

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

CENTRAL BANK OF MADAGASCAR

Dated July 15, 2008

GRANT NUMBER TF092098-MAG

PROJECT AGREEMENT

Agreement dated July 15, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”) and CENTRAL BANK OF MADAGASCAR (CBM) (“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(b) 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 Governor of the Central Bank of Madagascar.

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:

Central Bank of Madagascar
B.P. 550
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

CENTRAL BANK OF MADAGASCAR

By: **/s/ Frédéric Rasamoely**
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 in form and with functions allowing for the due implementation of the Project, including the SGCSBF with staffing and resources satisfactory to the World Bank, for the purpose of ensuring the prompt and efficient implementation of Part 1(b) of the Project, including: (a) overall management and implementation of activities; (b) maintaining records and accounts for all transactions; (c) managing disbursements from the Designated Account under its responsibility; (d) procurement; and (e) preparing its financial statements and other reports.
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.

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 the PCU 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, the number of financially self-sufficient microfinance institutions has increased; and

- (ii) 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 (24) 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 of the Recipient. 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.