

**CONFORMED COPY**

**CREDIT NUMBER 4244-MAG**

# **Financing Agreement**

**(Irrigation and Watershed Management Project)**

**between**

**REPUBLIC OF MADAGASCAR**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 22, 2006**

**CREDIT NUMBER 4244 -MAG**

**FINANCING AGREEMENT**

AGREEMENT dated November 22, 2006, between REPUBLIC OF MADAGASCAR (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS the Recipient intends to obtain a grant from the Global Environment Facility (GEF) equivalent to an aggregate amount of six million dollars (\$ 6,000,000) to provide additional financing for the Project on the terms and conditions set forth in a grant agreement to be entered into between the Recipient and GEF (the GEF Agreement).

NOW THEREFORE, 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 the Financing 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 twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000) (“Credit”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 1 and November 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. 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**

- 4.01. The Additional Conditions of Effectiveness, namely that the Recipient has:
  - (a) adopted each of the Project Manuals, all in form and substance satisfactory to the Association;
  - (b) established a Financial Management System (FMS), in form and substance satisfactory to the Association, to ensure proper execution and monitoring of Project activities;
  - (c) appointed the independent auditors, referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section II.B of Schedule 2 to this Agreement;
  - (d) prepared the tender/bidding documents to carry out the procurement related to the preparation of the Watershed and Irrigation Management Schemes programmed for the first Project year; and

(e) established the NSC and RMCs in form and with functions satisfactory to the Association.

4.02 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is the Minister at the time in charge of Finance.

5.02 The Recipient's Address is:

Ministry of Economy, Finance and Budget  
Antananarivo 101  
Madagascar  
BP 61

Cable:	Telex:	Facsimile:
MEFB Antananarivo	22489	(261) 20 22 345 30

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) or 64145 (MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

**REPUBLIC OF MADAGASCAR**

**By:** **/s/ Narisoa Rajaonarivony**  
**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By:** **/s/ Nils O. Tcheyan**  
**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the Recipient in establishing the basis for viable irrigated agriculture and natural resources management in four of its areas, namely: (a) Andapa (Sava Region); (b) Marovoay (Boeny Region); (c) Itasy Region; and (d) Lac Alaotra (Alaotra Mangoro Region).

The Project constitutes the first phase of the Recipient's National Irrigation and Watershed Management Program, and consists of the following parts:

#### **Part A: Development of Commercial Agriculture**

##### **1. Support to agricultural services**

Support the Recipient in improving access to markets and in the development of commercial agriculture value chains, through the provision of services, works, equipment, training including in the following areas:

- (a) Support to the development of commercial agricultural supply chains, including market research and surveys, thematic studies, research and development of technologies for agricultural intensification, support to Eligible Beneficiaries in accessing financing, and promoting partnerships,
- (b) strengthening capacities of Eligible Beneficiaries;
- (c) support to the operational establishment of Agricultural Service Centers, and
- (d) support and advisory services for the implementation of technologies for agricultural intensification and diversification, including implementation of agro-ecological and agro-forestry techniques.

##### **2. Support to private investment**

Provision of demand-based Sub-Projects Matching Grants to Sub-Project Beneficiaries to carry out Sub-Projects.

## **Part B: Irrigation Development**

### **1. Irrigation development**

Support to MAEP, WUAs, and the Regions and Communes within the Project Areas concerned for:

- (a) the preparation of a Scheme Development Plan for Irrigation and annual Performance Contracts; and, as the case may be, Transfer Agreements ;
- (b) the implementation of the relevant PCs; and
- (c) the carrying out of studies on maintenance and operation costs and cyclone related damages.

### **2. Irrigation Investments**

Support to MAEP, WUAs, the Regions and Communes with the Project Areas concerned for:

- (a) preparation of technical design studies, including preparation of bidding documents;
- (b) Carrying out the rehabilitation of irrigation and appurtenant infrastructure works agreed in the PCs;
- (c) carrying out the supervision of the works under (b) above; and
- (d) development and dissemination of low-cost irrigation technologies.

