

CONFORMED COPY

CREDIT NUMBER 3060-2

Financing Agreement

(Additional Financing for the Second Community Nutrition Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 22, 2006

FINANCING AGREEMENT

AGREEMENT dated November 22, 2006, 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 the Financing 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 six million eight hundred thousand Special Drawing Rights (SDR 6,800,000) (“Credit”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 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 and the Program. To this end, the Recipient shall carry out Parts A and D of the Project through the Prime Minister's Office acting through PCU, and Parts B and C thereof through MINESEB, MINSAPF, ONN and CNN 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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Ministry of Economy, Finance and Budget.

5.02. The Recipient's Address is:

Ministry of Economy, Finance and Budget
Antananarivo 101
Madagascar
BP 61

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

5.03. 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) or 64145 (MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

By: */s/ Narisoa Rajaonarivony*
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: */s/ Nils O. Tcheyan*
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to improve the nutritional status of children under three, primary school children, and pregnant and lactating women, and ensure long-term sustainability of nutrition outcomes by improving the quality and quantity of food intake by children at home.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Community Nutrition Program

1. Carrying out of a program of growth promotion and monitoring, including a census of all children under five, periodic weighing of such children, provision of counseling to mothers on the nutritional status of children and advice based on the respective children's needs, and referral as need be of severely malnourished children to health facilities.
2. Carrying out of a program of cooking demonstrations, including efforts to teach mothers how to prepare recipes and demonstrate the nutritional value of food ingredients and the best ways to conserve them, and provision of counseling on child care, food selection and preparation and other nutrition-related subjects.
3. Distribution of vitamin A capsules to children under five years old and lactating mothers within the first six weeks of delivery, and of Mebendazole or Albendazole and iron tablets twice a year to children under five years old.
4. Provision of technical advisory services and material support to implement community-based activities, including review of the nutrition situation of the village, identification of solutions and design of feasible and sustainable activities, and provision of small grants to finance non-income generating activities sponsored by communities and designed to address nutrition- and hygiene-related issues (Welfare Fund).
5. Organization of a competition to reward the most dynamic nutrition centers, in terms of progress achieved in the implementation of the community nutrition program, and activities undertaken to develop nutrition, child care, sanitation or agriculture.

6. Provision of training to community nutrition workers (ACN) and social workers in technical matters related to nutrition, and in communications techniques, and to NGOs in food management and distribution, and provision of IEC materials.

Part B: School Nutrition Program

1. Distribution of iron/folate tablets to enrolled primary school children in accordance with the national treatment protocol issued by MINSAN/PF.

2. Distribution of Mebendazole or Albendazole tablets to children between five and fourteen years old, whether enrolled or not, in primary schools, to be preceded by information and sensitization campaigns to be organized at national and regional levels.

3. Carrying out of a campaign to promote good nutrition and hygiene, through messages relating to children's daily lives, including the provision of pamphlets, written materials and lectures, to be delivered by teachers to children during regular classes and to parents during formal and informal meetings.

4. Provision of technical advisory services and material support to implement school-based activities, including identification of activities designed to improve nutrition and hygiene in the school environment, and provision of small grants to finance non-income generating activities designed to address nutrition- and hygiene-related issues.

Part C: Support to institutionalization of the National Nutrition Policy

1. Supporting medical treatment of severely malnourish children.

2. Training of selected Ministries to develop and execute nutrition activities in compliance with their mandate.

3. Design, implementation and management of an information system by ONN to monitor and evaluate nutrition activities carried out by institutions involved in the provision of nutrition services, as well as the National alimentary and surveillance system that would include a nutrition status early warning system.

4. Technical assistance for the preparation of legal texts and operational procedures for ONN and CNN, as well as training and establishment of an information management system.

Part D: IEC Training, Evaluation and Management

1. Design, implementation and monitoring of an IEC and training strategy for the community and school nutrition programs.
2. Management of a management information system for the monitoring and supervision of all activities carried out under the Project.
3. Project coordination and management.

