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CREDIT NUMBER 5775-MG

# Financing Agreement

(Agricultural Rural Growth and Land Management Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 8, 2016

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**CREDIT NUMBER 5775-MG**

**FINANCING AGREEMENT**

AGREEMENT dated April 8, 2016, entered into between the 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 thirty-eight million three hundred thousand Special Drawing Rights (SDR 38,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are April 15 and October 15 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 objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Agriculture 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 - ADDITIONAL REMEDIES**

- 4.01. The Additional Event of Suspension consists of the following:
- (a) any of the PPCG Fund Governing Documents or the Fund Manager Governing Documents has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PPCG Fund or the Fund Manager to implement Part 1.3 of the Project or perform any of its obligations under this Agreement, the Fund Management Agreement, or any of the agreements entered into for the implementation of the Project.

### **ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has adopted the Project Manual for the Project, in form and substance acceptable to the Association; and
  - (b) The Recipient has adopted the Institutional Decree for the Project, in form and substance acceptable to the Association, and established the Steering Committee, and the PIU with mandates, compositions, staff and resources satisfactory to the Association, as further set out in Section I.A of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its minister responsible for finance.

6.02. The Recipient's Address is:

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

Cable address:

Facsimile:

MFB

(261) 20 22 34530

6.03. The Association's Address is:

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

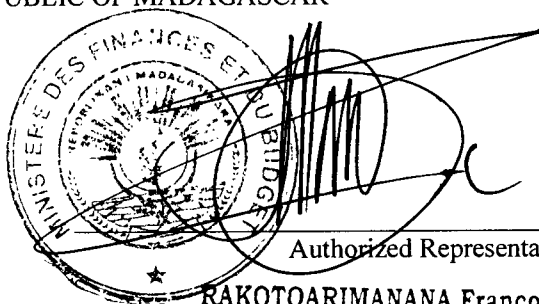
Telex:            Facsimile:

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



Authorized Representative

Name: RAKOTOARIMANANA Francois M.M. Gervais

Title: Le Ministre des Finances et du Budget

INTERNATIONAL DEVELOPMENT ASSOCIATION



Authorized Representative

Name: Coralie GEVERS

Title: Country Manager  
for Madagascar, Comoros

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve rural land tenure security and access to markets of targeted farming households in selected agricultural value chains in the Project Areas and to provide immediate and effective response to an Eligible Crisis or Emergency.

The Project consists of the following parts:

#### **Part 1: Agribusiness Value Chain Development**

##### **1.1. Improving the enabling environment**

- (a) Support to value chain organization, coordination and planning capacity through the provision of technical assistance, equipment and training for:
  - (i) the convening of multi-stakeholder dialogue groups to identify key constraints and solution areas, and the enhancement of the technical and organizational capacity of value chain participants to improve dialogue and coordination of value chain functions;
  - (ii) the analysis of relevant policies and the engagement in policy dialogue with the Recipient; and
  - (iii) the preparation of proposals to be financed under Parts 1.1 (b), 1.2, and 3 of the Project, based on the priorities identified by the multi-stakeholder dialogue groups.
- (b) Support to improvement and implementation of stakeholder-led value chain governance mechanisms and enforcement mechanisms covering key value chains, through:
  - (i) the provision of technical assistance for the enforcement of quality standards, laboratory capacity and certification services; and
  - (ii) the review and improvement of existing legislation and enforcement practices.

##### **1.2. Knowledge and technology transfer**

- (a) Support to the capacity development of value chain participants through the provision of a program of value chain specific training on, *inter alia*, production, quality, sustainability, financial management, climate adaptation, nutrition, and social and gender implications.
- (b) Provision of technical assistance and technology support to value chain participants to enhance access to, and implementation of, improved agricultural production, processing, testing, and other relevant technologies.

**1.3. Enhancing access to agriculture finance**

- (a) Provision of funding for the Partial Portfolio Credit Guarantee Fund (PPCG Fund) for the purpose of enabling the PPCG Fund to provide PPCGs to enhance access to finance for Eligible Agribusiness Firms.
- (b) Provision of technical assistance to Participating Financial Institutions for the assessment of credits, development of products and marketing for Eligible Agribusiness Firms.

