OFFICIAL DOCUMENTS

CREDIT NUMBER 6280-MG

Financing Agreement

(Additional Financing to Electricity Sector Operations and Governance Improvement Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MADAGASCAR ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to the Agreement). 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) apply to and form 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 or the Original Financing Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to twenty-seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are 15 April and 15 October 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 United States 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 Parts 1 and 4.1 of the Project through its Ministry of Water Energy and Hydrocarbons ("MWEH") and Parts 2, 3 and 4.2 of the Project through JIRAMA in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Any event specified in Section 4.01 of the Original Agreement.

(b) The Recipient has failed to comply with any of its obligations under Section IV of Schedule 2 to this Agreement.

4.02 The Additional Events of Acceleration consist of the following:

The events specified in Section 4.01 of this Agreement has occurred and continues for a period of 60 days after the notice of such event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01 The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) The Project Implementation Manual has been updated in form and substance satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following:

The Subsidiary Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01 The Recipient’s Representative is its minister responsible for finance.

6.02. The Recipient’s Address is:

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

Cable address: MFB
Facsimile: (261) 20 22 34530
Email: tresor@moov.mg

6.03. The Association’s Address is:

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

Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Agreed as of the Signature Date.

REPUBLIC OF MADAGASCAR

By

Authorized Representative

Name: ANDRIAMBOLOLONA Vonybalama S.
Title: Le Ministre des Finances et du Budget
Date: 05 OCT 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Coralie Gevers
Title: Country Manager for Madagascar
Date: October 5, 2018
SCHEDULE 1

Project Description

The objectives of the Project are to improve the operational performance of the national electricity utility (JIRAMA), to improve the reliability of electricity supply in the Project Area, and, in the event of an eligible crisis or emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1: Improving electricity sector planning and financial sustainability

1.1 Improving electricity sector planning and financial sustainability through the provision of technical assistance, capacity building and consultancy services for:

(a) the preparation of a Least Cost Power Development Plan (LCPDP);
(b) the elaboration of a NES;
(c) the preparation of a tariff study to address sector financial viability;
(d) strengthening the capacity of public agencies responsible for least-cost electrification; and
(e) implementation of the LCPDP and the NES; and

1.2 Provision of technical assistance, capacity building, and consultancy service for the development of small hydro including:

(a) feasibility studies and detailed layout design;
(b) environmental studies, as well as the Environmental and Social Management Plan (ESMP) and the compensation and resettlement plan (CRP);
(c) training in the establishment of different preliminary planning phases, and the processes for awarding PPAs and EPC contracts;
(d) technical and financial evaluation and validation of studies and award of contracts to project companies;
(e) evaluation of the ecological, environmental, and social aspects of the proposed projects, in accordance with international standards;
(f) analysis and evaluation of financial risks;

(g) negotiation and finalization of power purchase and/or concession agreements;

(h) economic impacts of change on each scenario proposed;

(i) strengthening of the capacity of staff at the MWEH and the sector institutions in technical and financial evaluation of studies; and

(j) small hydro project implementation manual.

Part 2: Strengthening operational performance and governance of JIRAMA

2.1. Strengthening operational performance and governance of JIRAMA through the provision of technical assistance, capacity building, consultancy services and equipment including:

(a) The preparation of the MIP which will provide: (i) a roadmap for implementation of an optimal organizational structure for JIRAMA (including description of functions and responsibilities of positions at management level and definition of skills required for each position), and the incorporation of management information systems at JIRAMA to provide the tools for JIRAMA management and staff to better run the company and the sector; (ii) the design of a Revenue Protection Program (RPP); and (iii) the identification of urgent investment needs in rehabilitation and upgrade of facilities to reduce non-technical losses.

(b) The implementation of the organizational restructuring of JIRAMA based on the recommendations in the MIP through the selection of staff to occupy positions at the top two levels in the organizational structure below the Director General through competitive and transparent processes; and the acquisition of equipment and tools for logistic support (office equipment, etc.), as well as vehicles.

(c) The incorporation of management information systems (MIS) in line with the MIP, through the provision and installation of the MIS, which will include a commercial management system, an integrated distribution management system, and an enterprise resource planning system, to be complemented with the update of respective databases supported by a geographic information system; and the installation of an auxiliary IT system and standby generation system necessary for the operation of the MIS.
(d) The implementation of the RPP for sustainable reduction of non-technical losses in supply through systematic remote recording and monitoring of consumption of large users.

