

OFFICIAL V001-MG  
DOCUMENTS

**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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H. E. Gervais Rakotoarimanana  
Minister of Finance and Budget  
Ministry of Finance and Budget  
Antananarivo  
Republic of Madagascar

Re: Republic of Madagascar: Advance Agreement for the Preparation  
of the Proposed Public Sector Performance Project  
Project Preparation Advance No. V001

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Madagascar ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed two million Dollars (\$2,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase fiscal space and local government effectiveness to improve service delivery and accountability ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this

Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION



By \_\_\_\_\_  
Mark R. Lundell  
Country Director for Madagascar  
Africa Region

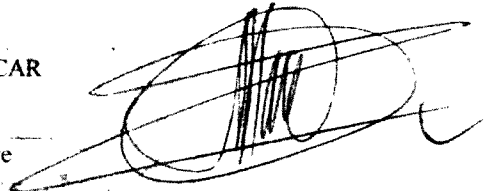
AGREED:  
REPUBLIC OF MADAGASCAR

By: \_\_\_\_\_  
Authorized Representative

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: 59 JAN 2016



Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010.
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.
- (3) Guidelines for "Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 and revised in July 2014.
- (4) Guidelines: "Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011 and revised in July 2014.
- (5) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms shall have the following meanings:

(a) "*Programme de Réforme pour l'Efficacité de l'Administration*" and "PREA", each means the management unit established within the President's office as referred to in Section 2.03 of this Annex.

(b) "Training" means the reasonable costs associated with training and workshops participation under the Activities, consisting of travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials.

**Article II**  
**Execution of the Activities**

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

1. Improving Revenue Mobilization and Reducing Leakages

(a) Carrying out a program of activities to support customs administration in the Recipient's territory through the completion of preliminary studies and assessments, including: (i) the finalization of the mirror statistics study; (ii) feasibility studies for the establishment of a customs transaction clearance and a data exchange platform; and (iii) the evaluation of the cost of customs procedures and related knowledge exchanges.

(b) Carrying out a program of activities to set up the Recipient's tax administration database, including: (i) the provision of support to the design and implementation of a control software as well as the design of a data exchange platform; (ii) the review and update of existing control manuals; (iii) the carrying out of training on risk based control to tax department agents; (iv) the capacity building of research agents; and (v) data collection for said tax administration database.

(c) Carrying out a program of activities to prepare a strategy to increase and better capture mining revenues, including: (i) a needs assessment and capacity evaluation of the Recipient's mining sector institutions; and (ii) the carrying out of studies on generation and management of small-scale mining revenues and mining royalties.

2. Improving Expenditure Management

(a) Carrying a program of activities to improve the Recipient's public finance control institutions, including: (i) the identification of control software; (ii) the review of control manuals; and (iii) initial training on risk based audit, including certification training for auditors.

(b) Carrying out a program of activities to take on initial works on improving budget transparency through: (i) capacity building on public investment management; (ii) the carrying out of a technical workshop; (iii) the carrying out of a treasury single account assessment; and (iv) capacity building on budgetary management and accounting for selected ministries and public enterprises.

(c) Carrying out a program of activities to: (i) improve the coordination capacity of the *Programme de Réforme pour l'Efficacité de l'Administration ("PREA")*; (ii) strengthen the national monitoring and evaluation system; (iii) undertake necessary studies including studies related to safeguards; and prepare the Project operational manual, all through the provision of technical assistance, goods and Training.

3. Improving Governance Mechanism in the Education Sector

(a) Conducting an audit of the budget execution in the education sector and initiating benchmarking process of best practices in budget execution.

(b) Carrying out an initial analysis of the payment system of the community teacher's subventions and developing necessary tools for the implementation of school districts' financial management committees.

(c) Providing support to the evaluation of school based management practices, including data collection on practices in schools and school districts, and the design of necessary technical assistance needs at the local level.

4. Improving Service Delivery Capacity of Local Government

(a) Developing a strategy to increase the fiscal space of the communes, including: (i) the identification and evaluation of the potential resources for each commune per existing legislation; and (ii) the mapping of actual sources of revenue in decentralized territorial collectivities.

(b) Carrying out initial studies to support an improved management capacity of the communes, including: (i) the establishment of a baseline of local governance indicator scores, (ii) the improvement of statistics on human resources in local governments; and (iii) a needs identification in terms of training for local governments.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.02 above, the Recipient shall maintain, throughout the Refinancing Date, *PREA* with

mandate, composition and resources satisfactory to the World bank, to be responsible for the overall implementation of the Activities, including financial management and procurement.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

#### 2.06. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised July 2014 ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated

January 2011 and revised July 2014 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions in paragraph (iii) below; (B) Shopping; and (C) Direct Contracting.

(iii) Additional Provisions for National Competitive Bidding:

Procurement shall be carried out in accordance with the “Open Competitive Bidding” method (*Appel d’offres ouvert*) set forth in the Recipient’s law no. 2004-009 of July 2004 on the Public Procurement Code, subject to the following additional provisions listed in (1) through (15) below to conform to the provisions of the Procurement Guidelines:

1. No bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than (i) its capability and resources to successfully perform the contract; (ii) a conflict of interest situation, or (iii) an accepted prohibition.

