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Director, Regional Integration
Africa and Middle East and North Africa

11-Jun-2024, 2024

H. E. Rindra Hasimbelo Rabarinirinarison
Minister of Economy and Finance
Ministry of Economy and Finance
Antananarivo, Republic of Madagascar

Excellency,

*Republic of Madagascar: Food Systems Resilience Program for Eastern and Southern Africa – Phase 1
under the Multi-Phase Programmatic Approach
(IDA Credit 7157-MG and IDA Grant E083-MG)
Amendment No. 1 to the Financing Agreement*

We refer to the Financing Agreement between the Government of Madagascar (“Recipient”) and the International Development Association (“World Bank”) for the Food Systems Resilience Program for Eastern and Southern Africa (“Project”), dated June 22nd, 2022 (“Financing Agreement”). We also refer to the request from the Recipient for additional financing to strengthen and complement the activities of the Project, and replenish the financing following the activation on April 22nd, 2023 of the Contingent Emergency Response under the Project.

In accordance with your request, the Recipient and the Bank have agreed through a financing agreement No. 7566-MG on or around the date of this letter, to provide additional financing to the Project (“Additional Financing Agreement”). To this effect, the Bank proposes to amend the Financing Agreement as follows:

1. Article III of the Financing Agreement is hereby amended to read as follows:

“3.01 The Recipient declares its commitment to the objectives of the Project and the MPA Program. To this end, the Recipient shall carry out the Project, and cause FID to carry out specifically Part 5.1 of the Project, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.”

2. Schedule 1 (Project Description) to the Financing Agreement is hereby amended as provided in Annex 1 to this letter.

3. A Section I.A.6 is hereby added to Schedule 2 of the Financing Agreement to read as follows:

“6. The Recipient shall maintain, and cause to be maintained, the FID with terms of reference, organization, staffing and resources acceptable to the Association, as further detailed in the CERC First Manual and the ESCP. The Recipient shall cause the FID, as Project Implementing Entity, to be responsible for the implementation of activities under Part 5.1 of the Project, in coordination with the PIU, including planning, quality oversight, implementation, procurement, financial management, environmental and social standards and monitoring of

Project activities, in manner and substance acceptable to the Association and as further set out in the CERC First Manual.”

4. A paragraph 7 is added to Section I.E. of Schedule 2 to the Financing Agreement to read as follows:

“7. The Recipient shall cause the Project Implementing Entity (FID) to carry out Part 5.1 of the Project in accordance with this Section, and ensure environmental and social obligations provided therein are extended to FID in its areas of responsibilities as set out in Article 3.01 and Sections I.A.6 and I.G. of Schedule 2 to this Agreement.”

5. A Section I.G. is added to Schedule 2 of the Financing Agreement to read as follows:

“G. Emergency Expenditures to FID.

To facilitate the implementation of activities under Part 5.1 of the Project, the Recipient shall enter into, and thereafter maintain and enforce, throughout implementation of those activities, an adequate implementation agreement with FID, under terms and conditions acceptable to the Association, which shall include obligations for FID, throughout implementation of those activities, to *inter alia*: (i) follow adequate due diligence and best technical, administrative, environmental and social, and fiduciary practices, in accordance with the Financing Agreement, the CERC First Manual, the Environmental and Social Standards, the ESCP, and the Anti-Corruption Guidelines as they apply to recipients of Financing proceeds other than the Recipient; (ii) conform to requests from the Recipient or the Association to provide any necessary information or regular reports, and allow the Association to exercise its inspection and audit rights, as either may be required or necessary for the purpose, on any aspect of implementation of Part 5.1 of the Project, including in accordance with the General Conditions; (iii) 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 Part 5.1 of the Project, and at the FID’s, the Association’s or the Recipient’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, as such audited financial statements shall be furnished promptly to the Recipient and the Association; and (iv) use any proceeds of the Financing for the purpose intended in accordance with the Financing Agreement, and cause eligible Unconditional Cash Transfers beneficiaries and payment agencies to use the Financing for said intended purpose, or to otherwise, in either event, be subject to the obligation to refund to the Recipient any misused Financing proceeds.”

6. The table in Section III.A. of Schedule 2 to the Financing Agreement is hereby amended as provided in Annex 2 to this letter.

7. The following definitions are inserted in their respective alphabetical order to the Appendix to the Financing Agreement, and other definitions renumbered accordingly to follow their alphabetical order:

“CERC First Manual” means the manual dated February 12, 2023, adopted for purposes of the activation on April 12, 2023 of the Contingent Emergency Response Part under this Financing Agreement, in its original drafting, and which is an integral part of the Project Operations Manual, as said CERC First Manual shall include the corresponding emergency action plan of or around the same date.”