2.2. Preparation and implementation of a Human Resource Development Plan and communication strategy for JIRAMA including the implementation of performance-based incentives.

Part 3: Investing in enhanced reliability of electricity

3.1. Reinforcement of an existing 138/63 kV substation and construction of 63kV electricity transmission lines and rehabilitation and construction of 63kV transmission lines: (a) installation of 2 x 60MVA 138/63kV transformers and auxiliaries at the existing substation of Ambohimanambola; (b) construction of transmission lines that will connect the substations of Tana Nord and Tana Sud; (c) construction of electricity transmission lines between the substations of Tana Nord and Ambodivona; (d) rehabilitation of the Antananarivo–Antsirabe 63kV lines; and (e) the implementation of safeguard measures.

3.2. Rehabilitation and/or upgrading of existing distribution networks through the replacement of 20/0.4kV overloaded transformers by new transformers with adequate capacities, and the installation of associated accessories and switchgear; the construction of 20kV lines; the installation of distribution sub-stations with primary voltage 20kV; the replacement of 5/0.4kV pole mounted transformers and of insulators, accessories, and conductors in about 144 km of existing 5kV lines to upgrade the infrastructure to operate in 20kV; the installation of new poles to replace existing ones in bad condition; installation of metering systems; equipment and materials required to repair transformers, including trucks, ML/LV mobile substations; rehabilitation of 255km of cables and bare conductors, as well as concrete and wooden poles, transformers and associated equipment; and the implementation of safeguard measures.

3.3. Rehabilitation of auxiliaries of generation plants through: (a) the provision of spare parts necessary for the rehabilitation of the fuel supply and treatment system of JIRAMA’s existing heavy fuel oil (HFO) plants in order to ensure that HFO could be used; (b) the installation of a motorized bar screen in Andekaleka hydro plant to evacuate debris in the water intake; and (c) the rehabilitation and commissioning of the alternator of one unit at Antelomita small hydro plant to increase its generation capacity; and (d) the implementation of safeguard measures.

3.4. Provision of Technical Assistance and equipment/logistics to support JIRAMA to finalize the design of the activities, to prepare the bidding documents, to supervise the implementation of electricity transmission and distribution works and to implement part of the distribution works.
3.5. New Dispatching Center and new Distribution Control Center for the Antananarivo interconnected network:

(a) New Dispatching Center

Upgrade of JIRAMA’s control and supervisory system (SCADA) to equip it with modern technology to manage these energy resources under optimum quality, cost and safety conditions, including: (i) a feasibility study to upgrade the dispatching center; (ii) the acquisition and installation of new SCADA system; (iii) construction of a new building in JIRAMA’s premises in Antananarivo to house the new control and dispatching center; (iv) works supervision through consultancy services; and (v) implementation of safeguard measures related to the installation of the dispatching center.

(b) New Distribution Control Center

Establishment of a new Distribution Control Center (DCC) to improve electricity distribution operations in the Antananarivo interconnected network, and improve the electricity supply to customers and minimize the duration of outages due to incidents and optimize the management and operation of the distribution network including: (i) a feasibility study and the establishment of the new system for management and operation of the distribution network; (ii) installation, and commissioning of the new DCC; and (iii) the implementation of safeguard measures related to the installation of the distribution control center.

