed and unfermented state and do not meet the volumes or standards needed to successfully connect with brokers and niche markets. The low volumes and low quality of cocoa produced result in fewer direct buyer linkages and low returns for cooperatives. Producers suffer the most, as they receive a lower percentage of the already discounted export price for poor quality beans. This situation is linked to three main causes.

1.7. **Low on Farm Productivity and Poor Natural Resource Management.** Low productivity is a major constraint as cocoa producers typically have very small plots (about a half hectare) and low-yielding trees over 30 years of age with thin plant density. It is estimated that only 20% of existing cocoa producers have been trained in proper techniques (e.g. shade control, and pruning), and an even smaller percentage of those have fully adopted the improved practices[6], which alone could raise yields by 30%. Furthermore, most farmers do not have access to high yielding cocoa seedlings, which could increase crop yields significantly. In Haiti, yields for the average producer range from 150-200kg/ha, compared to a regional average of 400kg/ha[7]. Furthermore, low farm productivity is closely linked to low prices, which discourages farmers from investing in their cocoa plots.

1.8. **Inadequate post-harvest processing which leads to low quality cocoa beans.** Post-harvest processing is a critical step in assuring the quality of cocoa beans, notably their flavor and aroma. Producers, particularly in Grand'Anse, have limited technical knowledge of appropriate post-harvest handling and as a result 95% of the cocoa is harvested and processed without regard to established industry techniques and quality standards. Typically cocoa pods of various stages of maturity are harvested, broken, and beans are set to dry on surfaces and busy roadsides exposing them to dirt and pollution. The lack of training, collection points, and facilities for post-harvest processing is a critical bottleneck in the chain. Consequently, these factors produce a

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[5] By comparison, the neighboring Dominican Republic exported close to 60,000MT in 2012.

[6] The Haitian Cocoa Industry: An Analysis and Strategic Growth Plan. Technoserve. August 2011.

[7] Ibid.

lower quality bean, which is typically sold at price discount of 15 – 20% on international markets[8].

1.9. **Limited capacity of cooperatives to commercialize production and provide services to members.** Approximately 35% of producers in Haiti are aggregated into cooperatives or producer groups, which demonstrate various levels of organization and sophistication. At the most basic level, some do not buy and sell cocoa collectively to reach scale and improve negotiating power. On the other hand, a few leading cooperatives such as FECCANO and CAUD are already exporting small volumes of specialty cocoa to high value markets[9]. Nonetheless, the vast majority of Haiti's cooperatives remain very fragile and currently have limited capacity to engage in stable business relationships with buyers or offer services to their members (e.g. tree regeneration etc.). Because cooperatives serve as critical aggregation points in the chain that can help small scale producers obtain greater value for their cocoa, improving their capacity to function as dynamic SMEs is critical to enhancing the welfare of producers. Lack of working capital, limited technical know-how, inadequate post-harvest infrastructure, and low business and financial capacity, are among the major constraints facing cocoa cooperatives.

B. Project Beneficiaries

1.10. The cocoa sector continues to provide important income generating opportunities to a large segment of the Haitian population. It is underpinned by approximately 20,000 smallholder producers, the majority of whom are at or below the poverty line. Cocoa farmers are primarily located in the Northern Department and the Grand'Anse on the extreme south western tip of Haiti. The typical cocoa producer is 53 years old and lives in a basic housing structure without access to electricity and running water[10]. Most households have between four and eight children[11]. The majority of producers own their land and the average plot size is about 1/2 hectare, with some farmers cultivating two or three plots. For the majority of producers, agricultural production is their primary income generating activity. In addition to farmers, there are also an unknown number of micro-processors in the sector engaged in transforming raw cocoa beans into value-added products such as balls and bars for artisanal chocolate tea as well as cocoa liquor.

1.11. The project will support 7,000 small-scale cocoa producers, approximately 35% of all producers in Haiti, and 13 cooperatives in the Grand'Anse and North departments. Due to a greater need for capacity building and training in the Grand'Anse, the project will target 4,000 producers and six (6) cooperatives in the Grand'Anse and 3,000 producers and one (1) federation of cooperatives in the North. It will also support six (6) groups of

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[8] Ibid.

[9] FECANNO and CAUD's international buyers include two French companies: Equithable, a confectioner of fair trade chocolate bars, and Valhrona a premium chocolate manufacturer which sources mostly fine/flavor beans.

[10] Ministère de l'Agriculture des Ressources Naturelles et du Développement Rural. Diagnostic de La Filière Du Cacao Au Niveau Des Régions Du Nord Et De La Grand'Anse D'Haïti, 2012.

[11] Ibid.

microprocessors involved in cocoa transformation. In both the Grand'Anse and North, women are actively involved in the production of cocoa and are members of cooperatives, accounting for 40% of membership. The project will ensure that women have equal access to products and services provided.

1.12. The Project will be executed by Catholic Relief Services, an organization that has a 50-year history of implementing agriculture and agro-enterprise projects in Haiti. Over the past few years, CRS has built significant experience the cocoa value chain by implementing cocoa projects throughout Central America. An alliance with Lutheran World Relief in the North will enable the project to reach more producers thus achieving broader impact. LWR's experience in working with cocoa producers in Central America, its publication of a comprehensive toolkit for cocoa production, and its relationships with buyers and chocolate companies are expected to bring value to the project. Furthermore, this alliance will promote learning and collaboration between cooperatives in the North and South, making the project a platform that can bring together producers and stakeholders at the national level.