“FID’s Legislation” means, collectively, the Recipient’s Decree no. 93.044 dated January 27, 1993, on the recognition of FID as a public interest association, the Recipient’s Ordinance no. 60-133 on the general regime of associations, the Recipient’s Decree no. 60-383 dated October 5, 1960, the Recipient’s Ordinance no. 75-017 dated August 13, 1975, and its governing document (*statuts*) dated November 30, 2009.”

“FID” means *Fonds d’Intervention pour le Développement*, a public interest association legally established and operating on the Recipient’s territory in accordance with the FID’s Legislation.”

““Grant Agreement” means the grant agreement No. TF C4785 for Parts 3.1, 3.3 and 3.4 of the Project between the Recipient and the World Bank, acting as acting as Trustee and as a Supervising Entity of the Global Agriculture and Food Security Program Trust Fund, as such grant agreement may be amended from time to time.”

“Project Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

“Project Implementing Entity” means FID.

““Resettlement Costs” means the allocated amount to cover the expenditures incurred by the Recipient associated with implementation of the Resettlement Plans, and which consist of the costs to finance expenditures for cash payments for compensation or other cash payments for assistance due to a Project Affected Person or for the cost of land acquisition related to the activities to be carried out under Parts 2.3 and 3.2 of the Project, carried out in accordance with the Environmental and Social Standards and the ESCP, and which Resettlement Costs are hereby deemed an Eligible Expenditure for purposes of Section 2.05 of the General Conditions.”

“Resettlement Plan” or “RAP” means, each, the resettlement and rehabilitation action plan prepared and disclosed by the Recipient for Part 3.2 of the Project, satisfactory to the Association, and as referenced in the ESCP, which the Recipient developed for the Project Affected Persons located permanently or temporarily in a Project area which involves resettlement, and setting forth the principles, procedures, organizational arrangements and budget to implement the resettlement-related activities under the Project, as said Resettlement Plan may be revised from time to time with the prior written agreement of the Association.

“School Feeding Programs” means Eligible Expenditures under Part 3.1 of the Project to: (i) strengthen the school feeding system in the Recipient’s territory based on local production and nutritious foods, (ii) support the sustainable development of natural resources for resilient food systems, and (iii) provide technical support for an integrated food security policy and crisis response.”

“Unconditional Cash Transfers” means Emergency Expenditures in the form of time-bound non-reimbursable income supplements and/or accompanying measures to eligible vulnerable household and individual beneficiaries in the Recipient’s territory, under terms, conditions, eligibility criteria and payment modalities satisfactory to the Association and further set out in the CERC First Manual.”

All provisions of the Financing Agreement, which are not expressly modified in accordance with this letter, shall remain in full force and effect.

Please confirm your agreement with this proposed amendment, on behalf of the Recipient, by countersigning and dating the two original copies of this amendment letter and returning one countersigned and dated original to us. The above amendments to the Financing Agreement shall be deemed effective upon receipt of the countersigned copy.


Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

Boutheina Guerhazi

Boutheina Guerhazi
Director of Regional Integration
Africa and Middle East and North Africa Region

AGREED AND CONFIRMED:

REPUBLIC OF MADAGASCAR

By:  _____

Name: Authorized Representative
Rindra Hasimbelo Rabarinirinarison

Title: Ministre de l'Economie et des Finances

Date: 12-Jun-2024

Project Description

The objectives of the Project are to increase the resilience of food systems and the Recipient's preparedness for food insecurity in Project areas, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Project constitutes Phase 1 of the MPA Program and consists of the following parts:

Part 1: (Re-)Building Resilient Agricultural Production Capacity

Strengthening the productivity and resilience of food production to shocks and stressors, including by:

1.1. Supporting Climate-Informed and Pluralistic Seed Systems

Strengthening the development and delivery of improved varieties of food and fodder crops by upgrading informal seed systems, including by: (i) supporting the development of a national seed roadmap for selected crops and stress-tolerant and climate-adapted varieties; (ii) building up the capacity of seed regulators in quality assurance; (iii) identifying and addressing binding constraints impeding development of the seed value chain; (iv) increasing farmers' access to source technologies via Financing Mechanisms; (v) providing training and capacity building and marketing support to seed producers including private companies and farmer-based groups; (vi) reinforcing the technical and operational capacity of national agricultural research centers for safeguarding and ensuring the provision of pre-basic and basic seed; (vii) rehabilitating and upgrading public and community-based centers for seed multiplication, processing, storage, and marketing; and (viii) strengthening seed research by facilitating and funding collaborative research alliances with partners.