**Part 2: Support to land policy and land rights registration**

**2.1. Support to the land policy reform process**

- (a) Provision of support at the central level to: (i) strengthen MEPATE's and its Land Reform Coordination Unit's capacity for planning and implementation of the new National Land Program and the review of land legislation; (ii) provision of technical assistance to EDBM to establish an agriculture investment framework; and (iii) facilitate CSOs' participation in the land sector to monitor land-related Project activities.
- (b) Provision of support at the regional level to assist regional authorities in the Project Areas to promote socially inclusive land transactions involving state land as part of the new agriculture investment framework supported at the central level under Part 2.1(a)(iii) of the Project and provide training to local land sector stakeholders on land policy reforms, and on the implementation of the land certification process.

**2.2. Land rights registration and land administration**

- (a) Provision of support for the implementation of the Recipient's land policy reform in the Project Areas to facilitate low cost land rights registration, through the provision of technical assistance for the updating of land archives and consolidation of Local Land Occupancy Tenure Mapping (PLOFs).
- (b) Support to the issuance of land certificates by Communal Land Offices through: (i) the expansion of the local land certification process; (ii) capacity building of communal land offices; and (iii) provision of technical assistance to communal land use planning.

**Part 3: Support to Marketing Infrastructure Development and Maintenance**

- 3.1. Rehabilitation of commercial feeder roads** through the rehabilitation of critical spots on economically strategic feeder roads.

- 3.2. Maintenance of feeder roads** through: (a) the provision of technical assistance for clarification of the legal framework for feeder road rehabilitation and maintenance; (b) the establishment of maintenance financing schemes; (c) the establishment and implementation of tailored pilots for local feeder road maintenance programs in targeted areas, including the identification of stakeholders' responsibilities and mechanisms for local financing, governance, and accountability; and (d) the provision of training and equipment for the *maitres d'ouvrages*.
- 3.3. Storage infrastructure development**
- (a) Support to the GVCs' inventory credit system through: (i) a review of warehouses recently built by similar initiatives; (ii) the provision of technical assistance to address coordination failures and information asymmetries among industry actors; (iii) the provision of legal technical assistance to develop the legal framework and to strengthen the legal foundation for collateral-based financial instruments; and (iv) building in-house capacity of MFIs to improve warehouse services and commodity handling practices;
  - (b) The development of professional warehouse facilities in three pilot regions on the basis of the assessments and evaluation referenced in Part 3.3 (a) and on calls for joint proposals by producers organizations, MFIs, and traders; and
  - (c) Provision of technical assistance for the identification of suitable governance arrangements for marketing and storage infrastructure.

#### **Part 4: Project Management and Coordination**

Provision of technical assistance, training, capacity building, equipment and supporting operating expenses related to the coordination and implementation of Project activities, monitoring and evaluation, implementation of safeguard requirements and assessment of the impacts of the Project activities.

#### **Part 5: Contingency Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. **Institutional Arrangements.**

The Ministry of Agriculture shall have the responsibility for overall coordination of the Project. Recipient shall maintain the following institutional arrangements, further described in the Project Manual, throughout the implementation of the Project:

##### 1. Steering Committee

- (a) The Recipient shall establish and maintain the Steering Committee, with composition and mandate acceptable to the Association.
- (b) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Steering Committee shall be chaired by the General Secretary of Agriculture and include at a minimum high level representatives of the Recipient's ministries responsible for finance, land registration and spatial planning, industry and development of private sector, livestock, trade, EDBM, civil society, farmers' organization, private sector platforms, as well as one representative of a region from each Project Area.
- (c) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Steering Committee shall be responsible for the provision of strategic guidance and overall oversight of the Project and support for its effective implementation, approving Annual Work Plans and Budgets; and shall meet at least twice a year to review Project progress reports provided by the PIU.