C. Contribution to MIF Mandate, Access Framework and IDB Strategy

1.13. This project will contribute to both poverty reduction and private sector development by reducing competitiveness bottlenecks that limit the participation of smallholder farmers in agricultural value chains. It will aim to reduce inefficiencies in the supply chain, reduce the need for intermediaries, improve the quality of cocoa, and as a result increase farmers' incomes.

1.14. The project will provide direct training and financing to producers for improved agricultural practices, improved inputs (e.g. seedlings), technologies (e.g. grafting), which will increase farm productivity and thus income. Similarly, the project will promote the growth and expansion of cooperative enterprises by providing technical expertise in governance, business and financial management in order to improve their financial sustainability and consolidate their position as farmer owned enterprises in the cocoa value chain.

1.15. Link to the Agenda. The project will contribute to the results and knowledge of the Agenda "Linking Small Producers to High Value Agricultural Markets" by: (i) catalyzing the integration of 7000 poor smallholder farmers to higher value markets; (ii) providing lessons on reforestation and establishing sustainable cocoa agro forestry systems; and (iii) undertaking gender sensitive monitoring to measure and track women's participation in agricultural value chains vs. men's. Together with the MIFs on-going coffee value chain project in Haiti, both interventions will provide important lessons and best practices to inform the MIF's efforts to facilitate access to high value markets for small scale producers in Haiti.

1.16. The project is also aligned with the MIFs strategy for Haiti, which identifies cocoa as a high potential value chain for small holder inclusion and poverty reduction. The recent thematic studies commissioned as part of the MIF's Haiti strategy have concluded that MIF must implement activities in coordination with other key stakeholders to ensure long-term sustainability and impact. This collaboration with the SDC for the cocoa value-chain is the first technical assistance project to implement this recommendation.

1.17. Link to the Swiss Cooperation Strategy. The project is consistent with the Swiss Cooperation Strategy for Haiti (2014- 2018) that is to "increase the resilience and food security of rural communities through the adaptation and diversification of production systems, increased revenue.

1.18. SDC will co-finance the project during its initial phase and commit funding for the next 12 years in the cocoa value chain. Three phases are planned 2014-17 to test and develop the intervention model (CHF 250,000 per year); 2018-21 to consolidate experiences, lessons learned and expand to a larger number of producers (CHF 500,000 per year); and 2022-25 (CHF 250,000 per year) to promote sustained growth and impact.

1.19. Link to Haiti's Ministry of Agriculture, Natural Resources and Rural Development (MARNDR). This project is aligned with the MARNDR's Agricultural Recovery Plan (2013-2016) which aims to "contribute to food security and economic growth of Haiti through the development of sectors in animal and plant production."

1.20. Collaboration with the Bank Group. The Bank's Country Strategy identifies six priority sectors for support in Haiti. This project falls under the priority of promoting and supporting private sector development, particularly the development of SMEs in strategic areas such as agriculture. The project will complement two other initiatives underway to strengthen smallholder participation in the cocoa value chain. The first is a $40 million investment grant from the Bank supporting technology transfer to small farmers (HA-L1059) for crops such as cocoa, maize, mangoes, coffee, avocados, citrus, rice, sorghum, and beans. This project makes available technology in the North Department that has been shown to improve cocoa regeneration and will complement the MIFs bottom-up approach of providing technical assistance and training to producer organizations.

1.21. The second is the Pilot Program of Support to Productive Value Chains (HA-G1022) which is currently under preparation by CMF. The $17 million grant aims to create employment opportunities through a public-private model that facilitates investments in value chains that are led by anchor companies. The operation will work with two lead firms in the cocoa sector (Rebo and Weiner) to source greater volumes of cocoa from farmers/cooperatives and to invest in upgrading processing facilities that improve quality in the supply chain. This CMF operation offers clear complementarities and offers opportunities to integrate more cooperatives into the supply chain of cocoa exporters.

1.22. The project will coordinate with the Government of Haiti through the Ministry of Agriculture in order to ensure alignment with the government's strategy for the cocoa sector and to leverage synergies with existing and planned programs. The Ministry of Agriculture has been involved in project design and is expected to play a role in project oversight through representation on the project Steering Committee and/or the National Cocoa Alliance.

1.23. The project will leverage the IICs FINPYME *Export Plus* program to enhance the ability of cooperative enterprises to access export markets. Under this program, an expert-led training workshop will be held for cocoa cooperatives to improve their knowledge of the operational and quality aspects of the chocolate industry, mainly on processing and transformation but also on cocoa production. This will be further complemented by individual assessments and technical assistance to cooperatives in order to improve operational processes and access to export markets.

2. PROJECT DESCRIPTION

A. Objectives

2.1. The impact-level objective of the project is to increase the incomes of 7,000 small scale cocoa farmers in Haiti. The objective at the results level is to strengthen the capacity of producers to supply cocoa in high value markets.

B. Description of Model/Solution/Intervention

2.2. The project takes a value chain approach by identifying key bottlenecks and opportunities to create value for farmers and cooperatives. The project will improve the participation of small scale cocoa farmers and cooperatives in the cocoa value chain through a four-pillar approach which focuses on overcoming key barriers to greater competitiveness: a) access to markets, b) technical training and new technologies, c) access to finance, and d) access to collaborative networks.