1.2. Supporting Enhanced Access to Climate-Smart Agricultural Mechanization

Enhancing smallholders' access to mechanization, including by: (i) supporting the development and delivery of equipment that can be used in land preparation, seeding (direct sowing), fertilization, weeding, harvest, the postharvest management (threshing and processing) and overall production of target crops; (ii) providing Financing Mechanisms to agricultural equipment vendors to expand their offerings, their market reach, and after-sale services; (iii) supporting the development of a digital platform linking smallholder farmers, producer groups, and agribusinesses to mechanization services; (iv) strengthening the capacity of the Center of Agriculture Mechanization; and (v) in collaboration with One CGIAR, supporting the development of innovative agricultural equipment and machinery.

1.3. Strengthening Agricultural Production, Price, and Weather Data Management and Information Systems

Supporting the development of data and digital information systems including by: (i) developing systems for collecting, assessing, managing, and disseminating information and advice among actors ranging from smallholder producers to livestock herders, agroprocessors, and policymakers, including conducting an agricultural census; and (ii) building capacity at the national level for agrometeorological and hydrometeorological services (public, private, and academic ones) to: (a) gather data on hydrometeorological phenomena to complement regional and global data and infrastructure for climate risk management; and (b) provide impact-based forecasting, warning, and advisory services to farming communities.

Part 2: Supporting the Sustainable Development of Natural Resources for Resilient Agricultural Landscapes

Promoting participatory planning and more sustainable, community-led natural resources and irrigation infrastructure management including by:

2.1. Promoting Participatory Planning and Strengthening the Knowledge Base

Promoting participatory planning and strengthening the knowledge base for more sustainable and resilient natural resources management including by: (i) supporting planning and capacity building relating to the sustainable management of watersheds, including the preparation of watershed, sub-watershed, and local management plans; (ii) supporting institutional and community-based capacity for sustainable natural resource management, including among water users' associations; (iii) supporting forest management and landscape restoration, including the rehabilitation of degraded lands, reforestation, fire management, terracing, agroforestry, and productive forestry for energy and construction wood; (iv) supporting planning, mapping, data collection, and knowledge generation for enhancing climate resilience and increasing carbon sequestration; (v) supporting the generation of baseline data on soil carbon, forest cover, land use, water use and demand, water and sediment flow, the status and diversification of livelihoods, and greenhouse gas emissions from land use and land use change; (vi) raising awareness among program beneficiaries of the negative impacts of bushfires, slash-and-burn agriculture, and excessive burning or charcoal production in risky zones.

2.2. Investing in Sustainable Land and Water Management for Enhanced Climate Resilience

Supporting investments in productive assets with a focus on water resources management, water services, and watershed management for climate adaptation and mitigation, including: (i) practices that promote soil and water conservation including agronomic measures and climate-smart agriculture practices; (ii) stream and groundwater control including small-scale storage; (iii) rainwater harvesting, natural catchment protection, riverbank restoration, agroforestry, silvopastoral systems, and sustainable rural energy to restore forest cover and groundwater recharge; and (iv) natural-resources based livelihoods such as nontimber forest products, beekeeping, green charcoal, and nature-based tourism.

2.3. Improving Water Management and Irrigation Services

Supporting the rehabilitation and improvement of existing gravity-fed irrigation sites and supporting the adoption of energy-efficient small-scale irrigation systems including by: (i) supporting the rehabilitation and sustainable management of public infrastructure such as dams and dykes that are highly vulnerable to climate shocks and susceptible to seeing their performance deteriorate due to a lack of regular upkeep; (ii) facilitating the operationalization of the Hydro-Agricultural Network Maintenance Fund (FRERHA) so that major infrastructure can benefit from regular maintenance and be repaired when damaged; and (iii) contributing to improving water governance by building the capacity of water users' associations.

Part 3: Improving Market Connectivity and Access for Smallholders

Promoting the inclusion of smallholder farmers and rural communities in crop and livestock value chains and more efficient food markets by:

3.1. Promoting Diversification and Value Addition for Better Income, Nutritional, and Health Outcomes

Supporting the development, adaptation, and delivery of agroprocessing technologies that enhance the availability and quality of healthy food products, and related income opportunities, including by supporting, via Financing Mechanisms, School Feeding Programs, activities, materials and equipment that: (i) enhance the nutritional value of rice through improved varieties, and improved processing methods; and (ii) facilitate the development of innovative food products using tubers, cereals, and legumes and feed products to be promoted in villages, towns, and urban markets, including via nutritional centers and, where appropriate, to be scaled up at the regional level.

3.2. **Rehabilitation and Decentralized Maintenance of Rural Feeder Roads for Improved Market Access and Resilient Value Chains**

Financing the rehabilitation of infrastructure to improve the transportation of agricultural products to markets, and rural producers' access to market opportunities, including by rehabilitating feeder roads that small-scale producers, including rural women, use to access inputs and outputs markets.

