

ADMINISTRATION AGREEMENT

between

CITI FOUNDATION

and

THE INTER-AMERICAN DEVELOPMENT BANK

regarding

**Project Specific Grant to the Inter-American Development Bank for Project
RG-X1168, titled “Value Chain Financing in Latin America and the
Caribbean: Mapping Exercise”**

THIS ADMINISTRATION AGREEMENT is entered into between CITI Foundation ("CITI"), and the Inter-American Development Bank (the "Bank") (together referred to as the "Parties", and individually either of them, a "Party").

WHEREAS, the Bank has designed Project RG-X1168 titled, "Value Chain Financing in Latin America and the Caribbean: Mapping exercise" (the "Project"), as described in the attached Project Document (the "Project Document");

WHEREAS, CITI has agreed to support the execution of the Project by providing 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 CITI.

NOW, THEREFORE, the Parties hereby agree as follows:

1. CITI will make available to the Bank a contribution of U.S.\$40,000.00 (forty thousand dollars of the United States of America) (the "Contribution") to be administered by the Bank to co-finance the Project.
2. The Contribution will be solely for the purposes indicated in the Project Document. Any material deviations from the objectives and activities of the Project described in the Project Document will require CITI's written approval.
3. Following the signature of this Administration Agreement by the Parties, CITI shall transfer the Contribution to the Bank in one single installment, upon the Bank's written request, to the account #04404221 "Inter-American Development Bank - Cofinancing Account" opened by the Bank at Deutsche Bank America Trust, New York (swift #BKTRUS33XXX) (the "Account"). The Account is denominated in U.S. dollars and includes resources provided as grant funds by other donors for other Bank projects. The Contribution will be administered in the Account without distinction from other donors' contributions.
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 and will have no further liability to CITI in respect thereof.
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.

6. To assist in the defrayment of the administrative costs in relation to the Contribution, the Bank will charge and retain:
 - a) a fee equal to five percent (5%) of the total amount of the Contribution at the time the Contribution is deposited by CITI into the Account; and
 - b) 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, CITI accepts that:
 - a) the resources of the Contribution will be completely untied; and
 - b) the consultancy services financed with the Contribution may be provided and executed by companies, specialized institutions or individuals from any Bank member country.
8. CITI 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 CITI be liable for any costs incurred by the Bank in terminating the engagement of any such person.
9. Promptly following the completion of the Project, the Bank will submit to CITI a final Project report. CITI may also request a copy of the non-audited financial statements of the Project. In addition, CITI may request an "agreed upon procedures" report issued by the Bank's external auditor on the use of the Contribution resources. The cost of such auditor's report will be borne by CITI and will not be deducted from the Contribution. CITI 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. As soon as possible upon completion of the Project, the Bank will return to CITI any remaining uncommitted Contribution funds, unless otherwise agreed to in writing by the Parties.
11. CITI further acknowledges that the Bank's commitment to use the Contribution as contemplated herein shall be subject to the Bank's formalization of all internal approvals necessary for the Project and/or the Project Document.

12. 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 will be the following:

a) For the Bank:

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

Manager, Office of Outreach and Partnerships
Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577 U.S.A.
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 Administrative Arrangement shall be directed to:

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

b) For CITI:

Monica Mecca, Program Officer
CITI Foundation
425 Park Avenue, 2nd Floor
New York, NY 10022
Tel.: +1 (212) 559-9762
Fax: +1 (212) 793-5944
E-mail: monica.mecca@citi.com

13. This Administration Agreement will come into force on the date of its signature by each of the Parties.

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

15. Subject to their respective policies and procedures with respect to the disclosure of information, the Parties may make this Administration Agreement publicly available.
16. Nothing in this Administration Agreement may be construed as creating an agency relationship between the Parties.
17. The Parties will seek to settle amicably any disputes that may arise from or relate to this Administration Agreement.

IN WITNESS WHEREOF, CITI Foundation and the Inter-American Development Bank, 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.

CITI FOUNDATION



Brandee McHale
Chief Operating Officer

Date: 11/29/12

**INTER-AMERICAN
DEVELOPMENT BANK**



Bernardo Guillamon
Manager

Date: Nov 29, 2012

Simplified Plan of Operations

Value Chain Financing in Latin America and the Caribbean: Mapping exercise (RG-X1168)

Country: REGIONAL

Financing:	MIF	US \$160,000	80%
	Citi Foundation ¹	US \$ 40,000	20%
	TOTAL	US \$ 200,000	100%

Objectives: The objectives of this project are the following: (i) understand who is who and who is doing what in terms of supply chain and value chain finance in Latin America; (ii) identify and analyze which are the barriers that are preventing commercial banks and other relevant financial intermediaries to increase finance to the agricultural sector; (iii) develop a concrete tool or mechanism to measure and assess the business environment for value chain finance in selected countries; (iv) identify financial institutions that are currently working with the agricultural sector providing financial services and analyze their financial products and business models to tackle this segment; and (v) identify financial institutions interested in implementing new financial products for value chain financing. Support the development of possible MIF pilot projects.