##### 2. PIU

- (a) The Recipient shall establish and maintain the Project Implementing Unit (PIU) within the Ministry of Agriculture in Antananarivo, with mandate, composition and resources acceptable to the Association. In particular, the Recipient shall maintain at all times sufficient staff, each with adequate terms of reference, qualifications and experience for the Project.
- (b) Without limitation to the provisions of paragraph (a) immediately above, the PIU shall be responsible for the day-to-day management of the Project and the coordination of its activities including, *inter alia*, procurement, disbursement, accounting, financial and technical reporting, social and

environmental management, communication, monitoring and evaluation, policy dialogue on commercial agriculture and on land issues, ensuring the auditing of the accounts and providing Project progress reports to the Steering Committee at least twice a year.

- (c) Without limitation to the provisions of paragraph (a) immediately above, the PIU shall include, *inter alia*: (i) a national coordinator; (ii) a procurement specialist; (iii) a financial management specialist; (iv) an accountant; (v) a monitoring and evaluation specialist; (vi) six technical experts (agribusiness, livestock, land, public policies and governance and rural roads); (vii) an environmental and social safeguard specialist; (viii) an internal auditor; and (ix) three assistants; recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, and on the basis of terms of reference, qualifications and experience acceptable to the Association.

### 3. Regional Implementation Units

- (a) The Recipient shall establish and maintain two Regional Implementation Units (RIUs) within the PIU, located in Antsirabe and Toamasina, with mandate, composition and resources acceptable to the Association. In particular, the Recipient shall maintain at all times sufficient staff, each with adequate terms of reference, qualifications and experience for the Project.
- (b) Without limitation to the provisions of paragraph (a) immediately above, the RIUs shall be responsible for supervising Project activities in the Project Areas and facilitating of ongoing dialogue with regional authorities.
- (c) Without limitation to the provisions of paragraph (a) immediately above, the RIUs shall include, *inter alia*: (i) a regional coordinator; (ii) a procurement specialist; (iii) an accountant; (iv) three technical experts (agribusiness, land and livestock); and (v) assistant; recruited in accordance with the provisions of Section III of Schedule 2 to this Agreement, and on the basis of terms of reference, qualifications and experience acceptable to the Association.

### 4. PPCG Fund

- (a) Part 1.3 of the Project will be implemented in accordance with the Updated PPCG Documents referenced under Section IV.B.1(c) of Schedule 2 to this Agreement, the PPCG Fund Governing Documents, and the Fund Manager Governing Documents.

- (b) The Recipient shall maintain the PPCG Fund, with purpose, organization, method of operation, staffing, resources and monitoring and evaluation arrangements satisfactory to the Association, until such date (the “Category 2 Cut Off Date”) when the full amount disbursed under Category (2)(a) to (c) shall have been either: (i) allocated to reserves to support the issuance of PPCGs in a manner satisfactory to the Association; or (ii) reimbursed to the Recipient and: (A) transferred by the Recipient to the Association for reallocation to another Category in a manner acceptable to the Association or for cancellation, if before the Closing Date; or (B) allocated by the Recipient to the financing of activities (“Permitted Activities”): (AA) which are for such developmental purpose as may have been agreed between the Recipient and the Association; (BB) which are acceptable to the Association; and (CC) which are implemented in a manner acceptable to the Association, if on or after the Closing Date.
- (c) Without limitation to the generality of the foregoing provisions of paragraph (b) immediately above, from the date of its establishment until the Category 2 Cut-Off Date, the PPCG Fund shall be administered by the fund steering committee in accordance with the PPCG Fund Governing Documents.
- (d) Without limitation to the generality of the foregoing provisions of paragraph (b) immediately above, the PPCG Fund shall be established for the purpose of, *inter alia*, issuing PPCGs to Participating Financial Institutions on the basis of eligibility criteria and terms and conditions satisfactory to the Association further described in Section I.G of Schedule 2 of this Agreement, all in accordance with the Recipient’s laws and regulations, the provisions of the Updated PPCG Documents the PPCG Fund Governing Documents, the Fund Management Agreement, the Anticorruption Guidelines applicable to recipients of proceeds of the Financing other than the Recipient, the Safeguard Documents.
- (e) (i) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Recipient shall cause the PPCG Fund to carry out its activities described in paragraph (d) immediately above in accordance with the Updated PPCG Documents, the PPCG Fund Governing Documents and the Fund Management Agreement; and except as the Association shall otherwise agree, the Recipient shall not permit the PPCG Fund to assign, amend, abrogate, or waive the Updated PPCG Documents, the PPCG Governing Documents, the Fund Management

Agreement, or any provision thereof, or to permit the Fund Manager to do so.