Part 4: Project Management

4.1. Project Management support to MWEH through the provision of technical assistance, training, capacity building, equipment and supporting incremental Operating Costs related to the coordination and implementation of Project activities for Part 1 of the Project, monitoring and evaluation, implementation of safeguards requirements and assessment of the impacts of the Project activities, including the recruitment of project staff the financing of audits and financial management software, purchasing of selected office and IT equipment, as well as financing: (i) the contracting of financial management specialists and procurement specialists as required to support project implementation; (ii) the Project audit for the extended implementation period and the incremental operating cost; (iii) acquisition of vehicles for project supervision; (iv) financing for capacity building through training focused on MWEH, ORE, and ADER staff on different subjects related to the development of the energy sector; and (v) purchasing of commercial type vehicles for project activities monitoring and supervision.
4.2. Project Management support to JIRAMA through the provision of technical assistance, training, capacity building, equipment and supporting incremental Operating Costs related to the coordination and implementation of Project activities for Parts 2 and 3 of the Project, monitoring and evaluation, implementation of safeguards requirements and assessment of the impacts of the Project activities, including the recruitment of social and environmental safeguards experts, the design and implementation of the customer satisfaction survey, selected office and IT equipment, as well as the financing of: i) the contracting of social and environmental safeguard consultants to prepare the safeguards studies and to monitor their implementation, (ii) financial management specialists and procurement specialists as required to support project implementation; (iii) the Project audit for the extended implementation period and the incremental operating cost; (iv) acquisition of vehicles for project supervision; (v) capacity building through training focused on JIRAMA staff on different subjects related to the improvement of the performances of JIRAMA; (vi) the functioning of the grievance redress mechanism of the project, participatory monitoring and evaluation of JIRAMA and sensitization campaign on the beneficiaries survey’s result and on gender initiative, for JIRAMA and its customers; (vii) the purchasing of commercial type vehicles for project activities monitoring and supervision; and (viii) the carrying out of selected Training programs.

Part 5: Contingency Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The MWEH shall have the responsibility for overall coordination of the Project. Recipient shall maintain the following institutional arrangements, further described in the Project Manual, throughout the implementation of the Project.

1. Strategic Committee for the Reform of JIRAMA

   (a) The Recipient shall maintain the Strategic Committee for the Reform of JIRAMA, 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 Strategic Committee for the Reform of JIRAMA shall be chaired by the Minister in charge of energy of the Recipient and include at a minimum high-level representatives of the MWEH, the Ministry of Finance and Budget, the Central Bank, JIRAMA, and the Presidency.

   (c) Without limitation to the provisions of paragraph (a) immediately above, the Strategic Committee for the Reform of JIRAMA shall be responsible for the responsible for driving the reform of JIRAMA and approving any plans, decisions, and actions for implementation, and will be responsible for the direct supervision of the MIP.

2. Coordination Committee

   (a) The Recipient maintain the Coordination 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 Coordination Committee shall be chaired by the MWEH and include at a minimum high-level representatives of the ORE, ADER, JIRAMA, the Ministry of Finance and Budget of the Recipient.

   (c) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Coordination Committee shall be responsible for the provision of strategic guidance and overall oversight of the Project and support for its effective implementation, approving Annual
Work Plans and Budget; and shall meet at least once a year to review Project progress reports provided by the Implementing Agencies.

3. **Implementing Agencies**
   
   (a) MWEH shall be responsible for the implementation of Parts 1 and 4.1 of the Project and JIRAMA for the implementation of Parts 2, 3 and 4.2 of the Project.
   
   (b) MWEH shall implement Part 1 and 4.1 of the Project through its management team, which shall include at a minimum a project coordinator, a procurement specialist and a financial management specialist; appointed or 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.
   
   (c) JIRAMA shall implement Parts 2, 3 and 4.2 of the Project through its staff, which shall include at a minimum a project coordinator, a procurement specialist and a financial management specialist, a safeguards specialist; appointed or 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.
   
   (d) MWEH and JIRAMA shall be responsible for the procurement, financial flows, and environmental and social safeguards matters for their respective Parts and shall provide reporting and information to the Coordination Committee and MWEH, as applicable. The MWEH will be responsible for consolidating information on the various project components and prepare and submit Project Reports to the Association.

B. **Anti-Corruption**

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

C. **Subsidiary Agreement**

1. To facilitate the carrying out of Parts 2, 3 and 4.2 of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement (the “Subsidiary Agreement”) between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the provisions described in paragraph (2) immediately below.

2. The Subsidiary Agreement shall include, *inter alia*, the following terms and conditions:
(a) The obligation of the Recipient to:

(i) make the funds of the Financing set out in Category (2) available to the Project Implementing Entity on a grant basis; and

(ii) take all actions necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof, as well as refrain from taking or permitting to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of any of its obligations under the Project Agreement.