2.3. *Access to markets*. To promote market access the project will focus on creating direct links between cooperatives and local exporters, reducing the need for intermediaries and consequently allowing producers to capture a higher share of the export price. The project will also assist producers to acquire organic and fair trade certifications[12] to promote engagement with specialty markets. This will be accompanied by business training for farmers and cooperative enterprises to improve their capacity to manage farms as enterprises.

2.4. *Access to technical training and new technologies*. Through farmer field schools and extension services, the project promotes improved natural resource management and agroforestry techniques that will boost productivity and enhance incomes by including 2-3 tree crops with long term economic viability to provide diversified income to producers. It will emphasize good agricultural practices (pruning, shade management) and introduce new technologies such as grafting and high yielding seedlings. Because post-harvest management of cocoa is extremely important to achieving a high-quality product, it will also support cocoa producers in improving fermentation and drying techniques, and cooperatives in improving centralized drying facilities and processing centers[13]. The project will also build the capacity of small groups of microprocessors through the provision of tools and trainings to improve product quality, consistency,

[12] The certification process will be led by SOGEPA, a local exporter who will provide counterpart resources toward the cost to certify the cooperatives in its supply chain. In the North, the project will share the cost of certifications with LWR. Project funds will contribute to maintenance of certifications over the 3 year implementation period. Before the project's end, maintain certifications will be a key issue incorporated into the cooperative business plans and cost sharing options will be explored with local exporters and other value chain actors.

[13] There are currently 5 post harvest processing centers in the North and 3 in the Grand'Anse region.

and packaging. Training will be accompanied by a marketing assessment and plan to facilitate market access to local and regional markets.

2.5. *Access to credit*. Third, access to credit is an essential part of the model as most producers and their cooperatives have no access to finance through formal channels to purchase farming inputs such as improved seedlings which are critical to success. The project will include business and financial training to cooperatives with the dual objective of increasing their capacity to manage small internal credit systems for members and making the cooperatives themselves bankable. These activities will be led by Root Capital as part of its contribution to the project. The project also will improve sustainable access to providers of financial and crop insurance services offered by SYFAAH, a project funded principally by the Canadian government and the SDC. The collaboration with SYFAAH will offer an excellent gateway to extend financial and agricultural services to vulnerable cocoa producers often located in remote areas. Through this collaboration, the project will contribute to the establishment in Haiti of a system specialized in agricultural financing and crop insurance to farmers / agro-entrepreneurs with the goal of increasing access to finance on affordable terms and reducing risk. This component offers the opportunity to join efforts with key credible strategic partners (CIDA and SDC) to increase the revenues of vulnerable cocoa farmers

2.6. *Access to networks*. Last, the project will promote coordination and collaboration with other actors of the chain to establish linkages, find synergies and share information through knowledge exchanges and regular industry level meetings in order to improve the performance of the chain and have impact at the national level. The SDC has extensive experiences facilitating such alliances between private companies and cooperatives in countries including Cote d'Ivoire, Ghana, and Honduras. Thus, the SDC will join efforts with the MIF in facilitating these linkages with international actors, particularly Swiss Companies, for knowledge sharing. In addition, The program will work in collaboration with CATIE (the Tropical Agricultural Research and Higher Education Center) to establish a sustainable cocoa agroforestry system. A special effort will be made to promote collaboration with the cocoa sector in the Dominican Republic through the Dominican Cocoa Cluster in order to promote south-south learning and collaboration.

C. Components

Component I: Improving Productivity and Natural Resource Management of Cocoa Farms. (MIF: US$1,202,511; Counterpart: US$290,888;Co-financing: US$249,334).

2.7. The objective of this component is to improve yields and environmental management of small scale cocoa farms. The activities will focus on 5 key areas: (i) developing a new cocoa agro forestry system model based on organic practices; (ii) training of extension officers on improved production practices, pest management, and soil conservation; (iii) genetic mapping of local cocoa varieties and establishing clonal gardens; (iv) rehabilitation and regeneration of farms with high yielding plant varieties; and (v) training of local technicians in grafting and provision of grafting services. Through a small pilot in the Grand'Anse, the project will incentivize the planting of new trees and the creation of new cocoa farms through the Plan Vivo system, which promotes enhanced natural resource management using payments for environmental services[14].

2.8. To reflect additional funding from the SDC, the expected results of this component are: (i) 4000 producers trained in sustainable cocoa agroforestry systems through farmer field schools; (ii) the establishment of 16 clonal gardens with high yielding genetic material; (iii) 2500 hectares under improved management practices; (iv) 180 extension officers trained in farm management and grafting; and (v) 50 producers receiving payment for environmental services under the pilot Plan Vivo program.

Component II: Adding value through product and process upgrading. (MIF: US$325,501; Counterpart: US$ 172,000; Co-financing: US$547,666).

2.9. The objective of this component is to improve the capacity of producers to capture greater value from the cocoa harvest through proper reaping, fermentation, drying and cocoa transformation techniques. These changes are expected to promote greater efficiency and bean quality.

2.10. This component will fund the following activities: (i) improve centralized post-harvest infrastructure for fermentation and drying at the cooperative level; (ii) roll-out a training program for producers on improved harvesting, fermentation, drying, and storage practices; (iii) develop business plans and trainings for cooperatives to gradually transition from selling bulk cocoa to fermented cocoa; (iii) undertake group organic and Fair Trade certification in collaboration with local exporters; and (iv) build the capacity of groups of microprocessors to transform and commercialize processed cocoa products in local and regional markets.