## **Part C: Watershed Development**

### **1. Planning and capacity building for sustainable management of watersheds**

Support the Recipient in the:

- (a) preparation of Watershed Master Plans;

- (b) preparation of participatory plans for managing sub-watersheds;
- (c) support to communications and negotiations platforms; and
- (d) implementation of the NLTP in the Project Areas, through establishment of inter-communal land administration offices, carrying out of training of local land administration actors and agents.

**2. Investments in watersheds**

Support the Recipient in the:

- (a) carrying out strategic anti-erosion infrastructure works through, among others, biological methods and technologies; and
- (b) provision of Sub-Projects Matching Grants to Sub-Project Beneficiaries for carrying out of demand-driven improvements of the vegetation cover, including pastures and reforestation.

**Part D. Program Management**

Support the Recipient in:

**1. Project management**

Support to DGDR and DRDR, both at regional and at national level to enable them to effectively carry out the overall Project planning, quality oversight, procurement, financial management and monitoring of Project activities, including through the provision of training, technical assistance, minor upgrading works, equipment and vehicles, evaluation studies and incremental operating costs to DGDR and DRDR.

**2. Support to national policies**

Support to:

- (a) MAEP for the development and implementation of major national policies, regulations and plans critical to the Recipient's National Irrigation and Watershed Management Program;

- (b) emerging professional groups, including but not limited to the *Plateforme de Concertation du Riz* and the *Association Malgache des Producteurs de Semences* in capacity strengthening and provision of goods and services.

### 3. **Monitoring and Evaluation**

Support to MAEP and to the DRDR in the Project Areas in the management of information systems, preparation of procedures for data collection and reporting, in order to:

- (a) carry out regular project monitoring, mid-term and completion evaluations of Project output and impact indicators; and
- (b) carry out surveys and participatory assessments, including those on regular user satisfaction.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

1. The Recipient shall carry out the Project under the overall:
  - (a) strategic direction and oversight of:
    - (i) the National Steering Committee (NSC) at the national level, to be chaired by the General Secretary of MAEP and supported by a technical secretariat; the said NSC shall ensure coherence of Project activities with national policies under the National Irrigation and Watershed Management Program; and shall be responsible for: (A) carrying out the annual programming of Project activities and approval of work plans and budget; (B) monitoring Project implementation and results, including in particular the analysis and approval of activity reports and financial and operational audits; and (C) formulating recommendations of corrective measures that may be necessary to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and
    - (ii) the Regional Monitoring Committee (RMC) at the regional level, one per Project Area, each composed by GTDR and headed by its respective Head of the Region; each such RMC shall ensure consistency of Project activities with both, the NIWMP and policy and regional development priorities and programs; and shall be responsible for: (A) preparing and validating detailed work plans and budgets at the regional level; and (B) reviewing Project progress and performance, and formulation and implementation of corrective measures that may be necessary in order to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and
  - (b) responsibility and coordination of the following Implementing Institutions: (i) at the national level, DGDR; and (ii) at the regional level, the relevant DRDR. All with due diligence and efficiency and in conformity with appropriate economic, administrative, financial, social and environmental standards and practices and shall provide, promptly as

needed, the funds, facilities, services and other resources required for the Project.