- (ii) In the event of any conflict between the provisions of the Updated PPCG Documents, the PPCG Fund Governing Documents, the Fund Management Agreement, and those of this Agreement, the provisions of this Agreement shall prevail.
  
- (f) Financial audits of the annual financial statements of the PPCG Fund shall be carried out annually and technical audits of the operations of the PPCG Fund shall be carried out every six months, each in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association, on the basis of terms of reference acceptable to the Association and further described in the updated PPCG Operational Manual. Each such financial audit of the PPCG Fund shall cover the period of one year, and each such technical audit of the PPCG Fund shall cover the period of six months, each starting from the date following the last day of the period covered by the previous audit, except for the first such audit which shall cover the period between the date of first disbursement under Category (2)(a) until the next December 31 for the first financial audit, and until the next June 30 or December 31 whichever comes first for the first technical audit. The reports of the auditor as well as the audited financial statements shall be furnished to the Association not later than three (3) months after the end of the period covered by such audit until the Category 2 Cut-Off Date, unless otherwise agreed between the Recipient and the Association.
  
- (g) The PPCG Fund shall:
  - (i) at the request of the Recipient, the PIU (through AGEPADEF) or the Association, exchange views with the Recipient, the PIU or the Association with regard to its activities and overall financial and technical performance and those of the Fund Manager including, without limitation, the assessment of the portfolio of eligible credits of each Participating Financial Institution (including compliance with the Safeguard Documents), the issuance of PPCGs and the signing of PPCG Agreements, the payment of claims under PPCGs, the monitoring of: (A) the payment of PPCG fees by the Participating Financial Institutions, (B) the Participating Financial Institutions' efforts to recover outstanding amounts under their guaranteed credit portfolio, and (C) the payment received from Participating Financial Institutions as a result of their recovery efforts, as well as the investment by the PPCG Fund of its liquid assets and the income derived therefrom; and

- (ii) promptly inform the Recipient, the PIU (possibly through AGEPADEF) and the Association of any condition which interferes or threatens to interfere with the ability of the PPCG Fund to carry out its activities in accordance with the provisions of this Agreement, including the PPCG Fund Governing Documents, the Updated PPCG Documents, the Anticorruption Guidelines applicable to recipients of proceeds of the Financing other than the Recipient and the Safeguard Documents.
- (h) The Recipient shall cause the PPCG Fund to exercise its rights and carry out its obligations under the Fund Management Agreement and the Updated PPCG Documents in such manner as to protect the interests of the PPCG Fund, the PIU, AGEPADEF, the Recipient and the Association and to accomplish the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not permit the PPCG Fund to assign, amend, terminate, abrogate, waive or fail to enforce the Fund Management Agreement or any of the Updated PPCG Documents or any of their provisions.

**B. Anti-Corruption**

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

**C. Safeguards.**

1. The Recipient shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Bank's social and environmental safeguard policy requirements, as well as the Recipient's own laws relating to environment and social aspects.
2. The Recipient shall ensure that the Project (including the land titling and registration activities under Part 2 of the Project) shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Recipient shall ensure that:
  - (a) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and

- (b) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, ( including without limitation to the above, the provision of funds for resettlement compensation when and if required under said Resettlement Action Plan), is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.
- 3. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any other entity participating in the implementation of the Project to do so.
- 4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.
- 5. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

**D. Contingency Emergency Response**

In order to ensure the proper implementation of Part 5 of the Project, the immediate response mechanism part (“IRM Part”), the Recipient shall take the following measures.