[14] Under the project, a small pilot of 50 farms will participate in the Plan Vivo system. Building on CRS work in watershed management, cocoa producers will create an environmental plan ('Plan Vivos') for new farms. Activities will include reforesting degraded lands, planting new cocoa farms, and avoiding deforestation in areas where forest cover is degraded. These new plantations will sequester carbon from the atmosphere as they grow, and the producers will receive income from the sale of carbon credits verified by Plan Vivo - a carbon standard designed for projects that benefit smallholder farmers in developing countries. The pilot will establish the feasibility of utilizing the Plan Vivo system more widely in commercial small holder agriculture in Haiti to support sustainable land use.

2.11. The expected results of this component are: (i) 13 cooperatives with improved post-harvest infrastructure; (ii) 4000 producers trained on post-harvest management; (iii) 13 cooperatives transitioning to selling specialty cocoa; (iv) 13 cooperatives completing or in the process of fair trade and/or organic certification; (v) 6 groups of microprocessors trained in cocoa transformation and commercialization.

Component III: Strengthening the institutional capacity of cooperative enterprises for sustained long-term growth. (MIF: US$179,215; Counterpart: US$26S,000;Co-financing: US$239,666).

2.12. The objective of this component is to strengthen the institutional capacity of cooperative enterprises in three key areas: enterprise management, marketing and commercialization, and good governance.

2.13. This component will support the following: Enterprise management: (i) assisting cooperatives to obtain legal cooperative status; (ii) training and advisory services for cooperatives in accounting, financial management business practices, and strategic planning; (iii) development of a member registration system that provides the foundation for product traceability; (iv) creation of internal credit systems[15] to help producers access small loans; (v) Improve sustainable access to providers of financial and crop insurance services offered by SYFAAH funded principally by Canada and the SDC Marketing and commercialization: (vi) creation of marketing plans for cocoa commercialization; (vii) facilitating buyer visits to Haiti and participation international trade shows and conferences; Good governance: (viii) The project will aim to have impact at the national level by establishing a National Cacao Alliance, building on the combined experience of the SDC and LWR in Cote d'Ivoire, El Salvador Ghana, Honduras and Nicaragua; and of the organic cocoa cluster in the Dominican Republic. This entity will be created with the purpose of promoting business partnerships and cooperation between the public and private sector and other actors from the value chain to improve value chain performance. The alliance will have broad representation of the sector including producer groups, exporters, buyers, the Ministry of Agriculture, certifiers, input suppliers, and financial institutions. CRS, with support from steering committee members, will sensitize value chain actors on the cluster model. The team will identify key actors, recruit members for the cluster, develop a governance structure, and support it to become a legally recognized entity.

2.14. The project has been designed to include a range of actors in the value chain, including cooperatives, exporters, financial institutions, and government to enhance productivity and quality while creating a platform to share knowledge. The cacao cluster will facilitate these alliances and the project activities such as certification, traceability, fermentation, and marketing will be beneficial to all the stakeholders including the cooperatives as well as exporters such as SOGEPA, Wiener, Rebo, and Novella among others. Finally, through the

[15] Root Capital will provide advisory services and training to the producer groups to establish internal credit systems. Internal credit funds are established to issue short-term microloans to cooperative members at rates well below those charged by local moneylenders. These microloans can be repaid to the association in cash or in the form of a deduction on the payment farmers receive when they deliver their cocoa at harvest time. Internal credit funds supported by the project will be capitalized with counterpart funding from Root Capital.

Cocoa Cluster and the expertise of the SDC, the private sector will benefit from experiences on working in synergy with cooperatives to improve access to market.

2.15. The expected results of this component are: (i) 13 cooperatives attaining legal status; (ii) 13 cooperatives trained in business and financial management and cooperative governance; (iii) 10 cooperatives offering internal credit to members; (iv) 13 cooperatives with an established member database and basic traceability system; and (v) 30% of cooperative management positions occupied by women. (vi) 10 Cooperatives have applied for financing from Root Capital and / or member financial institutions of SYFAAH.

Component IV: Knowledge Management and Communications Strategy. (MIF US$265,200; Counterpart US$92,736;Co-financing: US$74,444)

2.16. The objective of this component is to identify, validate and systematize practical solutions for improving opportunities for men and women as part of the upgrading of the cocoa value chain in relation to three main knowledge gaps: women's inclusion, access to finance, and access to market.

2.17. Women's membership in cooperatives is high, approaching 40% but far fewer are represented in cooperative management structures. It is unclear to what extent women in the cocoa value chain are able to benefit from technical assistance activities to improve their position in the chain. In this respect, the knowledge gap the project seeks to address is how to make the cocoa value chain more inclusive for women at all points including input supply, production, post-harvest processing, marketing, and transformation. The project will publish a guide to provide practical solutions on how to increase opportunities for women in the value chain. It will assess strengths, weaknesses, and identify ways to improve women's participation in production, processing, and transformation as well access to credit, trainings, production inputs, and empowerment in decision making. The assessment will also take a closer look at women's inclusion in cooperatives by preparing a gender scorecard for each cooperative to determine what to extent women are represented and empowered in cooperative management and governance. This assessment will explore the use of existing gender sensitive monitoring tools such as the Women's Empowerment in Agriculture Index which was developed by USAID and IFPRI.