2. (a) The Recipient shall carry out the Project in accordance with the Project Manuals, in form and substance satisfactory to the Association, said manual to provide details of all operational guidelines and procedures as shall have been agreed with the Association, for the implementation, monitoring and supervision of the Project including, but not limited to, the composition, terms of reference and mandates of the National Steering Committee at the national level, and of the Regional Monitoring Committees at the regional level, respectively, and key staff to be recruited under the Project.
- (b) The Recipient shall, except as the Association shall otherwise agree, not amend or waive any provision of the Project Manuals, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
3. The Recipient shall:
  - (a) maintain the Implementing Institutions, during Project implementation, with functions, staffing and resources satisfactory to the Association, in accordance with the Project Manuals; and
  - (b) cause the Implementing Institutions to carry out the daily facilitation, implementation, monitoring, evaluation and coordination of the Project at their respective level.
4. The Recipient shall:
  - (a) no later than 31 December, 2008 carry out jointly with the Association, a Mid-Term Review of the progress made in carrying out the Project;
  - (b) no later than thirty days after the completion of the Mid-Term Review, start to implement the recommendations of the Mid-Term Review as agreed with the Association; and
  - (c) the Mid-Term Review shall assess, *inter alia*: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

5. The Recipient shall ensure that the relevant Implementing Institution appraise, approve and monitor Sub-Projects and administer the Sub-Project Matching Grants in accordance with the provisions and procedures set forth or referred to in this Schedule and in more detail in the Project Manuals. To be eligible for financing under Part A 2, and Part C 2(b) a Sub-Project shall be:
  - (a) an investment activity, or related technical assistance, related to agricultural production and management of natural resources and consistent with the criteria, terms and conditions, (including a positive/negative list of eligible activities), provided in the Project Manuals; and initiated and identified by the relevant Sub-Project Beneficiary;
  - (b) appraised, implemented, monitored and evaluated in accordance with the conditions, criteria and procedures set forth in the Project Manuals;
  - (c) economically and technically viable, and co-financed by the Sub-Project Beneficiary exclusively in cash and in accordance with the standards specified in the Project Manuals;
  - (d) in compliance with the standards set forth in the Resettlement Policy Framework, the Resettlement Action Plan, the Regional Social and Environmental Assessments; and the Pest and Pesticide Management Plan; and
  - (e) satisfy any other requirements specified in the Project Manuals.
  
6. For each approved Sub-Project under Parts A 2 and C 2(b), the Recipient, through the relevant Implementing Institutions at regional levels, shall conclude a Sub-Project Agreement with the corresponding Sub-Project Beneficiary, whereby the Recipient shall agree to provide to the Sub-Project Beneficiary, a Sub-Project Matching Grant from the proceeds of the Credit, on terms and conditions satisfactory to the Association, including the eligibility terms and conditions set in this Schedule, and the following additional terms and conditions:
  - (a) require the relevant Implementing Institutions at regional level to ensure the execution of each Sub-Project by the related Sub-Project Beneficiary, with due diligence and efficiency and in accordance with sound technical, financial, managerial, social and environmental standards and practices; and to maintain adequate records;

- (b) require that the goods, works and services to be financed from the proceeds of the relevant Sub-Project Matching Grant shall be procured in accordance with the provisions of this Agreement and used exclusively in carrying out the Sub-Project concerned;
  - (c) maintain the right to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and plants included in each Sub-Project, the operations thereof and any relevant records and documents;
  - (d) obtain from the Sub-Project Beneficiary and the relevant Implementing Institution(s), all such information as the Association shall reasonably request relating to the implementation of a Sub-Project, including the performance of the Project Beneficiary and/or relevant Implementing Institution(s) in executing the Sub-Project; and
  - (e) suspend or terminate the right of the Sub-Project Beneficiary and/or the relevant Implementing Institution(s) to the use of the proceeds of the Credit under the Project upon failure by such Sub-Project Beneficiary and/or relevant Implementing Institution(s) to perform its obligations under the Sub-Project Agreement.
7. The Recipient shall ensure that the DGDR, and each of the DRDRs, be staffed with one procurement, one financial management and one monitoring and evaluation specialists and other suitable qualified and experience staffed in adequate numbers, in numbers and qualifications satisfactory to the Association.
8. The Recipient shall ensure that implementation of Part B of the Project be carried out in accordance with Annex A to this Agreement and the provisions of the Project Manuals.
9. The Recipient shall:
- (a) furnish to the Association for its approval, as soon as available, but in any case not later than 30 of September of each year, the annual work plan and budget for each subsequent Fiscal Year of such scope and in such detail as the Association shall have reasonably requested; and
  - (b) proceed thereafter to implement the annual work program and budget, taking into account any comments thereon as the Association may have had.

