

**CONFORMED COPY**  
**CREDIT NUMBER 4223 MAG**

# **Project Agreement**

**(Power and Water Sector Recovery and Restructuring Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**JIRAMA**

**Dated July 17, 2006**

## **PROJECT AGREEMENT**

Agreement dated July 17, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and JIRAMA (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the REPUBLIC OF MADAGASCAR (“Recipient) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

### **ARTICLE I—GENERAL CONDITIONS; DEFINITIONS**

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions and the following term means:

“WELD” means the Direction for Water and Electricity within MEM (*Direction de l’Eau et de l’Électricité*).

### **ARTICLE II—PROJECT**

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out Part A of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services, and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

**ARTICLE III – REPRESENTATIVE; ADDRESSES**

3.01. The Project Implementing Entity's Representative is the *Directeur Général*.

3.02. The Association's Address is:

1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD	248423(MCI) or	1-202-477-6391
Washington, D.C.	64145(MCI)	

3.03. The Project Implementing Entity's Address is:

JIRAMA  
149 rue Rainandriamampandry  
BP 200 Antananarivo  
101 Madagascar

Cable:	Facsimile:
JI.RA.MA	00 261 20 22 338 06

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

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Nils Tcheyan  
Authorized Representative**

**JIRAMA**

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

## **SCHEDULE**

### **Execution of the Project Implementing Entity's Respective Part of the Project**

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

1. The Project Implementing Entity shall ensure that, at all time during project implementation, a team composed of staff with qualifications and experience satisfactory to the Association, including an accountant and a procurement specialist, be maintained within WELD and assigned to the implementation of Part A of the Project. Said team shall be responsible for providing overall support, strategic guidance, and carrying out fiduciary activities and monitoring and reporting activities under part A of the Project.
2. The Project Implementing Entity shall ensure that MEM be regularly informed of the implementation of Part A of the Project, so as to ensure proper technical supervision of the Project.
3. The Project Implementing Entity shall carry out the Project in accordance with procedures set out in the JIRAMA Procedures Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
4. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the ESMF, and, as the case may be, in accordance with the provisions of the EMP.

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

##### **A. Project Reports**

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project, and prepare Project Reports for its Respective Part of the Project, in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later 45 days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

Restore an adequate public utility service for electricity and water in urban areas.

<b>Indicateurs de réalisation</b>	<b>Baseline</b>	<b>Mid-term Review</b>	<b>Completion of the Project</b>
<u>Improve generation efficiency</u>			
a) Number of HFO units	2	14	22
b) Reduce % of diesel generation over total generation	31 %	24 %	14%
c) Reduce oil specific consumption of diesel units	247 g/kWh	242 g/kWh	240 g/kWh
<u>Reduction of electricity losses</u>			
Overall indicator :			
a) Energy billed/energy produced	76,3 %	76,7 %	77,6%
Specific indicator :			
b) Length of 5kV lines converted to 20 kV	0	30 km	59 km
c) Number of CFL lamps installed	0	300 000	660 000
<u>Revenue management</u>			
Overall indicator :			
a) Revenue collected/ Energy billed :			
i. for industrials	77 %	78,5 %	82%
ii. for households	92 %	92,5 %	93%
Specific indicators :			
a) Accounts receivable in months of billing.	4 months	3 months	3 months
Number of prepayment meters installed	7 332	10 132	14 200
<u>Financial outcomes</u>			
a) EBIDTA margin EBIDTA/revenue	-50%	-10%	>0
b) Adequate technical, commercial and financial reporting in place	n/a	in place on a quarterly basis	in place on a monthly basis

2. The Project Implementing Entity shall provide to the Recipient, not later than June 30, 2009, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

**B. Financial Management, Financial Reports; Audits.**

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than 45 days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

4. By January 1, 2007, the Project Implementing Entity will prepare quarterly management reports in form and substance satisfactory to the Association (including relevant technical commercial and financial data and parameters for the monitoring of the company) and submit said reports to the Association no later than 60 days after the end of each such quarter.

**Section III. Procurement**

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project, and to be financed out of the proceeds of the Financing, shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.

**Section IV. Other Obligations**

1. By October 1, 2007 and onwards, the Project Implementing Entity's accounts receivable shall not exceed three months of billing.