

CONFORMED COPY

CREDIT NUMBER 3829-1-MAG

Financing Agreement

(Additional Financing for the Governance and Institutional Development Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 5, 2007

CREDIT NUMBER 3829-1-MAG

FINANCING AGREEMENT

Agreement dated June 5, 2007, entered into between REPUBLIC OF MADAGASCAR (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 three million four hundred thousand Special Drawing Rights (SDR 3,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 1 and November 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 the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has employed the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of Schedule 2 to this Agreement.
 - (b) The Recipient has updated the PIP, in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

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 improve the efficiency and transparency of government and public services in Madagascar in line with the MAP.

The Project consists of the following part:

Part A: Monitoring and Evaluation of the MAP and Key Statistical Surveys

1. Developing and implementing a monitoring and evaluation strategy for the whole of Government, including support to statistical development through development of a revised regulatory and procedural framework for government statistics; technical assistance, training and capacity building to modernize key institutions and improve their operational efficiency in the area of monitoring and evaluation; and support to local training institutions.

2. Supporting MAP implementation through key statistical surveys to evaluate the progress of MAP implementation, including: (a) a complete cartographic survey of Madagascar to prepare a population census with consulting services and equipment; (b) strengthening the capacity in the INSTAT to develop and implement additional statistical surveys; and (c) financing of a limited number of government staff's salaries, namely enumerators and statisticians.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall:

- (a) appoint a CG, who shall report to the Secretary of Planning of the Recipient's Office of the President, to be responsible for the overall management of the Project;
- (b) maintain:
 - (i) the COS and CR, whose mandate, terms of reference and composition shall be acceptable to the Association, to provide guidance and exercise general oversight functions in the course of implementation of the Project, assist in the decision-making process, and facilitate timely implementation of the Project; and
 - (ii) the BdG, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for day-to-day execution of the Project, including management of procurement and disbursement activities, consolidation of annual work programs and budgets, preparation and production of annual progress reports and financial statements, and monitoring and evaluation of the Project; and
- (c) ensure that:
 - (i) BdG shall employ a chief accountant, a procurement specialist, and other suitably qualified and experienced staff in adequate numbers; and
 - (ii) the positions of CG, chief accountant and procurement specialist referred to in this paragraph shall be kept filled at all times by persons having qualifications and experience acceptable to the Association.

B. Implementation Arrangements

1. The Recipient shall implement the Project in accordance with the PIP, and except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision thereof.
2. Without limitation upon the provisions of Section II, Schedule 2 of this Agreement, the Recipient shall:
 - (a) not later than November 30 of each year submit to the Association for review and comments a proposed annual work program and budget, giving details of its proposed work program activities and budget estimates, for the forthcoming Fiscal Year; and
 - (b) proceed thereafter to implement the annual work program and budget, taking into account any comments thereon as the Association may have made.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) by December 31, 2008, at least five sector ministries have developed an annual implementation plan with full costing projections;

- (ii) by June 30, 2009, at least 10 sector ministries have developed an annual implementation plan with full costing projections; and
- (iii) by June 30, 2009, at least 1,300 cartographic surveys of Communes have been completed.

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 as part of the Project Report, 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. 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) National Competitive Bidding
(b) Shopping
(c) Procurement from Inter-Agency Procurement Services Office

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 Consultants' Qualifications (CQS)
(b) Single-source Selection
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

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 works estimated to cost the equivalent of \$500,000 or more; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for individual consultants' estimated to cost

the equivalent of \$50,000 or more and (e) each contract procured on a sole source basis. 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 to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works	70,000	100
(2) Goods	330,000	100
(3) Consultants’ services and audits	1,650,000	100
(4) Training	1,150,000	100
(5) Operating Costs, including Performance Bonuses	200,000	85
TOTAL AMOUNT	3,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2009.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 1 and November 1:	
commencing November 1, 2017, to and including May 1, 2027	1%
commencing November 1, 2027, to and including May 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

Section I. 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. “BdG” means *Bureau de Gestion*, the national project bureau operating under the supervision of PREA and responsible for management and supervision of the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CG” means *Coordonnateur Général*, the National Coordinator of PREA, as established pursuant to article 6 of the decree no. 2005-803, of November 23, 2005.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006, as the same may be amended by the Association.
6. “COS” means *Conseil d’Orientation et de Suivi*, the Oversight Committee of PREA, established pursuant to article 4 of the decree no. 2005-803, of November 23, 2005.
7. “CR” means *Comité Restreint*, the Standing Committee of PREA, established pursuant to article 5 of the decree no. 2005-803, of November 23, 2005.
8. “Fiscal Year” means the Recipient’s fiscal year beginning on January 1 in any one calendar year and ending on December 31 in the same calendar year.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
10. “INSTAT” means *Institut National de la Statistique*, the Recipient’s National Statistics Office attached to the Ministry of Economy, Planning, Private Sector and Trade.
11. “MAP” means Madagascar Action Plan, the Recipient’s development strategy for the years 2007 – 2012.

12. “MFB” means *Ministère des Finances et du Budget*, the Recipient’s Ministry of Finance and Budget.
13. “Operating Costs” means the incremental operating costs arising under the Project on account of local contractual support staff salaries, social benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities and communications' expenses; bank charges; Performance Bonuses; and, up to December 31, 2007, salaries of officials of the Recipient under Part A of the Project.
14. “Original Financing Agreement” means the development credit agreement for a Governance and Institutional Development Project between the Recipient and the Association, dated December 1, 2003, as amended to the date of this Agreement (Credit No 3829-MAG).
15. “Original Project” means the Project described in the Original Financing Agreement.
16. “Performance Bonus” means a bonus based on performance paid for each year by the Recipient to civil servants selected according to a methodology agreed upon with the Association.
17. “PIP” means the Project Implementation Plan, dated August 29, 2003, giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Implementation Plan.
18. “PREA” means *Programme de Réformes pour l’Efficacité de l’Administration*, the public sector reform and governance program, adopted by the Recipient on November 23, 2005 by decree no. 2005-803, of November 23, 2005.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006, as the same may be amended by the Association.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 8, 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.

21. "Secretary of Planning" means the Permanent Secretary for Development Planning of the Borrower's Office of the President.

22. "Training" means the expenses incurred on per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.