(b) The obligation of the Project Implementing Entity to:

(i) carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, the Project Manual, the Anti-Corruption Guidelines, the Procurement Regulations, the Consultant Guidelines and the Annual Work Plans and Budgets;

(ii) promptly refund to the Recipient for further refund to the Association any proceeds from the Financing not used for purposes of carrying out the Project or for achieving the objective thereof, or otherwise utilized in a manner inconsistent with the provisions of this Agreement or the Project Agreement;

(iii) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to: (A) the progress of the Project and the achievement of the objective thereof; and (B) the Project Implementing Entity's performance of its obligations under the Project Agreement, the Subsidiary Agreement, the Project Manual, the Annual Work Plans and Budgets, the Anti-Corruption Guidelines, the Procurement Regulations and the Consultant Guidelines; and

(iv) promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objective thereof.

(c) a provision stipulating that, in case of conflict between any of the provisions contained in the Subsidiary Agreement and those set forth in this Agreement and the Project Agreement, the provisions of this Agreement and the Project Agreement shall at all times prevail.

3. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary 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 the Subsidiary Agreement or any of its provisions.

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 Safeguards 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 Safeguards 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 Safeguards Documents, giving details of: (a) measures taken in furtherance of the Safeguards Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth
implementation of the Safeguards Documents; and (c) remedial measures taken or required to be taken to address such conditions.

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

E. Immediate Response Mechanism ("IRM")

In order to ensure the proper implementation of Part 5 of the Project ("IRM Part"), the Recipient shall take the following measures.

1. The Recipient shall:

(a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Authority"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguards management frameworks for the IRM Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(b) afford the Association a reasonable opportunity to review said proposed operations manual;

(c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association ("IRM Operations Manual");

(d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:

   (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

   (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

F. Annual Work Plans and Budgets

1. Each year the Recipient shall prepare (with the input of JIRAMA):

   (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 Safeguards 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 Coordination 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 and the Coordination Committee’s prior approval.

G. Manuals

1. (a) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual and the IRM Operations Manual, as applicable.

   (b) Except as the Association and the Coordination Committee shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any of the Project Implementation Manual or the IRM Operations Manual, or any provision thereof.

2. In the event of any conflict between the provisions of any of the Project Implementation Manual or the IRM Operations Manual and those of this Agreement, the provisions of this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. 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 February 2017, 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Part 1.2 and 4.1 of the Project.</td>
<td>2,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Part 2.2, 3 and 4.2 of the Project.</td>
<td>22,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) (a) Goods, works, non-consulting services, consultants' services, Training and Operating Costs under part 2.2</td>
<td>700,000</td>
<td></td>
</tr>
<tr>
<td>(b) Performance-based incentives under Part 2.2 of the Project</td>
<td>2,100,000</td>
<td></td>
</tr>
<tr>
<td>(4) IRM</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>27,900,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) under Category 3(b), unless and until the Recipient has adopted the Performance Based Incentives Manual in form and substance satisfactory to the Association.

   (b) under Category (4), for Emergency Expenditures under Part 5 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been
met in respect of said activities:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all Safeguards Documents (and any other safeguards instruments) required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.E of Schedule 2 to this Agreement;

(iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.E of this Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain or have been updated in accordance with the provisions of Section I.E of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date for both the Original Financing Agreement and this Agreement is December 31, 2021.

Section IV. Other Undertakings

1. Not later than six (6) months after the Effective Date the Recipient shall have caused JIRAMA to have elaborated and adopted the Human Resource Development Plan and Communications Strategy in form and substance satisfactory to the Association.

2. Not later than six (6) months after the Effective Date the Recipient shall, through the MWEH, have hired a consultant to provide technical assistance in the development of Small Hydro, on the basis of terms of reference, qualifications and experience acceptable to the Association.

3. Not later than six (6) months after the Effective Date the Recipient shall have caused JIRAMA to hire a consultant to assist it in the procurement and installation
of a new dispatching system and a new distribution control center, on the basis of terms of reference, qualifications and experience acceptable to the Association.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15, commencing October 15, 2024, to and including April 15, 2056.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. "ADER" means Agence de Développement de l'Electrification Rurale, the Recipient's Agency for Rural Electrification.

2. « ARELEC » means Autorité de Régulation de l'Electricité, the Recipient's regulatory authority for electricity.


4. “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.F.2 of Schedule 2 to this Agreement.


6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.E of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

8. “Coordination Committee” means the coordination committee for the Project described in Section I.A.2 of Schedule 2 to this Agreement established by the Interministerial Decree n°2746/2016 dated February 3, 2016.