- 1. The Recipient shall:
  - (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part (“Coordinating Authority”); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency

Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

- (b) afford the Association a reasonable opportunity to review said proposed operations manual;
  - (c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association ("IRM Operations Manual");
  - (d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
  - (e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:
- (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
  - (b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

**E. Annual Work Plans and Budgets**

1. Each year the Recipient shall prepare (with input from the Fund Manager for Part 1.3 of the Project):
  - (a) a draft annual work plan and budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and
  - (b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities included in the draft annual work plan and budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Bank Policies before approval by the Association of the bidding documents for each activity.
2. The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets approved by the Steering Committee and the evidences referred to in subparagraph 1(b) above, for the Association's review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Financing.
3. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.
4. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
5. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.



**F. Manuals**

1. (a) The Recipient shall ensure that the Project is carried out in accordance with the Project Manual and the IRM Operations Manual (if applicable).
- (b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any of the Project Manual or the IRM Operations Manual, or any provision thereof.
2. (a) The Recipient shall cause the PPCG Fund, and shall cause the PPCG Fund to itself cause the Fund Manager, to each carry out their respective activities, including their obligations under the PPCG Fund Governing Documents, the Fund Management Agreement, the Updated PPCG Documents and each of the PPCG Agreements, in accordance with the Updated PPCG Operational Manual; and
- (b) except as the Association shall otherwise agree, the Recipient shall not permit the PPCG Fund, or permit the PPCG Fund to itself permit the Fund Manager, to assign, amend, abrogate, or waive the Updated PPCG Operational Manual, or any provision thereof.
3. In the event of any conflict between the provisions of any of the Project Manual, the IRM Operations Manual or the Updated PPCG Operational Manual; and those of this Agreement, the provisions of this Agreement shall prevail.

**G. PPCGs**

- (a) For the implementation of Part 1.3(i) of the Project, the Recipient shall cause the Fund Manager, acting on behalf of the PPCG Fund, to enter into agreements (each a "PPCG Agreement") with Participating Financial Institutions for the provision of PPCGs, each on the basis of the model form of PPCG Agreement provided in the Updated PPCG Operational Manual and on terms and conditions satisfactory to the Association, which shall include, *inter alia*, the following:
  - (i) PPCGs shall be provided exclusively to mitigate a percentage (determined in agreement with the Association and specified in the Updated PPCG Operational Manual) of the credit risk of eligible Participating Financial Institutions on their portfolio of eligible credits, in accordance with criteria, terms and conditions set forth in the Updated PPCG Operational Manual.
  - (ii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, eligibility criteria for Participating Financial Institutions shall include, *inter alia*, the

level of compliance with prudential norms, coverage of the country, activities in the agricultural and agribusiness sectors, assignment of dedicated staff to their agribusiness department or measure taken to establish an agribusiness department and to assign dedicated staff to said agribusiness department, level of readiness in ensuring compliance with Safeguard Documents, interest in obtaining a PPCG, as shall be further described in the Updated PPCG Operational Manual.

- (iii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, eligibility criteria for credits to be included by the Participating Financial Institution in the portfolio of loans covered by the PPCG shall include, *inter alia*, the size of the borrower and its sector of activity, the credit amount and terms and conditions, and the environmental and social impact of the activities financed from the credit and compliance with the Safeguard Documents, as shall be further described in the PPCG Updated Operational Manual; the Participating Financial Institution shall commit in terms of volume, diversification and quality of its portfolio.
  
- (iv) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, terms and conditions for the issuance of a PPCG reflected in the PPCG Agreement shall include the following, as shall be further described in the Updated PPCG Operational Manual:
  - (A) PPCGs shall be subject to an annual fee, which shall be acceptable to the Association;
  
  - (B) the obligation of the relevant Participating Financial Institution to comply with the pertinent provisions of the Updated PPCG Operational Manual, the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient, the Safeguard Documents; and
  