10. The Recipient shall:
- (a) ensure that the Project is implemented in accordance with the provisions of the RAPs/RPF and RESA and the Pest and Pesticide Management Plan, including associated training, technical assistance and annual reviews;
  - (b) ensure that the DGDR recruits international technical assistance specialists for the preparation of the Watershed Master Plans in each of the Project Areas;
  - (c) ensure that, within 90 days after Effective Date, a Memorandum of Understanding, one per Project Area, be entered into by MAEP through NIWMP and MINENVEF through the Third Environment Support Program to ensure adequate integration, in all Project Areas, of the NIWMP and Third Environment Program Support Project financed under Credit from the Association No. Q362;
  - (d) adopt, by December 31, 2006, and thereafter implement a national strategy on fertilizers;
  - (e) issue, by December 31, 2007, and thereafter implement, legislative guidelines for the application of the new seeds legislation;
  - (f) a baseline survey for the Project be completed by December 31, 2006;
  - (g) the Watershed Master Plans, one per Project Area, be completed by September 30, 2007;
  - (h) operational modalities of management and replenishment of FERHA be defined by September 30, 2007; and
  - (i) the irrigation related legal framework, including but not limited to Law 90-016 and subsequent implementation texts be harmonized with the provisions of the Program by December 31, 2007. Such harmonization to include, *inter alia*: the management of autonomous irrigation schemes and partner schemes, the process for irrigation management transfer and the membership of the WUAs.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. (a) 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 the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) are set forth in Annex B to this Agreement.
2. 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 prior 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 one month after the end of each calendar quarter, interim un-audited 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, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. 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.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works 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 Schedule.
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 Schedule.
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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding
(b) Shopping and quotations

**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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Consultant's qualification
(b) Procedures set forth in paragraphs 3.9 to 3.13 of Consultant Guidelines for Single Source Selection
(c) Procedures set forth in paragraphs 5.2 and 5.3 of Consultant Guidelines for the Selection of Individual Consultants
(d) Procedures set forth in paragraphs 3.16 and 3.21 of Consultant Guidelines for the selection of NGOs and Service delivery contractors

**D. Review by the Association of Procurement Decisions**

1. 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, to: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, works consultants' services, training and operating costs		100%
(a) for Parts B.2 (b) and (c) of the Project	7,100,000	
(b) for other Parts of the project	9,300,000	
(2) Sub-Project Matching Grant	1,600,000	100% of amounts disbursed
(3) Refund of Project Preparation Advance	1,100,000	Amount payable pursuant to Section 2.07 of the General Conditions
(4) Unallocated	1,100,000	
<b>TOTAL AMOUNT</b>	<b>20,200,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement;
  - (b) any Sub-Project Matching Grant under Category 2, unless: (i) a Sub-Project Agreement has been signed between the relevant Implementing Institution and the Sub-Project Beneficiary, in terms and conditions satisfactory to the Association;

- (c) any Irrigation Rehabilitation Work under Category 1(a), unless: (i) the relevant SDP and PC, and as the case may be, Transfer Agreement, has been finalized and signed, respectively, between the relevant Implementing Institution and the WUA, in terms and conditions satisfactory to the Association.