9. “Dispatching System” means Supervisory Control And Data Acquisition (SCADA) system for integration of variable renewable energy and load repartition system at the generation and transmission level.

10. “Distribution Control Center” means automated load management system at the distribution level.

11. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

12. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants' services, Training, and
Operating Costs, set forth in the IRM Operations Manual in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.

13. “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.

14. “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 and in the country of the Recipient on January 15, 2016, 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.

15. “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.


17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

18. “Human Resources Development Plan and Communications Strategy” means the plan to cover the following: recruiting managers reporting directly to Directors; all JIRAMA operational procedures; restructuring JIRAMA, including preparation of a voluntary retirement plan; a proposed organizational chart; the skills upgrading plan for new managers at JIRAMA; and a performance-based compensation plan.

19. “Implementation Agencies” means MWEH and JIRAMA.

20. “IRM Operations Manual” means the operations manual referred to in Section I.E of this Agreement, to be adopted by the Recipient for the IRM Part of the Project.
in accordance with the provisions of said Section.

21. “IRM Part of the Project” or “IRM Part” means the Immediate Response Mechanism under Part 5 of the Project.

22. “JIRAMA” means *Jiro sy rano malagasy*, the Recipient’s state-owned electric utility and water services company.

23. “LCPDP” means the Least Cost Power Development Plan to be prepared by the Recipient under Part 1(a) of the Project.

24. “Letter of Sector Policy” means the Letter of Sector Policy of the Recipient dated February 4, 2016, for the electricity sector which sets forth the Recipient’s strategic views on the sector and in particular the reform of JIRAMA (namely the main elements of JIRAMA’s Management Improvement Plan), and confirm the Recipient’s adoption of the Management Improvement Plan and the Recipient’s and JIRAMA’s commitment for its implementation.

25. “MWEH” means the Ministry of Water Energy and Hydrocarbons of the Recipient or any successor ministry in charge of energy.


27. “MIS” means the management information systems to be incorporated under Part 2(c) of the Project.


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 rental, 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. “ORE” means *Office de Régulation de L’Electricité*, the Recipient’s Electricity Sector Regulator.

31. “Original Financing Agreement” means the credit agreement for the Electricity Sector Operations and Governance Improvement Project between the Recipient and the Association dated April 08, 2016, (Credit Number 5773-MG).

32. “Original Project” means the project described in the Original Financing
Agreement.

33. “PPA” means power purchase agreement.

34. “Performance Based Incentives Manual” means the manual governing the operation of Performance-based incentives under part 2.2. of the Project to be adopted by the Recipient in form and substance acceptable to the Association.


36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 15, 2018, and mentioned in paragraphs 4.4 and 4.5 of the Procurement Regulation as shall be updated from time to time in accordance with the terms of said paragraphs.

37. “Program” means the program of the Recipient for the energy sector set forth in the Letter of Sector Policy.

38. “Project Area” means the geographical areas where project activities under Part 3 of the Project will be implemented, namely the regions of Analamanga, Vakinankaratra, Alaotra Mangoro, Diana, Sava, Boeny, Sofia, Betsiboka, Androy, Atsimo Andrefana, Antsinanana, Analanjirofo, Menabe, Haute Matsiatra, Vatovavy Fito Vinany, Ihorombe, or any other areas on which the Association may agree in writing with the Recipient.

39. “Project Implementing Entity” means JIRAMA.


42. “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.
"Resettlement Policy Framework" means the Recipient’s document entitled "Cadre de Politique de Réinstallation Involontaire (CPRI)" disclosed at the Association’s Infoshop and in the country of the Recipient on January 15, 2016, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons. “RPP” means the Revenue Protection Program to be prepared under Part 2(a) of the Project.

“RPF” means the Revenue Protection Program to be prepared under Part 2(a) of the Project.

“Small Hydro” means hydro sites of less than twenty Mega Watt (20 MW) capacity identified in the ESMAP-funded study commissioned in 2017.

“Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

“Safeguards Documents” means, collectively, 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.

“Strategic Committee for the Reform of JIRAMA” means the committee described in Section I.A.1 of Schedule 2 to this Agreement and established by the Interministerial Decree n°2745/2016 dated February 3, 2016.

“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.