(A) Firms of a country or goods manufactured in a country may be excluded if, (AA) as a matter of law or official regulation, the Recipient’s country prohibits commercial relations with that country, provided that the World Bank is satisfied that such exclusion does not preclude effective competition for the supply of goods, works, and non-consulting services required, or (BB) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Recipient’s country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the Recipient’s country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.

(B) Government-owned enterprises or institutions of the Recipient shall be eligible to participate in the bidding process in their country, only if they can

establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or the Project Implementing Entity.

(C) A firm sanctioned by the World Bank in accordance with paragraph 1.16(d) of the Procurement Guidelines, or the Anti-Corruption Guidelines, shall be ineligible to be awarded or to benefit from a World Bank- or Bank -financed contract, financially or in any other manner, during the period of time determined by the World Bank.

(D) The requirement of producing a registration number (*Numéro d'Immatriculation*) for any bidder to participate in the bidding process shall not be interpreted as a prior requirement to any sort of local registration, license or authorization.

2. Standard bidding documents acceptable to the World Bank shall be used so as to ensure economy, efficiency, transparency and consistency with the provisions of Section I of the Procurement Guidelines.

3. Participation from joint ventures shall be allowed on condition that such joint venture partners will be jointly and severally liable for their obligations under the awarded contract. Therefore, the "*Groupement Conjoint*", described under the Recipient's law no. 2004-009 of July 2004 on the Public Procurement Code, shall not be allowed under National Competitive Bidding.

4. No domestic/regional preference, or any other kind of preferential treatment, shall be given for domestic/regional bidders, and/or for domestically/regionally manufactured goods, and/or for domestically/regionally originated related services.

5. The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified. Qualification criteria shall be assessed on a "pass or fail" basis, and merit points shall not be used. Bidders' qualifications shall be assessed by post-qualification.

6. In case a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their typing, printing or publishing, and delivery to prospective bidders, and it shall not be so high as to discourage bidders' participation in the bidding process. Bids may be submitted by electronic means only provided that the World Bank is satisfied with the adequacy of the system, including *inter-alia* that the system is secure, maintains the integrity, confidentiality, and authenticity of the bids submitted, and uses an electronic signature system or equivalent to keep bidders bound to their bids.

7. The bid validity period required by the bidding documents shall be sufficient to complete the evaluation of bids and obtain any approval that may be required (at least four (4) weeks). If justified by exceptional circumstances, an extension of the bid validity may be requested in writing from all bidders before the original bid validity expiration date, and it shall cover only the minimum period required to complete the evaluation and award of the contract. The extension of the bid validity requires the World Bank's no objection for those contracts subject to prior review, if it is longer than four (4) weeks, and for all subsequent requests for extension, irrespective of the period.

8. Bid Evaluation:

(A) Evaluation of bids shall be made in strict adherence to the evaluation criteria declared in the bidding documents.

(B) Evaluation criteria other than price shall be quantified in monetary terms and the manner in which they will be applied for the purpose of determining the lowest evaluated bid shall be established in the bidding documents. A weighting/scoring system shall not be used.

(C) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid. No negotiations shall be permitted.

(D) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

(E) In case of requests for clarifications, bidders shall not be asked or permitted to alter or complete their bids.

9. All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the World Bank's prior concurrence.

10. Securities shall be in the format included in the bidding documents. No advance payment shall be made without a suitable advance payment security.

11. Information on contract award shall be published at least in a national newspaper of wide circulation within two (2) weeks of receiving the World Bank's no objection to the award recommendation for contracts subject to prior review, and within two (2) weeks from the award decision for contracts subject to post review. Publication shall include the following information: (A) the name of each bidder which submitted a bid; (B) bid prices as read out at bid opening; (C) evaluated prices of each bid that was evaluated; (D) the names of bidders whose bids were rejected and the reasons for their rejection, and (E) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.

12. In the case of contracts subject to prior review, the World Bank's no objection shall be obtained before agreeing to: (A) a material extension of the stipulated time for performance of a contract; (B) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (C) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (D) the proposed termination of the contract. A copy of all contract amendments shall be furnished to the World Bank for its record.

13. In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Advance shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the World Bank, at its request, to inspect their accounts,



records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank. Acts intended to materially impede the exercise of the World Bank's inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.

14. Each bidding document and contract financed from the proceeds of the Advance, and as deemed acceptable by the World Bank, shall include provisions stating the World Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

15. The World Bank may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the World Bank confirms that the particular debarment process afforded due process and the debarment decision is final.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III  
Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services and Training under the Activities	2,000,000	100%
<b>TOTAL AMOUNT</b>	2,000,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is July 1st, 2016.

#### **Article IV Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in

no event be earlier than 60 days following the date of dispatch of such notice;  
and

- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

#### Article V

##### Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its Minister responsible for finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance and Budget  
B.P. 61  
Antananarivo 101  
Madagascar

Cable:                      Facsimile:  
  
MFB                              (261) 20 22 34530  
Antananarivo

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex:                              Facsimile:  
  
248423 (MCI) or              1-202-477-6391  
64145 (MCI)