2.18. The project will pilot the use of internal credit funds which will be administered by cooperatives. In this respect, the knowledge gap is to determine how effective these funds can be as a tool for increasing farmers' access to credit. Root Capital has recently introduced this tool in Haiti and there is limited information to determine its effectiveness and potential for scale with other agricultural cooperatives in the country. This component will systematize the project's experience and produce a solution on the use and effectiveness of internal credit funds by cocoa cooperatives participating in the project. This will include a short case study, training materials and practical guidance for establishing these funds in cooperative enterprises.

2.19. The collaboration with SYFAAH will offer an excellent gateway to extend financial and agricultural services to cocoa producers. Through this collaboration the project will contribute to the establishment in Haiti of a system specializes in agricultural financing and crop insurance to farmers / agro-entrepreneurs with the ultimate goal to revive the agricultural and rural economy, create jobs and improve food security in Haiti. Thanks to the co-financing from the SDC, the project through SYFAAH will design financial products targeting specifically cocoa farmers and cooperatives. Hence, the project will indirectly support the strengthening of a local sustainable agricultural financial and crop insurance system that targets farmers/ agro-entrepreneurs with the ultimate goal to revive the agricultural and rural economy, create jobs and improve food security in Haiti.

2.20. The project will produce a guide on marketing and commercialization to systematize the key elements of accessing high value markets for cooperative enterprises. This guide will provide solutions for key steps such as contacting buyers, costing, pricing, preparing offers, and writing contracts. It will build and improve on the commercialization module of LWRs cocoa toolkit. The guide will be an agenda level knowledge product that can be used as a solution for cocoa cooperatives throughout the region.

2.21. Lastly, the project will finance study tours and learning exchanges between cocoa value chain actors such as producer groups, exporters, buyers, Ministry of Agriculture, certifiers, input suppliers, and financial institutions from Haiti , the Dominican Republic and other consuming and producing countries throughout the world such as Belgium, France, Switzerland, etc.

2.22. The Ministry of Agriculture, implementers, donors, exporters, and other cooperatives are among the key audiences for the project's results and knowledge products. The project expects to influence government, donors and implementers to adopt and scale effective practices identified by the project. The solutions created through the knowledge products will be featured on ***Nexso,*** the MIFs innovation and knowledge platform for field tested solutions. They will also be disseminated through presentations and dialogue via the National Cocoa Alliance as well as through presentations at key events related to agriculture and value chains in Haiti.

2.23. The expected outputs are: (i) a guide that provides practical solutions to improve opportunities for women in the cocoa value chain; (ii) a guide on the use and effectiveness of internal credit systems; (iii) a guide on cocoa marketing and commercialization; and (iv) 3 learning exchanges between FECCANO and producer groups in Grand'Anse, as well as cross-border exchanges with clusters in the Dominican Republic.

D. Project Governance and Execution Mechanism

2.24. The project will be administered by a Project Coordination Unit (PCU) and a multi-stakeholder Steering Committee.

2.25. CRS will establish a PCU that will have direct responsibility for executing project activities. This unit will be staffed by a Project Coordinator who will have overall responsibility for project execution in both the North Department and Grand'Anse and will manage the operations of the unit. The Coordinator will be supported by a technical team consisting of two Regional Production Managers (one for each region) with experience in cocoa agroforestry systems, and a Manager for Commercialization and Capacity Building. The project will also have a three-person monitoring and evaluation team consisting of two regional officers and one national coordinator to effectively aggregate results and impact. Lastly, the PCU will have an accountant and administrative staff.

2.26. In order to embed the participation of key stakeholders in project governance, a Steering Committee will be established with representation from MIF, CRS,SDC, LWR, Root Capital, cooperatives in the Grand' Anse, cooperatives in the North Department, and a local exporter. The committee will be chaired by CRS. The main function of the committee will be to provide guidance on annual work plans, to provide inputs on project implementation on behalf of value chain stakeholders, and to advise on the sustainability of project activities. The committee will meet at least every six months and more frequently if necessary.

2.27. One year before the project ends, a sustainability workshop will be held with all key stakeholders to identify specific actions needed to ensure the continuity of the project's activities after the project funding has been expended. The workshop will be organized by the executing agency.

E. Sustainability

2.28. In the context of the project, sustainability will be determined by the ability of cooperative enterprises to successfully export greater volumes of cocoa through long-term commercial relationships with buyers and local exporters. This will be achieved by building their productive and business capacity to integrate into international supply chains. Products and services developed by the project such as nurseries and grafting services will be embedded in the cooperatives as income generating activities in order to ensure that they are market-driven and can be sustained by the cooperatives' business model after the project ends. During project execution, the Steering Committee will advise periodically on the sustainability of project activities.

F. Experience and Lessons Learned from MIF or other Institutions

2.29. CRS, as the proposed executing agency, has over six decades of experience in Latin America and the Caribbean managing complex relief, rehabilitation, and development projects. Current projects covering the Grand'Anse department include the USAID funded Multi-Year Assistance Program (a five-year multi-sectorial program that supports 8,000 farmers, 200 Savings and Internal Lending Groups, and numerous agro-enterprises) and the coffee and mango-focused value chain project Mountains to Markets, which supports 5,000 producers and 7 producer groups.

