



CREDIT NUMBER 5564-MG

Financing Agreement

(Second Integrated Growth Poles and Corridor Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 18, 2014

CREDIT NUMBER 5564 -MG

FINANCING AGREEMENT

AGREEMENT dated December 18, 2014, entered into between the REPUBLIC OF MADAGASCAR ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I -- GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty three million eight hundred thousand Special Drawing Rights (SDR 33,800,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has revised the PIC1 Project Manuals for the Project, in form and substance acceptable to the Association and the revised manuals include a complaint management system for procurement acceptable to the Association.
 - (b) The Recipient has adopted the Institutional Decree for the Project, in form and substance acceptable to the Association, and established both the Steering Committee and the PIU with mandates, compositions, staff and resources satisfactory to the Association, as further set out in Section I.A of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty days (120) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its minister responsible for finance.

5.02. The Recipient's Address is:

Ministry of Finance and Budget
B.P. 61
Antananarivo 101
Madagascar

Cable address:

Facsimile:

MFB
Antananarivo

(261) 20 22 34530

5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Antananarivo, Republic of Madagascar, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

By



Authorized Representative



Name: R. Ing. Jean RASAFINDRANONANA

Title: Ministère des finances et du Budget.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative



Name: MARK LUNDELL

Title: COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objective of the Project is to contribute to increased economic opportunities and access to enabling infrastructure services, as measured by an increase in jobs and formal firms, in Targeted Regions.

The Project consists of the following parts:

Component 1. Strengthening the Enabling Environment for Entrepreneurship and Investment

- 1.1 Improving the investment climate, through the provision of technical assistance, capacity building and equipment to: (a) design and implement an investment climate reform program through inclusive public-private dialogue; (b) facilitate the operations of one stop shops for the delivery of various permits and licenses, through procedural reforms and improved information and communications technology systems and services; and (c) improve dispute resolution and streamline tax administration.
- 1.2 Promoting private investment, through the provision of training, technical assistance, capacity building and equipment to: (a) build capacity of EDBM for investment promotion; (b) establish an institutional, legal and regulatory framework for public private partnerships and build public capacity to design public private partnerships; (c) support the development of the Ehoala Park public-private joint venture as well as improve solid waste and water pipes management; and (d) provision, through a catalytic fund, of Matching Grants for private investment in the Targeted Regions for the financing of: (i) eligible commercial subprojects, and (ii) subprojects proposed by young adults.

Component 2. Sector Based Growth in the Targeted Regions

- 2.1 Strengthening local governance: (a) at the urban and rural commune level to increase institutional capacity (implementation of participatory budgeting, revenue management and local public service delivery linked to management of land records and justice including one stop shops and decentralized technical services) through the provision of: (i) technical assistance, training, capacity building, equipment and works; and (ii) grants; and (b) at the regional level through the provision of technical assistance, training, capacity building, equipment and small works (implementation of regional development plans, facilitation of construction permits and business licenses issuing, and development of cross-regional coordination of development projects); and at the national level through the provision of technical assistance and capacity building to share Project achievements.

- 2.2 Improving service delivery and shared infrastructure, through the provision of technical assistance, equipment and civil works to: (a) upgrade urban roads in or around *Toliara* and *Antsiranana*, including side-road drains and feasibility studies for future works; and (b) improve access to water and sanitation in or around *Toliara* and *Antsiranana*, including: (i) repairing and equipping boreholes, (ii) constructing or rehabilitating pipelines, standpipes and storage, (iii) carrying out feasibility studies and works for a water treatment plant, (iv) providing technical assistance to improve water plant management and financial sustainability, and (v) providing assistance for the drafting and implementation of a JIRAMA quality management plan at the local level.
- 2.3 Promoting sustainable tourism development, through the provision of technical assistance, capacity building, equipment and civil works to: (a) strengthen the enabling environment for tourism development by: (i) building capacity for strategic tourism development; and (ii) improving competitiveness in the air transport sector, building capacity for the ministry in charge of transport and the authority for civil aviation (ACM), the development of a national airport master plan and development of the National Air Transport Strategy; and (b) promote regional tourism sector development by: (i) improving management of popular tourist attractions, diversifying tourism value propositions and enhancing local value addition; (ii) promoting and marketing regional destinations; and (iii) preparing feasibility studies for improved access by road, air and sea to main tourist attractions.
- 2.4 Promoting sustainable agribusiness development, through the provision of technical assistance, capacity building and equipment to: (a) strengthen the enabling environment for agribusiness value chains; and (b) strengthen information, coordination and linkages in the Targeted Value Chains.