3.3. **Construction and Rehabilitation of Public Laboratories and Equipment**

Financing the rehabilitation and construction of public laboratories as well as the procurement of equipment to enable public laboratories to take part in quality and sanitary and phytosanitary standard controls, epidemio-surveillance, seed certification, fertilizer and pesticide quality control, and other agrifood value chain support functions.

3.4. **Strengthening Priority Value Chains and Linkages to Regional Markets**

Strengthening priority value chains and linkages to regional markets including, *inter alia*: (i) supporting investments in cold chain facilities, post-harvest storage infrastructure, and other infrastructure bottlenecks that affect priority value chains; (ii) establishing a platform for the aggregation, marketing, and promotion of export-ready products; (iii) updating standards and best practice guidelines to align them with regional and international ones; (iv) capacity building of farmers, farmer organizations, government officials, and agribusiness entrepreneurs for the adoption or dissemination of new or more demanding practices and standards; and (v) promoting the digitalization of government services and information and communication system including, *inter alia*, by supporting the development of integrated agricultural data platforms and piloting traceability systems.

Part 4: Project Coordination, Knowledge Management, and Dissemination

Supporting Project coordination, knowledge management, and dissemination including by:

4.1. **Project Coordination and Management**

Supporting all aspects of Project management and monitoring and evaluation including, *inter alia*, activities relating to Project startup, monitoring and evaluation, knowledge management, communications, and compliance with fiduciary, procurement, environmental, and social requirements including corporate commitments, as well as Resettlement Costs.

4.2. **Enabling Climate-Informed Policies, Institutions, and Regional Coordination**

Facilitating climate-informed and cross-cutting policy efforts relating to food systems resilience, including regional-level efforts, including by: (i) enhancing the regulatory and policy framework for digital agriculture; (ii) strengthening public agricultural support programs and creating incentives for the adoption of climate-smart agriculture; (iii) supporting efforts toward the regional harmonization of national food security policies, regional knowledge sharing, and intraregional food trade; (iv) strengthening institutional, professional, and technical capacities of government agencies; (v) supporting the capacity to monitor and track deforestation, land-use change and greenhouse gas emissions; (vi) financing the development and deployment of digital technologies; (vii) supporting performance assessments of public policies and programs, and identifying ways in which public spending and policies can be reoriented to better align with sustainability, resilience, gender-equity, and core objectives of the MPA Program; and (viii) strengthening the knowledge and skills of key research and technical staff across public institutions via the provision of technical short-term and long-term training for the staff of the Recipient's Ministry of Agriculture and Livestock and key research and technical institutions.

Part 5: Contingent Emergency Response

- 5.1 Providing: (i) Unconditional Cash Transfers to vulnerable households to strengthen their resilience against price surge of petroleum products and basic necessities; and (ii) institutional capacity-building to FID, including Operating Costs and Project management costs.
- 5.2 Providing immediate response to an Eligible Crisis or Emergency, as needed.

Part 6: Support to Locust Response and Climate-Smart Livestock Systems

- 6.1 Strengthening locust management at the national level, through locust surveillance and monitoring, ground and aerial control measures, Training and capacity building.
- 6.2 Supporting climate resilient livestock systems, through financing of Financing Mechanisms, climate smart technologies and practices, animal restocking, and financing of goods and services to improve veterinary services, community-led and climate-resilient activities, and related capacity-building of the Ministry of Agriculture and Livestock to track animal disease and pest outbreaks and promote use of animal manure.

ANNEX 2

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) (a) Goods, works, non-consulting services, consulting services, Operating Costs and Training under Parts 1, 2 and 3.2 of the Project (except for Financing Mechanisms under Parts 1.1, 1.2 and 3.1 of the Project)	4,760,000	40,831,000	(a) 100%
(b) Goods, works, non-consulting services, consulting services, Operating Costs and Training under Parts 3.1, 3.3 and 3.4 of the Project	7,600,000	3,725,000	(b) 100% until Grant Agreement TFC4785 becomes effective 0% while Grant Agreement TFC4785 is effective and has uncommitted funds 100% thereafter
(2) Financing Mechanisms under Parts 1.1, 1.2 and 3.1 of the Project	5,737,000	969,000	100%
(3) Goods, works, non-consulting services, consulting services, Operating Costs and Training under Part 4 of the Project	3,018,000	13,375,000	100%
(4) (a) Emergency Expenditures under Part 5.1 of the Project	(a) 37,255,000	0	100%
(b) Emergency Expenditures under Part 5.2 of the Project	(b) 0		
(5) Resettlement Costs	530,000	0	100%
TOTAL AMOUNT	58,900,000	58,900,000	