2.30. Experiences from the MIF, CRS, the SDC and other actors in the Haitian cocoa value chain have provided the following key lessons:

2.31. It is critical to design and initiate activities with embedded sustainability. Value chain projects often rely on substantial inputs to initiate project activities, and when the inputs from the project end, so do the activities. The project embeds the provision of key goods and services, known today, into the business models of cooperatives, exporters, and other local service providers; and is partnering with the Swiss Cooperation (SDC) which has committed to 2 subsequent phases to consolidate lessons learned from this first phase and expand to a larger number of producers (2018-21) and a final phase (2022-25) which will seek to support activities aimed at sustaining the cocoa industry.

2.32. Access to credit is a chronic barrier to agricultural investment and growth. The project will leverage a tripartite partnership established between the MARNDR, Canada and Switzerland / SDC to strengthen SYFAAH, a local sustainable agricultural financing and crop insurance system aiming to provide financial services to farmers / agro-entrepreneurs with the ultimate goal to revive the agricultural and rural economy, create jobs and improve food security in Haiti. The operators of SYFAAH are Développement International Desjardins (DID), Financière agricole du Québec - Développement International (FADQDI) and Inter-American Institute for Cooperation on Agriculture (IICA). One bank, one MFI and one financial cooperative network (SOGESOL, ACME and Le Levier) are involved to date, while others should be added from the Phase 2 of SYFAAH, including the first Haitian commercial bank and FINCA Haiti.

2.33. The project will pilot the use of internal credit funds which will be administered by cooperatives. It will also strengthen the financial profile of cooperatives with the objective of facilitating links to financial institutions and social lenders such as Root Capital.

2.34. Recent studies on the cocoa value chain highlight the need to increase production volumes in the Grand'Anse due to its high impact on both producer incomes and the industry as a whole. Previous interventions by other donors have had limited reach in this region because of their size and relatively short duration. The project will direct a significant amount of resources to revitalizing cocoa production in the Grand'Anse and has partnered with 6 cooperatives and a local exporter to work toward this goal.

2.35. A recent analytical work done by the MIF and CMF on productive value chains highlights the need to engage lead firms that are willing to source from small producers. As key buyers, they are often willing to invest in the development of a more efficient and inclusive supply chain and have the ability to drive upgrading, provide technical assistance, and facilitate financing to producers.

G. MIF Additionality

2.36. Non-Financial Additionality. Due to its experience in agricultural value chains, MIF has a strong understanding of the obstacles faced by producers in maximizing their yields and in capturing greater value for their cocoa in the marketplace. The MIF has recently funded a cluster of specialty cocoa projects in in Ecuador, Jamaica and Belize, all of which will provide lessons for the implementation of this initiative. Another key benefit is that the MIF has successfully leveraged additional contributions from its partners such as SDC, LWR, Root Capital and IIC to secure resources for project implementation. Lastly, at the industry level, the MIF and CRS will bring together key actors in the government and private sector though the National Cocoa Alliance to advance efforts to revitalize the value chain.

2.37. Financial Additionality. MIF financing for the project is critical. While cocoa is recognized by the government, donors and the private sector as one of the priority value chains in Haiti with great potential to increase producers' income and stimulate economic growth, few funding institutions have the financing and influence to pull together the resources needed for significant impact. MIF funds will launch the first national level project to build the capacity of producers and sustainably position them in international supply chains. The SDC has recognized the importance to sustain this effort in the long term and has committed to support this project in three phases over 12 years, 2014-17 to test and develop the processes; 2018-21 to consolidate the experiences and expand to a larger number of producers; 2022-25 for a total value of CHF 4 million.

H. Project Results

2.38. The expected results at the end of the project are as follows: (i) 13 cooperatives groups have fulfilled contracts with exporters/buyers; (ii) an increase from 682 metric tons to 1764 metric tons of cocoa exported annually by cooperatives receiving assistance from the program; (iii) 30% average increase in per hectare producer yields; (iv) 5 SMEs engaged in cocoa transformation accessing new markets; (v) at least 2 new international buyer sourcing cocoa from Haiti.

I. Project Impact

2.39. The objective at the impact level is to increase incomes of small holder cocoa farmers in Haiti. By the end of the project, small scale farmers who are implementing improved practices are expected to see their incomes from cocoa sales increase by 25% due to higher per acre yields and improved quality. In addition, cooperatives exporting fermented cocoa are expected to receive a price premium of 20%. With a more efficient supply chain and improved negotiating power, producers are expected to receive a 70% and 60% share of the world price for fermented and unfermented cocoa respectively. Last, project is expected to create 250 new jobs in regeneration (temporary), grafting, and extension services.

J. Systemic Impact

2.40. The project will achieve systemic change by achieving significant scale in the two main cacao production zones and by providing support to nearly 35% of cocoa producers in Haiti. A pivotal contribution will be to catalyze the transition from unfermented cocoa to higher value fermented cocoa by cooperatives in Grand'Anse. Furthermore, the project will facilitate the formation of a new entity, the National Cocoa Alliance, which will help to strengthen market connections, address challenges in the value chain and create an environment of knowledge sharing and market development.

3. MONITORING AND EVALUATION STRATEGY

3.1. **Baseline:** Within three months of the start of the project, a comprehensive baseline assessment will be conducted. The assessment will be populated with two strata: organized producers and non-organized producers. This baseline will focus on information regarding: level of actual cocoa production, amount of revenue received from cocoa sales, production techniques and input costs, market access, and cocoa prices for fermented and unfermented cocoa. CRS has incorporated the Progress Out of

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Poverty (PPI) poverty scorecard in baselines for livelihoods programs to evaluate and track poverty levels of program beneficiaries. The PPI will be an additional tool used as a part of the baseline to gather information on social and economic characteristics of beneficiaries and track changes to household poverty scores. Baseline data will also be collected on the business and financial performance of the cooperatives. All baseline findings will be disaggregated by sex and used as a frame of reference for identifying changes which have occurred in the target areas over the life of this initiative, as further determined through the project's reports and evaluations.