  - (C) the obligation of the Participating Financial Institution to maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the PPCG Fund, the Fund Manager, the AGEPADEF, the Recipient and the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its activities under the guaranteed credit portfolio and to have such financial statements and its activities periodically

audited in accordance with consistently applied auditing standards acceptable to the PPCG Fund, the Fund Manager, the AGEPASEF, the Recipient and the Association, by independent auditors acceptable to the Association, on the basis of terms of reference acceptable to the Association, and further described in the Updated PPCG Operational Manual. Each such audit of the Participating Financial Institution's financial statements shall cover the period of one Fiscal Year and each such audit of the Participating Financial Institution's operations shall cover a period of six (6) months, each starting from the date following the last day of the period covered by the previous Participating Financial Institution audit, except for the first such financial audit which shall cover the period between the date of issuance of the PPCG until the next December 31, and for the first such technical audit which shall cover the period between the date of issuance of the PPCG until the next June 30 or December 31, whichever comes first. The auditor's report concluding each financial audit as well as the audited financial statements shall be furnished to the PPCG Fund, the Fund Manager, the PIU, the Recipient and the Association not later than six (6) months after the end of the period covered by such audit and the auditor's report concluding each technical audit shall be furnished to the PPCG Fund, the Fund Manager, the AGEPASEF, the PIU, the Recipient and the Association not later than three (3) months after the end of the period covered by such audit, in both cases until the termination or disestablishment of the PPCG Fund or the suspension of its operations, or the Category 2 Cut Off Date, whichever comes first, unless otherwise agreed between the Recipient and the Association.

- (b) (i) Except as the Association shall otherwise agree, the Recipient, the PIU and the AGEPASEF shall not permit the PPCG Fund, and the PPCG Fund shall not permit the Fund Manager, to assign, amend, abrogate, terminate, waive or fail to enforce, or permit to be assigned, amended, abrogated, terminated, waived or failed to be enforced, any PPCG Agreement, or any provisions included or referred to therein.
- (ii) No withdrawal from the PPCG Account shall be made for any PPCG unless a PPCG Agreement for such PPCG, on terms and conditions acceptable to the Association, has been duly

authorized, executed and delivered by, and is legally binding upon, the parties thereto, and all conditions precedent to its effectiveness, if any, shall have been fulfilled.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. 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 acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month 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 was made under the Preparation Advance for the Project. 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.
4. No later than Six (6) months before the Closing Date, or such other date as the Association shall have agreed with the Recipient, the Recipient shall, in conjunction with the Association and the Fund Manager, carry out a pre-closing review of the Project (the "Pre-Closing Review"), covering the progress achieved in the performance of the PPCG Fund and the Fund Manager. The Recipient shall prepare and furnish to the Association not less than three (3) months prior to the beginning of the Pre-Closing Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved by the PPCG Fund and the Fund Manager during the period preceding the date of such report, and including a description of the measures designed to ensure the continued implementation of the PPCG Fund's activities in

accordance with the PPCG Fund Governing Documents after the Closing Date. Following the Pre-Closing Review, (A) the Association shall determine, in its own discretion, no later than one (1) month before the Closing Date, whether the funds disbursed under Category 2 which have not been used on or before the Closing Date by the PPCG Fund to support the issuance of PPCGs shall be refunded to the Association for cancellation or shall remain available to the PPCG Fund but exclusively for the purpose of supporting the issuance of PPCGs, or funding Permitted Activities, and (B) the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the PPCG Fund's activities

### **Section III. Procurement**

#### **A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

- (a) National Competitive Bidding: procurement may 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 (i) through (xv) below to conform to the provisions of the Procurement Guidelines:
- (i) No bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than: (1) its capability and resources to successfully perform the contract; (2) a conflict of interest situation, or (3) 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 Association 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.
    - (C) A firm sanctioned by the Association 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 an Association- or Bank - financed contract, financially or in any other manner, during the period of time determined by the Association.
    - (C) 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.

- (ii) Standard bidding documents acceptable to the Association shall be used so as to ensure economy, efficiency, transparency and consistency with the provisions of Section I of the Procurement Guidelines.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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 Association 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.
- (vii) 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 Association'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.

- (viii) 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.
- (ix) All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior concurrence.
- (x) Securities shall be in the format included in the bidding documents. No advance payment shall be made without a suitable advance payment security.
- (xi) Information on contract award shall be published at least in a national newspaper of wide circulation within two (2) weeks of receiving the Association'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.