Execution timeframe: Implementation of this project involves 8 months of consultancy (from December 2012 to August 2013).

Project Team Alejandro Escobar, MIF/ATM; Francisco Rojo, MIF/ATF; Dora Moscoso, MIF/DEU; Sonia Puente, MIF/KSC.

Inquiries to: Alejandro Escobar (extension 3725)

¹ Contribution will be administered as a project-specific grant (SC-114).

TABLE OF CONTENTS

I.	BACKGROUND.....	1
II.	OBJECTIVES.....	1
III.	DESCRIPTION OF THE PROJECT	1
A.	Target Audience.....	2
B.	Potential Partners	2
C.	Value Proposition	2
D.	Qualifications.....	3
E.	Data Analysis.....	3
IV.	RESULTS / REPORTING.....	3
V.	TIME FRAME.....	3
VI.	COST AND FINANCING	4
VII.	PAYMENT STRUCTURE	4
VIII.	SUPERVISION	4

Appendix I: Terms of reference of the consultancy.

I. BACKGROUND

- 1.1 While many countries of the LAC region have been able to develop strong business links to global markets, only few have done so with the assistance of modern and more sophisticated financial instruments which are more common in OECD countries. Few if any of the countries operate within the framework of financial and business regulations that enable or encourage flexible tools for supply chain management and financing, such as floating liens and inventory backed finance. These types of mechanisms are necessary especially for those countries with growing commodities and agricultural sector for export as well as for importers interested in augmenting the production and trade of these commodities. If trade is going to continue to be the engine of growth for the region, countries need to expand significantly and improve on its performance and agility, to enable more efficient and effective supply chain finance.
- 1.2 It is imperative that the business and commercial environments for supply chain finance, improve and modernize, to allow countries to meet the challenges of growing trade demands. One step in this direction would be to carry out an assessment of the business environments for supply chain finance by country, to identify bottle necks and common needs as well as for creating a sort of ranking mechanism, that would help induce change and adaptation by those countries who are still behind in these areas.

II. OBJECTIVES

- 2.1 The objectives of this project are the following: (i) understand who is who and who is doing what in terms of supply chain and value chain finance in Latin America; (ii) identify and analyze which are the barriers that are preventing commercial banks and other relevant financial intermediaries to increase finance to the agricultural sector; (iii) develop a concrete tool or mechanism to measure and assess the business environment for value chain finance in selected countries; (iv) identify financial institutions that are currently working with the agricultural sector providing financial services and analyze their financial products and business models to tackle this segment; and (v) identify financial institutions interested in implementing new financial products for value chain financing. Support the development of possible MIF pilot projects.

III. DESCRIPTION OF THE PROJECT

- 3.1 The project will focus primarily (though not exclusively) on 5 countries in the region selected based on their significance to value chain finance. Assessment of the value chain finance activities of these countries should provide a helpful understanding of that provided in this region. The full list of countries, as well as an indication of those that will be visited as part of the assessment is provided in Appendix 1.
- 3.2 The project will look into this objective researching from relevant published and unpublished data in Spanish, English and French. The firm hired to conduct the research will also send a team of Spanish- speaking consultants to different countries (specified below), where they will meet with the relevant actors and gather statistical information from practitioners, regulators, and beneficiaries. The consultant is requested to provide information and analysis on:

A. Target Audience

- 3.3 *Internal IDB.* Divisions of the IDB engaged or getting more involved in agricultural value chain finance.
- 3.4 *Donors.* Institutions like the IFC, GTZ, CIDA and others interested in supporting value chain projects.
- 3.5 *Countries.* A scoring mechanism that attaches a value to a certain number of indicators will encourage those less performing countries to seek improvements in their regulatory and business environments. Importers could easily identify where the most appropriate conditions are in order to expand production and trade.
- 3.6 *Banks and financial services providers and arrangers.* Private sector parties interested in investing and assessing the sector for medium to long term financing.

B. Potential Partners

- 3.7 *EIU.* Just as in the case of the other “scopes” (Micro and Infra), we could partner with EIU to give the tool the business and external rigor to ensure that the tool is widely promoted and used.
- 3.8 *Duke University’s Center on Globalization.* Gary Gereffi, Director, is well known in the field of value chains and could also add also their expertise in working in this area in the US. This is the link to their website. <http://www.cggc.duke.edu/>
- 3.9 *Local Universities.* INCAE, ESAN or Universidad de Piura (Peru) or another schools who could also bring local flavor and additionality in terms of in country expertise and best practice or trends in countries with strong value chains and global links.
- 3.10 *Practitioners.* Key private sector players such as Rabobank, Root Capital, or Grameen Foundation, among other, would be excellent partners for this initiative.
- 3.11 *Consultants.* Dahlberg and other consultant firms have recently engaged preliminary studies on this topic in other world regions. We could tap into their existing work to expand and enter into more detail on their work.

