

CONFORMED COPY

CREDIT NUMBER 4285-MAG

Financing Agreement

(Communications Infrastructure Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 5, 2007

CREDIT NUMBER 4285-MAG

FINANCING AGREEMENT

AGREEMENT dated June 5, 2007, entered into between REPUBLIC OF MADAGASCAR (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000) (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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 1 and August 1 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 US Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through its Ministry of Telecommunications, Posts and Communication in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension is that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Event of Acceleration is the event specified in Section 4.01 of this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) The Recipient has adopted the Project Implementation Manual (comprising the administrative, financial, accounting procedures manual, and the procurement procedures manual) in form and substance satisfactory to the Association.
 - (b) The Recipient has established an executive secretariat (the Executive Secretariat) for the purposes of the Project, and recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, within the Executive Secretariat: (i) an executive secretary; (ii) a technical expert, (iii) a procurement specialist; and (iv) a financial management specialist, all with qualifications, experience, and terms of reference satisfactory to the Association.

- (c) The Recipient has established a financial management system, in form and substance satisfactory to the Association.
- (d) The Recipient has adopted an information and communications technology sector policy and furnished to the Association with a letter (the Sector Policy Letter), describing the same, all satisfactory to the Association.
- (e) The Recipient has opened an account in a commercial bank under conditions acceptable to the Association to receive the proceeds of the Financing.
- (f) The Recipient has established the Steering Committee.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05 (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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister in charge of finance.

6.02. The Recipient's Address is:

Ministère des Finances et du Budget
Antananarivo 101
Madagascar
BP 61

Cable:	Telex:	Facsimile:
MEFB Antananarivo	22489	(261) 20 22 345 30-

6.03. The Association's Address is:

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

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

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

REPUBLIC OF MADAGASCAR

By: */s/ Benjamin Andriamparany Radavidson*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Project Description

The objective of the Project is to contribute to lower prices for international capacity and extend the geographic reach of broadband networks in Madagascar.

Part 1. Enabling Environment

Provision of technical assistance to:

- a. Promote liberalization of and legal and regulatory reforms related to national and international telecommunications infrastructure and other relevant infrastructure, including regulatory and legal reform in the field of telecommunications (including competition law and policy).
- b. Support capacity-building of Ministry of Telecommunications, Posts and Communication and ARCT for the implementation of the sector policy and sector reforms, including training.
- c. Finance additional studies for the development of the national backbone.
- d. Develop the legal and regulatory framework with respect to, *inter alia*, e-transactions security, privacy and data protection, access to information, network security, intellectual property rights, cyber crime, public private partnerships and standards.
- e. Formulate arrangements, disbursement and governance mechanisms to enable the building of the national backbone, the establishment of a joint regional infrastructure access point and internet exchange point, capacity purchase schemes and the establishment of a capacity pool related to the national backbone.
- f. Increase capacity of the Recipient to monitor and evaluate the results of the Program, to meet environmental and social safeguards and communicate about the Project.

Part 2. Connectivity

- a. Finance capacity purchase schemes for targeted users, in particular universities and the Recipient;
- b. Support for the establishment of joint regional infrastructure access point and a joint internet exchange point; and
- c. Support the building of a national backbone through the implementation of Sub-Projects (with a contingency to address environmental, social and resettlement issues, including resettlement compensation).

Part 3. Project Management

- a. Support the Executive Secretariat with respect to activities pertaining to the management of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

Ministry of Telecommunications, Posts and Communication

The Ministry of Telecommunications, Posts and Communications shall provide overall orientation and oversight of Project implementation.

Steering Committee

- (a) The Recipient shall maintain, throughout Project implementation, the Steering Committee, in form and substance and with functions and resources satisfactory to the Association, and comprising the Minister of Telecommunications, Posts and Communications or his duly appointed representative as Chair and representatives from the Presidency, other line ministries, the regulator, and the private sector (other than the operators).
- (b) Without limitation upon the provisions of subparagraph (a) of this Section, the Steering Committee shall be responsible for:
 - (i) coordination, and monitoring and evaluation of Project implementation;
 - (ii) approval of Project annual work programs and budgets; and
 - (iii) overall governance and fiduciary oversight of the Project.

Executive Secretariat

- (c) The Recipient shall maintain, under the Ministry of Telecommunications, Posts and Communications throughout Project implementation, the Executive Secretariat, in form and substance and with functions and resources satisfactory to the Association, including staff with qualifications, experience, and terms of reference satisfactory to the Association, including (i) an executive secretary; (ii) a technical expert, (iii) a procurement specialist; and (iv) a financial management specialist.

- (d) Without limitation upon the provisions of subparagraph (c) of this Part A of this Section, the Executive Secretariat shall be responsible for: (i) oversight, in collaboration with the technical directorates of the Ministry of Telecommunications, Posts and Communications, of all technical, social, and environmental matters relating to Project implementation; (ii) planning of Project activities and preparation of Project annual work programs, both jointly with said directorates; (iii) monitoring and evaluation of Project activities jointly with said directorates; and (iv) financial management, procurement and audits under the Project.

Technical Execution Monitoring Committee for the Madagascar National Backbone

- (e) The Recipient shall maintain, throughout implementation of Part 2(c) of the Project, a committee (the Technical Execution Monitoring Committee) for the Madagascar National Backbone, in form and substance and with functions and resources satisfactory to the Association, and comprising a representative from the Ministry of Telecommunication, Posts and Communications, the regulator, the operators, and any management team of the capacity pool. The Executive Secretariat's technical expert will coordinate the discussions.
- (f) Without limitation upon the provisions of subparagraph (e) of this Part A of this Section, the Technical Execution Monitoring Committee shall be responsible for: (i) review of the Project annual work program related to the national backbone and for submission to the Steering Committee; (ii) monitoring of and provision of guidance with respect to Project implementation of the national backbone activity, namely the discussions between the Government and the operators on the parameters of the public private partnership; and (iii) monitoring progress of backbone construction to ensure adequate progress.

