

**OFFICIAL
DOCUMENTS**

GRANT NUMBER D246-MG

Financing Agreement

(Public Finance Sustainability and Investment Development Policy Financing)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

01 DEC. 2017

GRANT NUMBER D246-MG

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MADAGASCAR (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirty-one million nine hundred thousand Special Drawing Rights (SDR 31,900,000) (“Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are 1 February and 1 August in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is Minister of Finance and Budget.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance and Budget
PO 61
Antananarivo 101
Madagascar; and

(b) the Recipient's Electronic Address is:

E-mail: tresor@moov.mg

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF MADAGASCAR



J. Andri

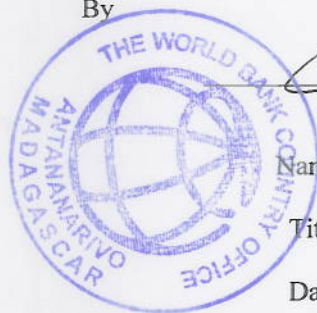
Authorized Representative

Name: ANDRIAMBOLOLONA Vonintsalama S.

Title: Le Ministre des Finances et du Budget

Date: 01 DEC. 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION



Cecilia Gevers

Authorized Representative

Name: Cecilia GEVERS

Title: country manager

Date: 01 DEC. 2017

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program.

1. The Recipient has, through its Ministry of Finance and Budget, published the first annual tax expenditure statement.
2. The Recipient has, through its customs and tax directorates, issued a *Protocole d'Accord* establishing procedures for verifying customs and tax data for 20 large, high risk importers and exporters, following a risk based approach to reducing fraud and expanding the tax base.
3. The Recipient has passed *Décret no.2017-472 du 13 juin 2017 portant fixation des prix maxima affichés à la pompe*, a decree which eliminates the fuel subsidy.
4. The Recipient: (a) completed a verification of the roster of pension beneficiaries in rural collectives to remove ineligible beneficiaries; and (b) issued *Circulaire no. 475-2017 du 9 août 2017 relative à la Standardisation des procédures de versement de cotisations à la Caisse de Prévoyance des Retraites et à la Caisse de Retraite Civile et Militaires*, establishing the obligations and process related to the payment of contributions, and sanctions in the case of non-compliance, in order to reduce the transfers to the Pension Fund.
5. The Recipient has adopted application decrees to give effect to the PPP Law: *Décret No. 2017-150 du 2 mars 2017 relatif au cadre institutionnel and Décret No.2017-149 du 2 mars 2017 relatif aux modalités d'application des dispositions concernant la passation des contrats de partenariat public-privé.*
6. The Recipient has issued a *Circulaire relative à la preparation des projets du Programme d'Investissement Public 2018-2020, Tranche 2018 (sur financement intérieur) N. 007-MFB/SG/DGB du 30 juin 2017* to improve the selection process of domestically-financed investment projects through standardizing selection criteria and screening of all project proposals with pre-defined parameters, in line with the National Development Plan.
7. The Recipient has caused JIRAMA to adopt standard contracts for all new Power Generation Agreements.
8. The Recipient has adopted *Loi No. 2016-039 du 15 decembre 2016 modifiant et complétant certaines dispositions du Code de Procedure Civile Malagasy* to

integrate commercial justice reforms in the legal framework and reduce the number of postponements of commercial cases.

9. The Recipient has submitted to Parliament the *Projet de Loi No. 025/2017 du 27 septembre 2017 sur la microfinance*, the draft law on microfinance, including resolution schemes for microfinance institutions.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	31,900,000
TOTAL AMOUNT	31,900,000

- C. Withdrawal Tranche Release Conditions.**
 1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Association; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.
- D. Deposit of Financing Amounts.**
 1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts on terms and conditions satisfactory to the Association:
 - (a) a deposit account in Dollars (“Foreign Currency Deposit Account”); and
 - (b) a deposit account in the Recipient’s currency (“Local Currency Deposit Account”).
 2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon each deposit of an amount of

the Financing into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount into the Local Currency Deposit Account. All amounts withdrawn from the Local Currency Deposit Account shall be used exclusively for Eligible Expenditures.

- E. Audit.** Upon the Association's request, Recipient shall:
1. have the Deposit Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
 3. furnish to the Association such other information concerning the Deposit Account and their audit as the Association shall reasonably request.
- F. Closing Date.** The Closing Date is December 31, 2018.

APPENDIX

Section I. Definitions

1. “Deposit Accounts” means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.”
2. “Foreign Currency Deposit Account means the account denominated in US Dollars opened on behalf of the Recipient's Treasury at the Central Bank of Madagascar for the purpose of receiving the Financing.
3. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated July 14, 2017.
4. “Local Currency Deposit Account means the Recipient's Single Treasury Account denominated in Malagasy Ariary and held at the Central Bank of Madagascar.
5. “National Development Plan” means the plan adopted by the Recipient outlining its medium-term development strategy.
6. “Power Generation Agreements” means agreements concluded by Jirama on behalf of the Recipient relating to power generation including hydro power and fossil fuels.
7. “PPP Law” means *Loi No.2015-039 du 3 février 2016 sur le partenariat public-privé*.
8. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated 20 September 2017 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.
9. “*Protocole d'Accord*” means the agreement concluded between the General Directorate of Taxes and the General of Directorate of Customs specifying working arrangements on the joint audit of taxpayers.
10. “Signature Date” means the means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to “the date of the Financing Agreement” in the General Conditions.

11. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.