C. Value Proposition

- 3.12 Value chain finance occurs within a context of various factors that affect its performance and growth potential. These are among others: (i) the financial regulations around moveable assets and inventory financing; (ii) the commercial regulations around property rights for floating goods and transformed goods; (iii) availability of government programs that provide incentives or barriers to entry; (iv) the legal treatment of import and export contracts for non-manufactured products; (v) insurance and risk pricing for moveable goods and perishable products; (vi) non competing contract arrangements with multiple exporters and traders in the same commodities and similar markets; (vii) associations and boards that oversee the regulation or monitoring of specific goods specially in the commodities and perishable goods; (viii) trade and customs regulations; (ix) land tenure in some cases; (x) certifications and standards for quality and specialty markets -state and performance of agricultural COOPs-; and (xi) ease with which technological change is adopted in supply chains -i.e. management tools, accounting systems and information platforms in general-.
- 3.13 There is a lack of a centralized set of information around these topics of value chain finance. The IDB private sector group could develop a tool that would shed light on where countries

stand around these issues and what are the main areas the Bank and others can do to help many of them improve their value chain finance sectors.

- 3.14 This initiative could start with a set of country case studies, picking those that present the highest level of development in these areas in one or two agricultural commodities and then taking it to a more regional level.

D. Qualifications

- 3.15 A consultancy firm, academic institution or non-profit association with extensive experience in value chain and proven contacts and experience with financial institutions and sustainable producers dedicated to sustainable production, and trade of sustainable products in Latin America (i.e. cotton, cocoa, coffee, bananas, sugar, among others). This institution has to present a multidisciplinary team with experience in value chain financing. The team has to be able to communicate in English and Spanish (writing and verbal.)

E. Data Analysis

- 3.16 The various data sets will be analyzed to provide a deep understanding of the landscape of value chain finance. The analysis will uncover not just outreach, product, and delivery channel information but will also include discussions of trends. This analysis will provide the foundation for the landscape and gaps reports.

IV. RESULTS / REPORTING

- 4.1 The consultant will prepare and submit the following deliverables:
- I. A document with who is who and who is doing what in terms of supply chain and value chain finance in Latin America (mapping exercise). Including, financial institutions that are currently working with the agricultural sector in one or two commodities providing financial services and analysis of their financial products and business models to tackle this segment.
 - II. A document identifying and analyzing which are the barriers that are preventing commercial banks and other financial intermediaries to increase financing options to the agricultural sector. This document has to be edited to be published.
 - III. Propose a concrete tool or mechanism, like a knowledge sharing platform, to measure and assess the business environment for value chain finance in selected countries in one or two commodities.
 - IV. At least two proposals of possible MIF pilot projects with regulated financial institutions interested in implementing new financial products for value chain financing. Format documents will be provided by MIF.
 - V. Workshop/Roundtable discussion with main stakeholders to discuss the findings of the consultancy as well as a corresponding dissemination plan

V. TIME FRAME

- 5.1 The tentative timeframe for the consultancy is 8 months since the signature of the contract. However, this timeframe is indicative only. The proposal should indicate timeframes according to the projected workload.

VI. COST AND FINANCING

- 6.1 The general budget for this project is US\$200,000, of which US\$40,000 will be provided by CITI Foundation. Financial resources for this project to be received from CITI Foundation will be provided to the Bank through a Project Specific Grant (PSG). As specified in these procedures, the commitment from CITI Foundation will be established through an administration agreement. Under such agreement, the resources for this project will be administered by the Bank, who will charge an administrative fee of five percent (5%) of the contribution, which is duly identified in the budget for this project.

Description of <u>Citi Foundation</u> funding and <u>total</u> program funding.			
	<u>Description</u>	<u>COLUMN A</u> <u>Citi Foundation</u> <u>Breakdown</u>	<u>COLUMN B</u> <u>Total Program</u> <u>Funding</u>
<u>Expenses:</u>			
Salaries	Consulting services Financial Experts	\$ 30,000.00	\$ 140,000.00
Other 1 (explain)	Workshops Roundtables	\$ 8,000.00	\$ 40,000.00
Other 2 (explain)	Admin Fees	\$ 2,000.00	\$ 20,000.00
<i>Subtotal</i>		\$ 10,000.00	\$ 60,000.00
Total Expenses		\$ 40,000.00	\$ 200,000.00
<u>Funder</u>		<u>Amount Requested</u>	<u>Amount Secured</u>
FOMIN		\$ 160,000.00	
Citibank Foundation			\$ 40,000.00
<i>Subtotal</i>		\$ 160,000.00	\$ 40,000.00
Total Program Funding			\$ 200,000.00

VII. PAYMENT STRUCTURE

- 7.1 The payment schedule is as follows: (i) 25% paid upon contract signature; (ii) 25% after satisfactory reception of the first draft of the mapping exercise document -deliverables I and II-; (iii) 25% after satisfactory reception of the first draft document with the analysis of the banking sector barriers to promote value chain financing and the proposed MIF pilot project documents -deliverables III and IV-; and (iv) 25% after upon approval by the MIF of the final documents and the workshop with key stakeholders.

VIII. SUPERVISION

- 8.1 The consultancy will be supervised by the Multilateral Investment Fund of the Inter-American Development Bank.