Component 3. Project Implementation, Monitoring and Evaluation, Safeguards, Impact Assessment

Provision of technical assistance, training, capacity building, equipment and supporting operating expenses related to the coordination and implementation of Project activities, monitoring and evaluation, implementation of safeguard requirements and assessment of the impacts of the Project activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain the following institutional arrangements, further described in the Project Manuals, throughout the implementation of the Project.

1. Steering Committee:

- (a) The Recipient shall establish and maintain the Steering Committee, with composition and mandate acceptable to the Association.
- (b) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Steering Committee shall be chaired by the Ministry of State and include at a minimum high level representatives of the Recipient's ministries responsible for tourism, commerce, agriculture and rural development, and water, as well as a representative of the Office of the President.
- (c) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Steering Committee shall be responsible for the provision of strategic guidance and overall oversight of the Project and support for its effective implementation and shall meet at least twice a year to review Project progress reports provided by the PIU.

2. PIU

- (a) The Recipient shall establish and maintain the Project Implementing Unit (PIU) under the responsibility of the Ministry of State, with mandate, composition and resources acceptable to the Association. In particular, the Recipient shall maintain at all times sufficient staff, each with adequate terms of reference, qualifications and experience for the Project.
- (b) Without limitation to the provisions of paragraph (a) immediately above, the PIU shall be responsible for the day to day management of the Project and the coordination of its activities including, *inter alia*, procurement, disbursement, accounting, reporting, social and environmental management, communication, monitoring and evaluation, in close interaction with the private sector and provide Project progress reports to the Steering Committee at least twice a year.

- (c) Without limitation to the provisions of paragraph (a) immediately above, the PIU shall include, *inter alia*:
 - (i) at the central level: (A) a coordinator; (B) a procurement specialist; (C) a financial manager; (D) an accountant; (E) a monitoring and evaluation specialist; (F) an environmental and social safeguard specialist; and (G) an accounts assistant; recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, and on the basis of terms of reference, qualifications and experience acceptable to the Association. In addition, no later than three (3) months after the Effective Date, the Recipient shall recruit an internal auditor within the PIU in accordance with the provisions of Section III of Schedule 2 to this Agreement, and on the basis of terms of reference, qualifications and experience acceptable to the Association, to be assigned at the central level; and
 - (ii) in each Targeted Region: No later than six (6) months after the Effective Date, the Recipient shall recruit: (a) a coordinator; and (b) one (1) account assistant, all in accordance with the provisions of Section III of Schedule 2 to this Agreement, and each on the basis of terms of reference, qualifications and experience acceptable to the Association, to be assigned one in each Targeted Region.

3. Investment Climate Reform Committee

- (a) No later than three (3) months after the Effective Date, the Recipient shall establish and thereafter maintain a structure satisfactory to the Association to lead and manage the investment climate reform process within the country of the Recipient to be established under the control of the Office of the President, with mandate, composition and resources acceptable to the Association.
- (b) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Investment Climate Reform Committee shall include key line ministries, including, for example, the Recipient's ministries responsible for finance, justice, commerce, industry, E DBM, and private sector representatives.

B. Grants

1. To facilitate the carrying out of subcomponent 1.2(d) of the Project, the Recipient shall enter into an agreement (the “Fund Management Agreement”) under terms and conditions approved by the Association, with a consultant selected in accordance with the provisions of Section III of Schedule 2 to this Agreement and on the basis of terms of reference, qualification and experience acceptable to the Association (the “Fund Manager”).
2. For the implementation of subcomponent 1.2(d) of the Project, the Recipient, acting through the Fund Manager, shall extend grants (each a “Matching Grant”):
 - (a) up to a maximum amount of \$150,000 each and representing no more than 50% of the total cost of a Sub-Project, to eligible private sector entity (each a “Beneficiary”) for the financing of eligible private commercial subprojects generating benefits in terms of employment, business linkages or technology spill-over effects within a Targeted Region (each set of activities a “Sub-Project”), pursuant to eligibility criteria and under terms and conditions acceptable to the Recipient and the Association and described in the Project Manuals; and
 - (b) up to a maximum amount of \$10,000 each, to eligible young adults (each a “Beneficiary”) for the financing of eligible subprojects across sectors (each set of activities a “Sub-Project”), pursuant to eligibility criteria and under terms and conditions acceptable to the Recipient and the Association and described in the Project Manuals.
3. For the implementation of subcomponent 2.1(a) of the Project, the Recipient, acting through the PIU with the support of FDL, shall extend small grants (each an “OCAI Grant”) to eligible Communes within Targeted Regions (each a “Beneficiary”).
4. Each OCAI Grant and each Matching Grant (collectively, the “Grants”) shall be extended pursuant to an agreement (each a “Grant Agreement”) to be entered into between the Recipient (through the Fund Manager or PIU, as applicable) and the relevant Beneficiary, on the basis of the model form attached to the Project Manuals, which shall, *inter alia*, include the following provisions:
 - (a) the Beneficiary shall carry out the Sub-Project with due diligence and efficiency in accordance with appropriate administrative, financial, technical, engineering and environmental standards, including local and national environmental requirements, acceptable to the Association, including, without limitation to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines

applicable to recipients of Financing proceeds other than the Recipient, the Project Manuals and the relevant Safeguard Documents;

- (b) the Beneficiary shall provide, promptly as needed, the resources required for the purpose, if any;
 - (c) the Beneficiary shall procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement and use such goods, works and services exclusively for the carrying out of the Sub-Project concerned;
 - (d) the Beneficiary shall maintain policies and procedures, adequate to enable the Recipient, acting through the Fund Manager or the PIU, as applicable, to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the activities carried out under the Sub-Project and the achievement of its objectives;
 - (e) the Beneficiary shall: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the activities carried out under the Project; and (ii) at the Fund Manager's, the PIU's, the Recipient's or the Association's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and furnish promptly to the Fund Manager, the PIU, the Recipient and the Association the financial statements as so audited;
 - (f) the Beneficiary shall enable the Fund Manager, the PIU, the Recipient and the Association to inspect the activities carried out under the Sub-Project, its operation and any relevant records and documents and prepare and furnish to the Fund Manager, the PIU, the Recipient and the Association all such information as the Fund Manager or the PIU, shall reasonably request relating to the foregoing; and
 - (g) the Recipient, acting through the Fund Manager or the PIU, as applicable, shall have the right to suspend or terminate the right of the Beneficiary to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Grant Agreement.
5. The Recipient shall exercise its rights and carry out its obligations under each Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the

Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Grant Agreements or any of their provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Bank Policies, as well as the Recipient's own laws relating to environment and social aspects.
2. The Recipient shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Recipient shall ensure that:
 - (a) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and
 - (b) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.
3. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any other entity participating in the implementation of the Project to do so.
4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association, on a semi-

annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (ε) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

5. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

E. Annual Work Plans and Budgets

1. Each year the Recipient shall prepare:
 - (a) a draft annual work plan and budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
 - (b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities included in the draft annual work plan and budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Bank Policies before approval by the Association of the bidding documents for each activity.
2. The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets approved by the Steering Committee and the evidences referred to in subparagraph 1(b) above, for the Association's review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Financing.
3. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

4. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
5. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

F. Manuals

1. (a) The Recipient shall ensure that the Project is carried out in accordance with the Project Manuals.

(b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any of the Project Manuals, or any provision thereof.
2. In the event of any conflict between the provisions of any of the Project Manuals and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. Twenty-four (24) months after the Effective Date, or at any other date agreed with the Association, the Recipient shall, in conjunction with the Association, carry out a mid-term review of the Project (the "Mid-term Review"), covering the progress achieved in the implementation of the Project. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

3. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months before the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its financial statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
4. In order to ensure the timely carrying out of the audits referred to in Section II. B.3 of this Schedule, the Recipient shall engage independent auditors for the purpose not later than six (6) months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:
 - (a) National Competitive Bidding: procurement shall be carried out in accordance with the "Open Competitive Bidding" method (*Appel d'offres ouvert*) set forth in the Recipient's law no. 2004-009 of July 2004 on the Public Procurement Code, subject to the following additional provisions listed in (i) through (xv) below to conform to the provisions of the Procurement Guidelines:
 - (i) No bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than: (i) its capability and resources to successfully perform the contract; (ii) a conflict of interest situation, or (iii) an accepted prohibition.
 - (A) Firms of a country or goods manufactured in a country may be excluded if: (AA) as a matter of law or official regulation, the Recipient's country prohibits commercial relations with that country, provided that the Association is satisfied that such exclusion does not preclude effective competition for the supply of goods, works, and non-consulting services required; or (BB) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Recipient's country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the Recipient's country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.
 - (B) Government-owned enterprises or institutions of the Recipient shall be eligible to participate in the bidding process in their country, only if they can establish that they are legally and financially autonomous, operate

under commercial law, and are not dependent agencies of the Recipient or the Project Implementing Entity.

