

CONFORMED COPY

CREDIT NUMBER 3217-MAG

CBM Project Agreement

(Microfinance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CENTRAL BANK OF MADAGASCAR

Dated June 10, 1999

CREDIT NUMBER 3217-MAG

CBM PROJECT AGREEMENT

AGREEMENT, dated June 10, 1999 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and CENTRAL BANK OF MADAGASCAR (CBM).

WHEREAS (A) by the Development Credit Agreement of even date herewith between REPUBLIC OF MADAGASCAR (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twelve million one hundred thousand Special Drawing Rights (SDR 12,100,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that CBM agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement (the CBM Subsidiary Agreement) to be entered into between the Borrower and CBM, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to CBM on the terms and conditions set forth in the CBM Subsidiary Agreement; and

WHEREAS CBM, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) CBM declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall (through the General Secretariat of CSBF) carry out Part A.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, banking and microfinancing practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A.1 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and CBM shall otherwise agree, CBM shall carry out Part A.1 of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) CBM shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the CBM Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, CBM shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association no later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and CBM, a plan for the future operation of Part A.1 of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with CBM on said plan.

Section 2.04. CBM shall duly perform all its obligations under the CBM Subsidiary Agreement. Except as the Association shall otherwise agree, CBM shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the CBM Subsidiary Agreement or any provision thereof.

Section 2.05. (a) CBM shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A.1 of the Project, the performance of its obligations under this Agreement and under the CBM Subsidiary Agreement, and other matters relating to the purposes of the Credit.

(b) CBM shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A.1 of the Project, the accomplishment of the purposes of the Credit, or the performance by CBM of its obligations under this Agreement and under the CBM Subsidiary Agreement.

## ARTICLE III

### Management and Operations of CBM

Section 3.01. CBM shall carry on all operations and conduct all affairs pertaining to Part A.1 of the Project in accordance with sound administrative, financial and banking practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CBM shall at all times operate and maintain its buildings, office space, plant, equipment and other property relating to Part A.1 of the Project, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices.

Section 3.03. CBM shall, with respect to Part A.1 of the Project, take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) CBM shall, with respect to Part A.1 of the Project, maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) CBM shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) relating to Part A.1 of the Project for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each such year, (A) certified copies of the said financial statements for such year as so audited, and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of CBM thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify CBM of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For CBM:

B.P. 550  
Antananarivo - 101  
Madagascar

Telex:

22-266 BCM-MG

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CBM, or by CBM on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Governor of CBM or such other person or persons as the said Governor shall designate in writing, and CBM shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President  
Africa

CENTRAL BANK OF MADAGASCAR

By /s/ Frederic Rasamoely

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Consultant Guidelines), subject to (a) the modifications thereto set forth in paragraph 2 of this Part A, and (b) the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" shall be deemed to be references, respectively, to "Participating countries" and "Participating Country".

Part B: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost \$30,000 equivalent or more per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$30,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the

procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) subject to (a) the modifications thereto set forth in paragraph 2 of this Part A, and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10. of the Consultant Guidelines, the reference to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for technical assistance, studies and training, estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Least-cost Selection

Services for financial audit estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 2. Single Source Selection

Technical advisory services required under Part A.1 of the Project which are estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

#### 3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Association of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

#### 2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms selected on the basis of a short list, being a contract estimated to cost the equivalent of \$200,000 or more, (ii) any single-source selection contract, and (iii) any contract for the provision of audit services, the procedures set forth in paragraphs 1 and 2 (other than the third subparagraph of paragraph 2(a)) and paragraph 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1 and 2 (other than the second subparagraph of paragraph 2(a)) and paragraph 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 2

### Implementation Program

#### 1. CBM shall:

(a) prepare and furnish to the Association a Project Implementation Manual satisfactory to the Association (the Project Implementation Manual) setting out: (i) the details of all procurement and disbursement arrangements for Part A.1 of the Project; (ii) the performance indicators referred to in paragraph 3 of this Schedule; and (iii) such other administrative, financial and organizational arrangements as shall be required for Part A.1 of the Project; and

(b) carry out Part A.1 of the Project in accordance with the provisions of this Schedule 2 and the procedures set out in the Project Implementation Manual.

2. CBM: (i) shall obtain the consent of the Association before making any material changes in the Project Implementation Manual; and (ii) shall not make any such changes in the Project Implementation Manual that are, in the opinion of the Association, likely to affect materially or adversely the carrying out of the Project or the achievement of the objectives of the Project.

3. CBM shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, including the indicators set out in the Annex to this Schedule, the carrying out of Part A.1 of the Project and the achievement of the objectives thereof.

4. (a) CBM shall furnish to the Association no later than November 30 of each year an annual work program and budget satisfactory to the Association.

(b) CBM shall employ qualified and competent staff to assist CSBF General Secretariat in supervising microfinance institutions.

5. (a) CBM shall, no later than 18 months after the Effective Date, carry out jointly with the Borrower, the Association, AGEPMF and with representatives of the SLA networks and technical agencies participating in the Project, a mid-term review of the progress made in carrying out the Program. The said mid-term review shall cover, among other things: (i) progress made in meeting the objectives of the Project; and (ii) the performance by the Borrower, CBM and AGEPMF of their respective obligations under the Project.

(b) CBM shall carry out, no later than one month after the completion of the mid-term review referred to in subparagraph (a) above, any recommendations relating to Part A.1 of the Project, as agreed with the Association and set out in an action plan satisfactory to the Association.

#### ANNEX

##### Performance Indicators

1. Adoption and publication of prudential regulations governing microfinance institutions relating to capital adequacy, or its equivalence, liquidity and risk.
  2. The introduction of a supervision mechanism for microfinance institutions in the Secretariat of CSBF, and the appointment of staff and training of staff.
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