2. The Closing Date is March 1, 2011.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each May 1 <sup>st</sup> and November 1 <sup>st</sup> :	
commencing May 1 <sup>st</sup> 2017 to and including November 1 <sup>st</sup> 2026	<b>1%</b>
commencing May 1 <sup>st</sup> 2027 to and including November 1 <sup>st</sup> 2046	<b>2%</b>

\*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

### Section I. Definitions

1. "ASC" means Agricultural Service Centers.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Communes" means a subdivision of the Recipient.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
5. "DGDR" means *Direction Générale de Développement des Régions*, the Recipient's directorate for rural development under MAEP.
6. "DRDR" means *Direction Régionale de Développement Rural*, the Recipient's regional directorate for rural development under MAEP.
7. "Dollar" and "\$" mean the currency of the United States of America.
8. "Eligible Beneficiary" means a public or private sector entity, established and operating under the laws of the Recipient, which has met the eligibility criteria specified in the Project Manuals (as hereinafter defined) and, as a result, has been granted financing, or it is to be granted, part of the resources from the Credit for carrying out the activities under Part A.1 of the Project.
9. "FERHA" means *Fonds d'Entretien des Réseaux Hydro-agricoles* the Recipient's Maintenance Irrigation Plan adopted pursuant to Decree No.2003-965 of September 16, 2003.
10. "Fiscal Year" means the Recipient's fiscal year from January 1 to December 31 of each year.
11. "GELOSE" means *Gestion Locale Sécurisée*, the Recipient's plan for land management adopted pursuant to Law No. 96-025 of September 10, 1996.
12. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005.

13. “GTDR” means *Groupe de Technique pour le Développement Rural* established pursuant to *arrêté interministériel* 16-527/2003.
14. “Head of Region” means *Chef de Région*, as defined under the laws of the Recipient.
15. “Implementing Institutions” means DGDR, the four DRDRs and; GTDR, as defined here above.
16. “Irrigation Rehabilitation Work” means the reasonable cost of goods, works or services required for a set of specific activities carried out or to be carried out for a WUA (as hereinafter defined) under Part B.2 (b) and (c) of the Project, and financed or proposed to be financed out of the proceeds of the Credit.
17. “MAEP” means Ministry of Agriculture, Animal Husbandry and Fisheries.
18. “MinENVeF” means Ministry of Environment, Water and Forest Resources.
19. “NIWMP” means National Irrigation and Watershed Management Program, the Recipient’s program adopted by Decree No 2006-644 of September 5, 2006.
20. “NLTP” means “*Programme National Foncier*” the Recipient’s program for land tenure adopted by the Recipient on May 3, 2005.
21. “NSC” means National Steering Committee to be established prior to effectiveness.
22. “O&M” means Operation and Maintenance.
23. “PC” means Performance Contract referred to in Annex A to this Agreement.
24. “Pest and Pesticide Management Plan” means the Recipient’s plan approved by the Recipient by a letter dated March 9, 2006.
25. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 12, 2006 and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

27. “Program” means the program set out in the letter from the Recipient to the Association approved by the Recipient on July 12, 2006, describing a set of objectives, policies and actions for the development of the Recipient’s National Irrigation and Watershed Management Program, and declaring the Recipient’s commitment to the execution of the Program.
28. “Project Administrative, Financial and Accounting Manual” means the manual satisfactory to the Association outlining the administrative, financial and accounting arrangements for the implementation of the Project, to be adopted by the Recipient prior to effectiveness, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual”.
29. “Project Areas” means: (a) Andapa (Sava Region); (b) Marovoay (Boeny Region); (c) Itasy Region; and (d) Lac Alaotra (Alaotra Mangoro Region).
30. “Project Implementation Manual” means the manual satisfactory to the Association outlining institutional and operational arrangements for the implementation of the Project, including eligibility criteria for Sub-Projects, to be adopted by the Recipient prior to effectiveness, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Implementation Manual.
31. “Project Manuals” means, collectively, the Project Implementation Manual, the Project Monitoring and Evaluation Manual and the Project Administrative, Financial and Accounting Manual.
32. “Project Monitoring and Evaluation Manual” means the manual satisfactory to the Association outlining the monitoring and evaluation arrangements for the Project, to be adopted by the Recipient prior to effectiveness, as the same may be amended by agreement of the Parties from time to time, and such term includes any schedules to the Project Monitoring and Evaluation Manual.
33. “Project 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 January 12, 2005 and on behalf of the Recipient on January 18, 2005.