- (C) A firm sanctioned by the Association in accordance with paragraph 1.16(d) of the Procurement Guidelines, or the Anti-Corruption Guidelines, shall be ineligible to be awarded or to benefit from an Association- or Bank-financed contract, financially or in any other manner, during the period of time determined by the Association.
 - (D) The requirement of producing a registration number (*Numéro d'Immatriculation*) for any bidder to participate in the bidding process shall not be interpreted as a prior requirement to any sort of local registration, license or authorization.
- (ii) Standard bidding documents acceptable to the Association shall be used so as to ensure economy, efficiency, transparency and consistency with the provisions of Section I of the Procurement Guidelines.
 - (iii) Participation from joint ventures shall be allowed on condition that such joint venture partners will be jointly and severally liable for their obligations under the awarded contract. Therefore, the "*Groupeement Conjoint*", described under the Recipient's law no. 2004-009 of July 2004 on the Public Procurement Code, shall not be allowed under National Competitive Bidding.
 - (iv) No domestic/regional preference, or any other kind of preferential treatment, shall be given for domestic/regional bidders, and/or for domestically/regionally manufactured goods, and/or for domestically/regionally originated related services.
 - (v) The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified. Qualification criteria shall be assessed on a "pass or fail" basis, and merit points shall not be used. Bidders' qualifications shall be assessed by post-qualification.
 - (vi) In case a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their typing, printing or publishing, and delivery to prospective bidders, and it shall not be so high as to discourage bidders' participation in the bidding process. Bids may be submitted by electronic means only

provided that the Association is satisfied with the adequacy of the system, including, *inter-alia*, that the system is secure, maintains the integrity, confidentiality, and authenticity of the bids submitted, and uses an electronic signature system or equivalent to keep bidders bound to their bids.

- (vii) The bid validity period required by the bidding documents shall be sufficient to complete the evaluation of bids and obtain any approval that may be required (at least four (4) weeks). If justified by exceptional circumstances, an extension of the bid validity may be requested in writing from all bidders before the original bid validity expiration date, and it shall cover only the minimum period required to complete the evaluation and award of the contract. The extension of the bid validity requires the Association's no objection for those contracts subject to prior review, if it is longer than four (4) weeks, and for all subsequent requests for extension, irrespective of the period.
- (viii) Bid Evaluation:
 - (A) Evaluation of bids shall be made in strict adherence to the evaluation criteria declared in the bidding documents.
 - (B) Evaluation criteria other than price shall be quantified in monetary terms and the manner in which they will be applied for the purpose of determining the lowest evaluated bid shall be established in the bidding documents. A weighting/scoring system shall not be used.
 - (C) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid. No negotiations shall be permitted.
 - (D) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.
 - (E) In case of requests for clarifications, bidders shall not be asked or permitted to alter or complete their bids.
- (ix) All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior concurrence.

- (x) Securities shall be in the format included in the bidding documents. No advance payment shall be made without a suitable advance payment security.
- (xi) Information on contract award shall be published at least in a national newspaper of wide circulation within two (2) weeks of receiving the Association's no objection to the award recommendation for contracts subject to prior review, and within two (2) weeks from the award decision for contracts subject to post review. Publication shall include the following information: (A) the name of each bidder which submitted a bid; (B) bid prices as read out at bid opening; (C) evaluated prices of each bid that was evaluated; (D) the names of bidders whose bids were rejected and the reasons for their rejection; and (E) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.
- (xii) In the case of contracts subject to prior review, the Association's no objection shall be obtained before agreeing to: (A) a material extension of the stipulated time for performance of a contract; (B) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (C) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (D) the proposed termination of the contract. A copy of all contract amendments shall be furnished to the Association for its record.
- (xiii) In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.
- (xiv) Each bidding document and contract financed from the proceeds of the Financing, and as deemed acceptable by the Association, shall include provisions stating the Association's policy to

sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

(xv) The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment process afforded due process and the debarment decision is final.

(b) Shopping;

(c) Direct Contracting; and

(d) Procurement from a UN Agency (UNOPS).