B. Anti-Corruption

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

C. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out, through its Ministry of Telecommunications, Posts and Communication, the Project in accordance with the Project Implementation Manual, including the administrative, financial, and accounting procedures manual, and a procurement

procedures manual, referred to in Section 5.01 (a) of this Agreement; and (ii) except as the Association shall otherwise agree, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation or achievement of the objective thereof.

D. Safeguards

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of the Environmental and Social Management Framework, and Resettlement Policy Framework, and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, materially or adversely affect Project implementation or achievement of the objective thereof.
2. The Recipient shall ensure that Sub-Projects likely to have an adverse environmental or social impact shall be appraised, approved, and monitored in accordance with the provisions of the Environmental and Social Management Framework, and Resettlement Policy Framework, and specific procedures set out in the aforementioned.
3. The Recipient shall maintain within the Executive Secretariat, throughout Project implementation, provision for an environmental management officer who shall be responsible for implementation of the Environmental and Social Management Framework, and Resettlement Policy Framework.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping
(d) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultant Qualifications
(b) Least Cost Selection
(c) Selection of Individual Consultants
(d) Single Source Selection

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more, or works estimated to cost the equivalent of \$500,000 or more, in accordance with the provisions of the Procurement Plan; (b) each contract for consultants'

services with specific regard to the terms of reference for such contract; (c) the first contract for consultants’ services provided by a firm; (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) the first contract for consultants’ services provided by an individual; (f) each contract for consultants’ services provided by an individual estimated to cost the equivalent of \$50,000 or more; (g) each contract for consultants’ services procured on the basis of Single Source Selection; and (h) each contract for training, workshops, and study tours in accordance with the provisions of the Project Implementation Manual. All other contracts shall be subject to Post Review by the Association.

Section IV. 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 May 2006, 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 Grant Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods	3,550,000	100%
(2) Works	170,000	100%
(3) Consultants’ services, including audits	2,450,000	100%

(4) Training	240,000	100%
(5) Operating Costs	120,000	100%
(6) Subprojects under Part 2(c) of the Project	12,450,000	100%
(7) Unallocated	1,220,000	
TOTAL AMOUNT	20,220,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$200,000 equivalent may be made for payments made prior to this date but on or after March 1, 2007, for Eligible Expenditures ; nor
 - (c) for any disbursement related to Category (6) unless a Subproject Agreement, satisfactory to IDA, has been signed with the operator(s) concerned, following the establishment of the Technical Execution Monitoring Committee.
2. The Closing Date is July 31, 2011.

Section V. Other Undertakings

A. Appointment of Financial Auditors

The Recipient shall, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 1 and August 1:	
Commencing on August 1, 2017 to and including February 1, 2027	1%
Commencing August 1, 2027 to and including February 1, 2047	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “ARCT” means *agence de régulation et de contrôle des télécommunications au Madagascar*.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “Environmental and Social Management Framework” or “ESMF” means the framework developed in February 2007 in the context of the Regional Communications Infrastructure Program and which has been disclosed by the Recipient in Madagascar on February 13, 2007, to outline the process for management of environmental and social aspects of the Project, and referred to in paragraph D, Section I of Schedule 2 to of this Agreement.
6. “Executive Secretariat” means the executive secretariat to be established by the Recipient pursuant to the provisions of Section 5.01 (b) of this Agreement.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
8. “Operating costs” means expenditures incurred for the purpose of financing the reasonable and necessary expenses for providing equipment and vehicle maintenance, cost for fuel, office utilities, office equipment, supplies, literature, field trips, meetings and in country travel costs related to Project, Executive Secretariat compensation (excluding Government civil servants), communication costs, reasonable banking charges and media advertisement.
9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 1, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
11. “Program” means the program set forth or referred to in the Recipient’s Sector Policy Letter to the Association referred to in Section 5.01(d).
12. “Project Implementation Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement and adopted by the Recipient pursuant to the provisions of Section 5.01 (a) of this Agreement, including an administrative, financial, and accounting procedures manual, and a procurement procedures manual, setting forth, all procedures and arrangements governing the implementation of the Project, as the same such manual may be amended from time to time, and such term shall include any schedules, tables and annexes to the manual.
13. “Resettlement Policy Framework” or “RPF” means the framework developed in February 2007 in the context of the Regional Communications Infrastructure Program and which has been disclosed by the Recipient in Madagascar on February 13, 2007, to outline the principles and procedures to be followed in the event that any activity leads to land acquisition and/or the loss of livelihoods under the Project.
14. “Steering Committee” means the steering committee to be established by the Recipient pursuant to the provisions of Section 5.01 (f) of this Agreement.
15. “Sub-Project” means a project taken on by an operator under Part 2 (c) of the Project in order to contribute to the building of the national backbone of the Recipient, as described in a Sub-Project Agreement with such operator. This Sub-Project Agreement will define the guidelines for developing the public private partnerships with the operators (in particular for ensuring optimization of the Recipient resources in those partnerships), and the obligations of the operators in return for the contribution from the Recipient (the principles to follow to ensure open and non-discriminatory access to the infrastructure built through the Project, the principles which ensure reasonable prices for the end-user, and the necessary amendments to the regulatory environment).
16. “Sub-Project Agreement” means the agreement providing for a Sub-project.
17. “Technical Executive Monitoring Committee” means the committee referred to in paragraph (e) of Part A of Section I of Schedule 2 to this Agreement.