34. “RAP” and “Resettlement Action Plan” means the resettlement action plan satisfactory to the Association to be prepared as the case may be in accordance with the RPF.
35. “Region” means a political sub-division of the Recipient.
36. “RESA” and “Regional Environmental and Social Assessment” means the environmental and social assessment carried out in each Region in the Project Areas, satisfactory to the Association, approved by the Recipient by a letter dated March 9, 2006.
37. “RMCs” means Regional Monitoring Committees to be established prior to effectiveness.
38. “RPF” means the Resettlement Policy Framework satisfactory to the Association approved by the Recipient by a letter dated March 9, 2006.
39. “SDPI” and “Scheme Development Plans for Irrigation” means the plan to be adopted by WUAs as further detailed in Annex A hereto.
40. “Sub-Project” means the reasonable cost of goods, works or services required for a set of specific activities carried out or to be carried out by a Sub-Project Beneficiary (as hereinafter defined) under Part A.2 and C.2(b) of the Project, and financed or proposed to be financed out of the proceeds of the Credit through a Sub-Project Matching Grant (as hereinafter defined).
41. “Sub-Project Agreement” means an agreement entered into, or to be entered into, between the relevant Implementing Institution, on behalf of the Recipient, and a Sub-Project Beneficiary, for the purpose of extending a Sub-Project Matching Grant to such Sub-Project Beneficiary on the terms and conditions set forth or referred to in Section I.6 of Schedule 2 to this Agreement.
42. “Sub-Project Beneficiary” means an individual, a local community organization, a group or association, operating under the laws of the Recipient, which has met the eligibility criteria specified in the Project Manuals and, as a result, has been extended, or it is to be extended, a Sub-Project Matching Grant (as hereinafter defined) for the carrying out of a Sub-Project.
43. “Sub-Project Matching Grant” means a grant made or proposed to be made out of the proceeds of the Credit by the Recipient, through the relevant Implementing Institution, to a Sub-Project Beneficiary for the purpose of financing a Sub-

Project in accordance with the provisions of Section I.5 of Schedule 2 to this Agreement.

44. “Transfer Agreement” means the agreement to be entered into, as the case may be, between the relevant WUA and the relevant DRDR for the transfer of irrigation infrastructure under Part B of the Project, as further detailed in Annex A hereto.
45. “Watershed and Irrigation Management Schemes” means the plans satisfactory to the Association to be adopted by the Recipient in each Region in the Project Area, including the SDPI and the Watershed Master Plans.
46. “Watershed Master Plans” means the plans satisfactory to the Association to be adopted by the Recipient in each Region in the Project Area.
47. “WUA” or “Water User Association” means any local community organization established and operating under Law 10-016 of July 20, 1990 and Decree 90-462 of December 19, 1990 of the Recipient for the purpose of promoting local participation in the development and management of irrigation.

ANNEX A

**Procedures, Eligibility Criteria and Terms and Conditions Applicable to the implementation of Part B of the Project**

Part A: Procedures

1. In submitting a proposal for Irrigation Rehabilitation Works to DGDR for its review and approval, the relevant DRDR shall prepare and furnish to the DGDR a report satisfactory to the Association which shall contain:
  - (a) a description, bill of quantities, cost estimates and an economic analysis of the proposed Irrigation Rehabilitation Work;
  - (b) information on the WUA responsible for the proposed Irrigation Rehabilitation Work, including information on its eligibility, legal, institutional and financial status, implementation capacity, its operation and maintenance plan and the estimate of the irrigation service fee;
  - (c) a description of the WUA members' participation in the selection, implementation and O&M of the proposed Irrigation Rehabilitation Works;
  - (d) information on the environmental considerations; and
  - (e) such other information as the Project Manuals shall provide.

