

CONFORMED COPY

GRANT NUMBER TF092098-MAG

Project Agreement

(Financial Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an Implementing administrator of the Africa Catalytic Growth Fund)

and

AGENCE D'EXECUTION DU PROJET MICROFINANCE

Dated July 15, 2008

PROJECT AGREEMENT

Agreement dated July 15, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”) and AGENCE D’EXECUTION DU PROJET MICROFINANCE (AGPMF) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Grant Agreement (“Grant Agreement”) of same date between the REPUBLIC OF MADAGASCAR (“Recipient”) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or the Standard Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Part 1(a) and Part 2 other than 2(a)(i) of the Project in accordance with the Recipient’s obligations as set forth in the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. The date on which the provisions of this Agreement shall terminate is the date on which the Grant Agreement shall terminate in accordance with its terms pursuant to Section 6.01 of the Standard Conditions.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Minister of Finance.

4.02. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Agence d'Exécution du Projet Microfinance
B.P. 628
Antananarivo - 101
Madagascar

AGREED at Antananarivo, Republic of Madagascar, as of the day and year first above written.

**INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an administrator of the Africa Catalytic Growth Fund**

By: **/s/ Robert R. Blake**
Authorized Representative

AGENCE D'EXECUTION DU PROJET MICROFINANCE

By: **/s/ Haja Nirina Razafinjatovo**
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the World Bank, including at a minimum a Project coordinator, an accounting and financial management specialist, a procurement specialist, a monitoring and evaluation specialist two micro finance and banking specialists and support staff, for the purpose of ensuring, as regards under Parts 1(a) and 2 except for 2(a)(i) of the Project: (a) overall day-to-day management as well as overall coordination and implementation of activities; (b) consolidation of the work programs and budgets; (c) maintenance of records and accounts for all transactions; (d) timely preparation of quarterly financial statements reports, individual and consolidated financial statements and other reports; (e) cash management and replenishment applications for the Designated Account under its responsibility; (f) procurement; and (g) monitoring and evaluation of activities.
2. Except as the World Bank shall otherwise agree in writing, the Project Implementing Entity shall carry out the Project in accordance with the arrangements and procedures set out in the Operational Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive the Operational Manual or any of its provisions.

B. Procedures and Eligibility Criteria for Matching Grants

1. Beneficiaries may submit Matching Grant proposals to the Project Implementing Entity for approval based on rules set forth in the Operational Manual, giving details of: (a) activities to be financed by Matching Grants, Beneficiaries and eligibility criteria; (b) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of activities to be financed by Matching Grants; (c) procurement, financial management and disbursement arrangements; (d) performance indicators; (e) standard formats for Matching Grant Agreements; and (f) such other legal, administrative, financial and organizational arrangements as shall be required for providing Matching Grants.
2. The selected Matching Grant Projects must meet the requirements set forth in the Operational Manual, including but not limited to the Beneficiary having the capacity to contract under the laws of the Recipient.

3. Following receipt of the approved Matching Grant Project proposal, and prior to the disbursement of any Matching Grant to the relevant Beneficiary, the Project Implementing Entity shall enter into a Matching Grant Agreement with said Beneficiary under terms and conditions satisfactory to the World Bank, as set out in the Operational Manual, which, *inter alia*, shall include the following:
 - (a) the obligation of the Beneficiary to carry out the Matching Grant Project in accordance with the Operational Manual with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Matching Grant Project;
 - (b) the requirement that the goods and services to be financed from the proceeds of the Matching Grant shall be used exclusively in carrying out the Matching Grant Project;
 - (c) the right of the Project Implementing Entity to inspect by itself, or jointly with the World Bank, if the World Bank shall so request, the goods, works, sites or plants included in the Matching Grant Project, the operations thereof and any relevant records and documents;
 - (d) the right of the Project Implementing Entity to obtain all information as the World Bank shall reasonably request regarding the administration, operation and financial management of the Matching Grant Project;
 - (e) the right of the Project Implementing Entity to suspend or terminate the right of the Beneficiary to use or benefit from the use of the proceeds of the Matching Grant upon failure by the Beneficiary to perform any of its obligations under the Matching Grant Agreement; and
 - (f) the right to receive from the Beneficiary quarterly (or any other period agreed upon by the World Bank) progress reports reflecting, *inter alia*, the Matching Grant Project performance indicators, and a final report upon completion of the Matching Grant Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1 (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each such Project Report shall cover the

period of one calendar quarter, and shall be furnished to World Bank not later than 45 days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Bank of the overall Project Report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) As of the Closing Date, credit extended to micro, small and medium enterprises by Participating Banks increases.
 - (ii) As of the Closing Date, the number of accounts at licensed financial institutions (banks and microfinance institutions) has increased.
 - (iii) As of the Closing Date, the number of financially self-sufficient microfinance institutions has increased.
 - (iv) As of the Closing Date, the number of banks and non-bank financial institutions being regularly supervised has increased.
- 2. The Project Implementing Entity shall provide to the Recipient not later four months after the Closing Date, for incorporation in the report referred to in Section 2.06 of the Standard Conditions all such information as the Recipient or the Bank shall reasonably request for the purposes of such Section.
- 3. On or about twenty four months after the Effective Date, the Project Implementing Entity shall undertake in conjunction with the World Bank and the Recipient a comprehensive mid-term review of the Project during which it shall exchange views generally on all matters relating to the progress of the Project, the performance by the Recipient of its obligations under the Grant Agreement and the performance by the Project Implementing Entities of their respective obligations under the Project Agreements.

B. Financial Management, Financial Reports and 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 Bank, both in a manner adequate to reflect the operations and financial conditions of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
- 2. The Project Implementing Entity shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. 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 Bank not later than six months after the end of the period.

Section III. Procurement

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