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as

revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants’ services including Operating Costs and Training for Component 1 of the Project, except Matching Grants under subcomponent 1.2(d) of the Project	5,100,000	100%
(2) Goods, works, non-consulting services, and consultants’ services including Operating Costs and Training for Component 2 and 3 of the Project, except goods, works, non-consulting services, and consultants’ services under subcomponent 2.1(a) (ii) of the Project	24,700,000	100%
(3) Matching Grants.	2,400,000	100% of amounts disbursed by the Recipient under the Matching Grant
(4) OCAI Grants	300,000	100% of amounts disbursed
(5) Refund of Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	33,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments
 - (a) made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 6,760,000 equivalent may be made for payments made prior to this date but on or after January 1, 2014, for Eligible Expenditures;
 - (b) under Category 1 unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that the Recipient has adopted a revised EDBM Decree in form and substance satisfactory to the Association;
 - (c) under Category 3 unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Recipient has entered into the Fund Management Agreement in accordance with Section I.B.1 of Schedule 2 to this Agreement;
 - (ii) the Fund Manager has established an investment committee for the review of the Sub-Projects in accordance with the provisions of the Matching Grant Manual; and
 - (iii) the Recipient has adopted a Matching Grant Manual for the Project, in form and substance acceptable to the Association; or
 - (d) under Category 4 unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Recipient has entered into an agreement with FDL setting forth FDL's role in the selection and monitoring and evaluation process of Sub-projects financed out of OCAI Grants; and
 - (ii) the Recipient has adopted an OCAI Grant Manual for the Project, in form and substance acceptable to the Association.
2. The Closing Date is September 30, 2019.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15, commencing April 15, 2021, to and including October 15, 2051	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Definitions

1. "ADEMA" means *Aéroports de Madagascar*, the entity which manages the Recipient's airports
2. "Air Madagascar" means the Recipient's national airline.
3. "Annual Work Plans and Budgets" means the annual work plans and budgets for the implementation of the Project approved by the Association, referred to in Section I.E.2 of Schedule 2 to this Agreement.
4. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011.
5. "Bank Policies" means the World Bank's operational policies as set forth on the following website: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,menuPK:64701637~pagePK:51628525~piPK:64857279~theSitePK:502184,00.html>
6. "Beneficiary" means a legal entity or individual which meets the eligibility requirements listed in the Project Manuals and to which the Recipient has made a Grant for a Subproject in accordance with Section I.B.2 or 3 of Schedule 2 to this Agreement.
7. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised July 2014.
9. "Displaced Person" means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person "Displaced Persons" means all such persons.

10. “EDBM” means Economic Development Board of Madagascar, a legally and budgetary autonomous agency established by the Recipient’s arrêté/decreé no. 2006-382 dated May 31, 2006.
11. “EDBM Decree” means Recipient’s arrêté/decreé no. 2006-382 dated May 31, 2006, as revised in 2008 and to be further revised pursuant to Section IV.B.1(b) of Schedule 2 to this Agreement.
12. “Environmental and Social Management Framework” means the Recipient’s document entitled “*Cadre de Gestion Environnementale et Sociale (CGES)*” disclosed at the Association’s *Infoshop* on November 5, 2014 and in the country of the Recipient on November 3, 2014, detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.
13. “Environmental and Social Management Plan” means the Recipient’s document prepared and disclosed in accordance with the Environmental and Social Management Framework with respect to an activity included under an Annual Work Program and Budget, that details: (i) the measures to be taken during the implementation and operation of such activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures.
14. “FDL” means the *Fonds de Développement Local* of the Recipient established Decree No. 2007-030 dated June 11, 2007, revised by Decree 2009-814 dated June 9, 2009, and Decree 2010-746 dated July 27, 2010.
15. “Fund Management Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
16. “Fund Manager” means the party with whom the Recipient has entered into a Fund Management Agreement.
17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
18. “Grant” means collectively the Matching Grants and the OCAI Grants.
19. “Grant Agreement” has the meaning set forth in Section I.B.4 of Schedule 2 to this Agreement.
20. “Institutional Decree” means the decree establishing the Steering Committee and the PIU, in form and substance satisfactory to the Association, to be adopted pursuant to Section 4.01(b) of this Agreement.