Part B: Eligibility Criteria

In selecting an Irrigation Rehabilitation Work, the Recipient, through the relevant DRDR, shall ensure that the WUA has fulfilled the eligibility criteria agreed with the Association and defined in the Project Manuals.

Part C: Terms and Conditions

1. Each Irrigation Rehabilitation Work under Part B.2 (b) and (c) of the Project shall be carried out with due diligence and efficiency under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with appropriate administrative, financial, technical,

engineering and environmental standards, including local and national environmental requirements.

2. The Recipient, through the relevant DRDR, shall allow the representatives of the Association, if the Association shall so request, to inspect the sites, works, plants, goods and construction included in the Irrigation Rehabilitation Works, the operation thereof, and any relevant records and documents.

Part D: Contractual Implementation Framework

1. Before approval by DGDR of an Irrigation Rehabilitation Work under Part B.2. (b) and (c) of the Project; the relevant WUA shall:
  - (a) finalize an SDP which shall include: (i) a long-term vision on the performance of the irrigation scheme; (ii) proposal of specific measures to achieve such vision; (iii) agreement on associated investment, maintenance and management plans and costs of irrigation rehabilitation works; (iv) identification of transferable and non-transferable infrastructure; (v) identification of roles and responsibilities for the WUA; (vi) agreement on irrigation management transfer of transferable irrigation infrastructure and provisions for the signing of such agreement if needed; (vii) provisions for full recovery of O&M charges sufficient to finance sustainable O&M of the scheme; and (viii) provisions for ensuring the sustainability of the scheme.
  - (b) enter into an annual PC with the relevant DRDR, the Region and the Commune. The PC shall record the commitments of the signing parties with respect to the performance of the irrigation scheme, provide an annual work plan for its implementation, performance indicators and the obligation for the communes and WUAs to prepare a seasonal list of all WUAs and their members in the scheme. The PC shall include for:
    - (i) WUA: commitment to pay annual O&M charges, to respect rules and regulations, responsibility for the O&M of transferred irrigation infrastructure;
    - (ii) Communes and Regions: active support for the compliance with rules and regulations of WUAs and federations of WUAs; rehabilitation of critical inter-communal roads; and payment, as the case may be, of shortfall in O&M charges collection; and

- (iii) the relevant DRDR: implementation of rehabilitation works agreed in the PC; maintenance of non-transferred infrastructure through FERHA; and support for the compliance with rules and regulations of WUAs and of federation of WUAs.
  
- (c) enter, as the case may be, into a Transfer Agreement with the relevant DRDR in order for the relevant DRDR to agree to transfer to the WUA responsibilities for the operation and maintenance of the transferable irrigation infrastructure, and the collection and remitting of irrigation management and maintenance charges, and the WUA to agree to carry out such responsibilities. The Transfer Agreement shall contain provisions clearly indicating, *inter alia*: (i) the area and Irrigation Scheme to be transferred; (ii) the interim joint management between the relevant DRDR and the WUA; (iii) the actions to be completed before the transfer of the irrigation scheme; (iv) responsibilities of the relevant public authorities (Region, Communes, DRDR); (v) responsibilities of the WUA; and (vi) termination of the Transfer Agreement.

**ANNEX B**

**Performance Indicators**

By the end of the Project:

- ③ five ASC have been established and are operational;
- ③ 5000 households are trained in agro-ecological cropping practices;
- ③ four Performance Contracts were signed and satisfactorily executed;
- ③ FERHA has been established and is operational;
- ③ about 21,000 ha of irrigation area have been rehabilitated;
- ③ 30 WUAs have been trained;
- ③ four Watershed Master Plans have been developed and satisfactorily implemented;
- ③ 60 groups have been established for the sustainable management of land and have been trained; and
- ③ the national strategy on fertilizers has been adopted and complied with.