* * *

The Project is expected to be completed by July 30, 2008.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

1. The Recipient shall carry out the Project in accordance with procedures set out in the Project Implementation Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.
2. The Recipient shall maintain the PCU to be responsible for the overall coordination of the execution of the Project, including: (i) management of procurement and disbursement activities, and preparation of annual and quarterly progress reports, audits, and work plans and training programs, under the Project, and (ii) monitoring of the achievement of objectives of the Project, and evaluation of the impact of the activities thereof.
 - (a) PCU shall be assisted, in each of the six Provinces forming part of the Recipient's territory, by a Provincial PCU, to which PCU shall delegate responsibility for execution and coordination of the Project.
 - (b) PCU shall be headed by a National Project Director, who shall be assisted by an Administrative and Financial officer, an internal auditor, an accountant, a procurement specialist, an officer responsible for monitoring of operations, a technical officer and a computer specialist.
 - (c) Each Provincial PCU shall be headed by a Provincial Project Director, who shall be assisted by a Provincial Administrative and Financial Officer, an accountant, and several regional operations officers (one by region).
 - (d) The Recipient shall ensure that the higher level positions of PCU and Provincial PCUs, which are referred to in this paragraph, shall be kept filled at all times by appropriate officials, having qualifications, experience and terms of reference which shall have been communicated to, and deemed acceptable by, the Association.

3. (a) Subject to the authority of the PCU, a Provincial PCU shall, in its respective region, execute Parts A and D of the Project, in collaboration with one or more local NGOs.
- (b) Where, in any region, a village community has decided to elect a ACN and to provide a location for a community nutrition center, the Provincial PCU shall vest responsibility for all nutrition activities in the center in the ACN, as well as responsibility for the promotion of community-based activities designed to improve nutrition, hygiene and sanitation in a social worker to be recruited by a local NGO.
4. ONN will ensure proper coordination and supervision of all nutrition activities within the Recipient's territory and CNN will be responsible for the supervision of the implementation of nutrition policies and strategies and will propose news strategy reforms.
5. (a) The Recipient shall, not later than September 30 of each year, submit to the Association, for review and approval, proposed annual work plans and budget for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement activities, and such other particulars as the Association may require.
- (b) The Recipient shall submit to the Association, for review:
 - (i) not later than 45 days after the end of a quarter, quarterly progress reports on the status of the Project; and
 - (ii) reports as needed on the award of contracts under the Project.
6. Grants to be financed under Part A 1 of the Project shall be subject to terms and conditions, and eligibility criteria acceptable to the Association and shall not exceed \$500 each.

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 quarter, and shall be furnished to the Association not later than one month 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 June 2008, the rate of underweight children from zero to three years of age, in the Project areas, is 20% or less.
 - (ii) by June 2008, 1,700,000 children under 3 are enrolled in the growth monitoring and promotion program;
 - (iii) by June 2008, 670,000 children and 430,000 lactating women receiving vitamin A supplementation;
 - (iv) by the completion of the Project, CNN and ONN are operational;
 - (v) by the completion of the Project, the National Nutrition Monitoring and Evaluation System is implemented; and
 - (vi) by the completion of the Project, 3,000,000 school-aged children every year will have gone twice through a deworming process.

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 un-audited 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. 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 Schedule.
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 Schedule.
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:

<u>Procurement Method</u>
(a) <i>National Competitive Bidding</i>
(b) <i>Procurement from UN Agencies</i>
(c) <i>Shopping</i>

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) Single Source Selection
(b) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant guidelines for the selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. 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 100% of Eligible Expenditures (goods, drugs, works, consultants services, training, operating costs and grants).

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 December 31, 2008.

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 May 1, 2017 to and including November 1, 2026	1%
commencing May 1, 2027 to and including November 1, 2046	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

The terms defined in the Original Financing Agreement (as hereinafter defined) have the respective meaning therein set forth, and the following additional terms have the following meaning:

1. “CNN” means Conseil National de Nutrition, the Recipient’s National Nutrition Council established pursuant to Decree NO. 2004-1071.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “ONN” means *Office National de Nutrition*, the Recipient’s national Nutrition Office established pursuant to Decree No. 2004-1072.
5. “Original Financing Agreement” means the development credit agreement for the Second Community Nutrition Project, between the Recipient and the Association, dated May 7, 1998 as amended to the date of this Agreement (Credit No 3060-MAG).
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 19, 2006 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.