21. “Investment Climate Reform Committee” means the committee to be established pursuant to Section I.A.3 of Schedule 2 to this Agreement.
22. “JIRAMA” means the Recipient’s utility company for water and electricity.
23. “Matching Grant” means a grant extended by the Recipient, acting through the Fund Manager, to a Beneficiary in accordance with Section I.B.2 of Schedule 2 to this Agreement.
24. “Matching Grant Manual” means the manual setting forth the procedures and criteria applicable to the selection and implementation of Matching Grants, to be adopted by the Recipient under Section IV.B.1(c) of Schedule 2 to this Agreement.
25. “Ministry of State” means the *Ministère d’Etat chargé des Infrastructures, de l’Équipement et de l’Aménagement du Territoire*, the Recipient’s ministry in charge of infrastructure, equipment and land planning.
26. “OCAI Grant” means a grant extended by the Recipient, acting through the Fund Manager, to a Beneficiary in accordance with Section I.B.3 of Schedule 2 to this Agreement.
27. “OCAI Grant Manual” means the manual setting forth the procedures and criteria applicable to the selection and implementation of OCAI Grants, to be adopted by the Recipient under Section IV.B.1(d) of Schedule 2 to this Agreement.
28. “Office of the President” means the office of the President of the Republic of Madagascar.
29. “Operating Costs” means the reasonable incremental operating expenses, based on Annual Work Programs and Budgets approved by the Association, incurred by the PIU or its regional offices on account of the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment ; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, per diem, additional staff costs, but excluding the salaries of officials and public servants of the Recipient’s civil service.
30. “Pest Management Plan” means the Recipient’s document entitled “*Plan de Gestion des Parasites et des et Pesticides (PGPP)*” disclosed at the Association’s Infoshop on September 16, 2014, containing guidance on the manufacturing, packaging, labeling, handling, storage, disposition of pesticides financed under the Project and the cancellation or mitigation to an acceptable level of adverse impact these pesticides may have on the environment or on the population.
31. “PIC1 Project Manuals” means, collectively, the Recipient’s documents entitled respectively “*Projet Poles Intégrés de Croissance “PIC” Crédits IDA 4101-MAG*”

et 4399-MAG – Manuel d’Exécution du Projet Révisé” dated June 2008, and “*Projet Poles Intégrés de Croissance “PIC” Crédits IDA 4101-MAG et Fonds Additionnel 2008 – Manuel de Procédures Administratives, Budgétaires, Financières et Comptables”* dated April 2008.

32. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 10, 2014, and on behalf of the Recipient on February 26, 2014.
33. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised July 2014.
34. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 23, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
35. “Project Implementation Unit” or “PIU” means the project implementation unit for the Project to be established by the Institutional Decree pursuant to Section 4.01(b) of this Agreement.
36. “Project Manuals” means collectively the PICI Project Manuals revised in accordance with Section 4.01(a) of this Agreement and the Matching Grant Manual to be adopted pursuant to Section IV.B.1 of Schedule 2 to this Agreement.
37. “Resettlement Action Plan” means the Recipient’s document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to an activity included under an Annual Work Program and Budget, which, *inter alia*, (i) contains a census survey of Displaced Persons and valuation of their assets, (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation, and (iii) contains a timetable and budget for the implementation of such measures.
38. “Resettlement Policy Framework” means the Recipient’s document entitled “*Cadre de Politique de Réinstallation Involontaire (CPRI)*” disclosed at the Association’s *Info shop* on November 5, 2014 and in the country of the Recipient on November 3, 2014, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons.

39. "Safeguard Documents" means, collectively, the Pest Management Plan, the Environmental and Social Management Framework, the Environmental and Social Management Plans prepared in accordance with the Environmental and Social Management Framework, if any, the Resettlement Policy Framework, and the Resettlement Action Plans prepared in accordance with the Resettlement Policy Framework, if any.
40. "Steering Committee" means the Recipient's committee referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
41. "Sub-Project" means a set of activities financed or to be financed through a Grant in accordance with Section I.B.2(a) or (b) or Section I.B.3 of Schedule 2 to this Agreement.
42. "Targeted Regions" means, collectively, the *Atsimo-Andrefaca*, *Anosy* and *Diana* regions in the Recipient's territory, and any other region(s) proposed by the Recipient and which the Association has confirmed in writing that it is acceptable by the Association.
43. "Targeted Value Chains" means, collectively, the cotton, pink pepper, dry bean and cacao value chains, and any other value chain(s) proposed by the Recipient and which the Association has confirmed in writing that it is acceptable by the Association.
44. "Training" means the reasonable cost of training under the Project, based on Annual Work Plans and Budgets, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.
45. "UNOPS" means the United Nations Office for Project Services.