3.2. **Monitoring:** The project will have a dedicated monitoring team which will track data for producers and cooperatives. All monitoring data for producers will be captured using iPod Touch devices. To enable detailed beneficiary tracking and monitoring, all participating producers will be enumerated and assigned an identification number (ID), which is registered in a database. Upon receiving any good or service delivered through the project, recipients' ID number will be entered, with the data then stored on a CRS server. This system will provide specific information on which beneficiaries have received different elements of the intervention. At the end of the project, a large portion of the technology will be transferred to cooperatives to be used a business management tool. This will further enable groups to undertake digital data collection, analysis and/or implement mobile traceability systems. To monitor cooperative performance, the project will collect production and financial data from cooperatives on a quarterly basis.

3.3. **Evaluations**: The project will have both a mid-term and final evaluation. The mid-term evaluation will be conducted at the mid-point of the project or when 50% of the resources have been disbursed. The midterm evaluation will cover, among other issues: (i) the efficacy of farmer field schools and the degree to which farmers are adopting better production practices; (ii) progress in implementing improved post-harvest processing methods; (iii) the sustainability of project services such as grafting and certifications; and (iv) the progress related to cooperative management and financial performance.

3.4. A final evaluation will be conducted in the fourth year of the project, replicating the processes, target areas and indicators which were used in the baseline. The results of this study will enable SDC, CRS and the MIF to measure the impact which has occurred in the program's targeted areas, compared to the baseline findings. Key evaluation questions for the final assessment may include: (i) To what extent does this model improve the competitiveness and productivity of small holder Haitian cocoa farmers and thus increase their incomes; (ii) Do producers in cooperatives fare better than independent producers; (iii) Is there a difference in the project's results and impact for men vs. women? Findings, recommendations, lessons learned and suggestions on the potential for replication will be disseminated widely to all involved stakeholders.

3.5. **Closing Workshop:** The executing agency will organize a closing workshop at the appropriate time to assess the outcomes achieved, identify additional tasks to guarantee sustainability, and identify and disseminate lessons learned and best practices. The closing workshop will present the findings of the evaluation and involve broad stakeholder participation, including the National Cocoa Alliance.

4. COST AND FINANCING

The new project has a total cost of USD 6,131,312 of which USD 2,902,700 (47.34%) will be provided by the MIF, USD 2,117,500 (34.54%) by the counterpart and USD 1,111,110 (18.12%) by the Swiss Agency for Development and Cooperation. The execution period will be 48 months and the disbursement period will be 54 months.

Components	MIF	Counterpart	SDC Co-financing*	Total
Component 1: Improving Productivity and Natural Resource Management of Cocoa Farms	1,202,511	290,888	249,334	1,742,733
Component 2: Adding Value through Product and Process Upgrading	325,501	172,000	547,666	1,045,167
Component 3: Strengthening Institutional Capacity of Cooperative Enterprises for Sustained Long-Term Growth	179,215	265,000	239,666	683,881
Component 4: Knowledge Management and Communications Strategy	265,200	92,736	74,444	432,380
Executing Agency / Administrative	601,584	1,257,416	0	1,859,000
Baseline, Monitoring and Evaluation	64,000	0	0	64,000
Ex post reviews	50,000	0	0	50,000
Contingencies	34,561	39,461	0	74,022
Sub-total	2,722,572	2,117,500	1,111,110	5,951,182
% of Financing	47%	36%	18%	100%
Institutional Strengthening (Financial Management and/or Procurement Training, if applicable)	4,000	0	0	4,000
Impact Evaluation Account (5%)	136,128	0	0	136,128
Agenda Account	40,000	0	0	40,000
Grand Total	**$2,902,700**	**$2,117,500**	**$1,111,110**	**$6,131,310**

5. EXECUTING AGENCY

A. Executing Agency

5.1. Catholic Relief Services will be the Executing Agency of this project and will sign the agreement with the Bank. Catholic Relief Services has a long history of implementing agriculture and agro-enterprise projects in Haiti and throughout Latin America and the Caribbean. CRS is registered with the US government as a 501(c)3 nonprofit organization and has worked in Haiti since 1954. It is also a registered organization in Haiti. CRS was founded in 1943 by the Catholic Bishops of the U.S. to assist the poor and disadvantaged overseas based on need, regardless of creed, ethnicity, or nationality. CRS focuses on smallholder farmers and collaborates with farmers through participatory methods, building upon and improving current practices, and developing sustainable agricultural strategies. The project is aligned with its mission to serve poor and disadvantaged producers by linking them to services and markets which allow them to gain more value from their existing assets. CRS emphasizes the importance of helping rural families exploit not just local, but global and regional markets, to increase farm income and support rural economic growth. This includes support for market-opportunity identification and value-chain participation, links to research, extension and the necessary business-development services, and commercial linkages. To leverage the contribution of key actors in the value chain, the project will partner will the following stakeholders:

5.2. Lutheran World Relief will be directly contracted by CRS as the lead implementer of the project in the North in order to effectively leverage an existing technical assistance program that is working to strengthen production, quality, organizational capacity, and market access for the 6 cooperatives in the FECCANO network. A strategic alliance will allow the MIF to reach more producers and extend services to the North. LWR will contribute to the project with counterpart resources to finance post-harvest infrastructure, tools, equipment, and costs related to program administration. Moreover, the project will benefit from LWRs knowledge and experience in working with cocoa producers El Salvador, Honduras, and Nicaragua for which it developed a comprehensive toolkit for small-scale cocoa farmers which will be translated to creole and adapted for use in Haiti. Furthermore, the project could potentially tap LWRs relationships with buyers such as the Hershey Company, Ecom Trading, and Equal Exchange to enhance market access for producers in the South. The project will deploy a team of three people - a Production Manager, a Monitoring Officer and Administrative Assistant- who will be based in the North and will be responsible for the project's co-execution. Prior to the project's first disbursement, CRS and LWR will sign a formal agreement to clearly specify the roles and responsibilities of their alliance in implementing the project.

5.3. SOGEPA, one of the newest actors in the sector, is a national exporter based in the Grand'Anse. Unlike more established exporters in Haiti, which mostly purchase cocoa from intermediaries, SOGEPA deals directly with cooperatives thus directly contributing to better incomes and opportunities for cocoa farmers. SOGEPA will not be contracted by the project but will contribute to counterpart resources by providing technical support on the development of post-harvest systems for improved quality cocoa. The company will also lead the fair-trade and organic certification process for select producer groups in the Grand'Anse. SOGEPA has an interest in the development and distribution of seedlings and is able to serve as a private sector partner in the propagation and sale of improved quality cocoa seedlings and grafting material.

5.4. Root Capital is a nonprofit social investment fund that grows rural prosperity in poor, environmentally vulnerable places by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses. Root Capital will take the lead in providing diagnostics and customized training in cooperative management and business administration (accounting, credit management, production management, marketing and commercial administration, information technology systems). Root Capital will not be contracted by the project but will contribute to counterpart resources by providing advisory services to build the capacity of cooperatives to establish and manage internal credit systems, and to improve the financial profile of cooperatives to access working capital and investment financing.

5.5. The Swiss Agency for Development and Cooperation (SDC) is Switzerland's international cooperation agency within the Federal Department of Foreign Affairs (FDFA). In operating with other federal offices concerned, SDC is responsible for the overall coordination of development activities and cooperation with Eastern Europe, as well as for the humanitarian aid delivered by the Swiss Confederation. The goal of development cooperation is that of reducing poverty. It is meant to foster economic self-reliance and state autonomy, to contribute to the improvement of production conditions, to help in finding solutions to environmental problems, and to provide better access to education and basic healthcare services. The MIF has received preliminary approval from SDC for CHF 4 million for 2014-2025 to co-finance activities both within the ongoing MIF Cocoa Value Chain project in Haiti (HA-M1049; MIF US$2.7M), and beyond the lifetime of this project in order to strengthen the cocoa value chain in the longer-term. Activities to be co-financed within the Cocoa Value Chain project may include: (i) enhancing the productivity of cocoa farms; (ii) adding value to cocoa through improved quality and certification; (iii) innovative models for increasing the bargaining power of small producers; and (iv) market intelligence for diversifying target markets including enhancing export links with Swiss importers and domestic premium markets stage.

5.6. CRS will establish an executing unit and the necessary structure to effectively and efficiently execute project activities and manage project resources. CRS will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex 7 in the project technical files.

6. PROJECT RISKS

6.1. The following risks have been identified: (i) **Execution risk:** The project is national in scope and will rely heavily on the coordination of both CRS and LWR for successful implementation. To mitigate this risk, the execution mechanism has been designed to ensure adequate staffing in both the North and the South. Production managers and administrative assistants will be assigned in both the North and the South to facilitate smoother implementation and better communication. These staff will report to the Project Coordinator on a weekly basis. (ii) **Sector risk:** In Haiti, cocoa is perceived as a low value crop compared to other cash crops which can lend a quick profit in local markets. This might encourage farmers to diversify away from cocoa. To mitigate this risk, the project will encourage cooperatives and independent farmers to work directly with local exporters to help producers receive a greater share of the final price of cocoa, thus increasing the incentive to invest in their trees. (iii) **Market risk:** The price of cocoa could fall during the project period, resulting in lower than expect incomes for producers. To mitigate this risk, the project will promote an agroforestry system that incorporates two to three tree crops that will provide additional on-farm income for cocoa producers. (iv) **Climate risk:** Haiti is at high risk for natural disasters, particularly frequent tropical storms and hurricanes which can lead to crop loss, tree damage, flooding and landslides. To mitigate potential losses, the project has adopted an agroforestry system which encourages stabilization of the soil through planting shade trees with deep root systems. These storm-resistant trees will provide shade as well as protection to cocoa during storms.

7. ENVIRONMENTAL AND SOCIAL EFFECTS

7.1. The project is expected to have a positive impact on the environment through improved natural resource management, particularly soil conservation to reduce environmental risks. While the project does not have specific activities on climate change adaptation, CRS recently completed a climate change study and will use this information to inform project decisions and to ensure that farmers plant tree crops that help them adapt to the effects of climate change.

8. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex 8.

9. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

9.1 **Information Disclosure.** This project is categorized as public for the purpose of the Bank's information disclosure policy.