- (xii) In the case of contracts subject to prior review, the Association'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 Association for its record.
  - (xiii) In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, 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 Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.
  - (xiv) Each bidding document and contract financed from the proceeds of the Financing, and as deemed acceptable by the Association, shall include provisions stating the Association's policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
  - (xv) The Association 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 Association confirms that the particular debarment process afforded due process and the debarment decision is final.
- (b) Shopping
  - (c) Direct Contracting

- (d) Procurement from UN Agencies.
- (e) Community Participation in procurement which have been found acceptable by the Association.
- (f) Procurement under a Framework Agreement in accordance with procedures which have been found acceptable by the Association.

**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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts 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 UN Agency (FAO, UNICEF, WFP); (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

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.

**E. Procurement of Emergency Expenditures under the IRM Part of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

**F. Establishment of a Procurement complaint handling mechanism**

No later than three (3) months after Effective Date, the Recipient shall have established a procurement complaint handling mechanism acceptable to 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive Taxes)</b>
(1) Goods, works, non-consulting services, Operating Costs, Training and consultants’ services for the Project (other than Part 1.3(i) of the Project)	33,700,000	100%
(2) Contribution to the PCGF under Part 1.3(i) of the Project		100% of amounts disbursed
(a) first disbursement	1,100,000	
(b) second disbursement	1,100,000	
(c) third disbursement	1,100,000	
(3) Emergency Expenditures under Part 5 of the Project	0	100%

(4) Refund of Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	38,300,000	

**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; or
  - (b) under Category (2)(a) unless: (i) the PPCG Operational Manual has been updated in form and substance satisfactory to the Association to take into account the issuance of PPCGs to Eligible Agribusiness Firms (the "Updated PPCG Operational Manual"); (ii) an agreement in form and substance satisfactory to the Association has been signed between the PIU, AGEPASEF and the Fund Manager setting forth the respective management, supervision and financing responsibilities with respect to PPCGs issued to Eligible Agribusiness Firms under Part 1.3 of the Project (the "Coordination Agreement"); and (iii) an agreement in form and substance satisfactory to the Association has been signed between the Recipient and the Fund Manager providing for the transfer of funds contributed under Part 1.3(i) of the Project to the PPCG Fund and the management of such funds by the PPCG Manager (the Transfer Agreement"); or
  - (c) under Category (2)(b) unless: (i) the funds allocated to Category (2)(a) shall have been disbursed in full; (ii) a PPCG Agreement in form and substance satisfactory to the Association has been signed between PPCG Fund (represented by the Fund Manager) and the Participating Financial Institutions in the form set forth in Section I.G of Schedule 2 of this Agreement (the "PPCG Agreement", and collectively with the Transfer Agreement, the Updated PPCG Operational Manual and the Coordination Agreement, the "Updated PPCG Documents"); and (iii) the Recipient shall have provided evidence (including the list of credits entered into on the basis of the PPCG), in form and substance satisfactory to the Association, that said funds have been allocated to the provision of one or more PPCGs of the risk of a Participating Financial Institution on eligible credits (in Ariary) which represent 60% of the total amount (in Ariary) that can be supported by the existing capital (in Ariary).

- (d) under Category (2)(c) unless: (i) the funds allocated to Categories (2)(a) and (2)(b) shall have been disbursed in full; and (ii) the Recipient shall have provided evidence (including the list of credits entered into on the basis of the PPCG), in form and substance satisfactory to the Association, that said funds have been allocated to the provision of one or more PPCGs of the risk of a Participating Financial Institution on eligible credits (in Ariary) which represent 60% of the total amount (in Ariary) that can be supported by the existing capital built up with the disbursement under Category (2)(b) and 2(c) (in Ariary).
  
- (e) under Category (3), for Emergency Expenditures under Part 5 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
  - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
  
  - (ii) the Recipient has prepared and disclosed all Safeguards Documents (or other required safeguard instruments) required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.D of Schedule 2 to this Agreement;
  
  - (iii) the Recipient's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.D of this Schedule 2 to this Agreement, for the purposes of said activities; and
  
  - (iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain - or have been updated in accordance with the provisions of Section I.D of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date is June 30, 2021.

**Section V. Other Undertakings**

1. By no later than 6 months after the Effective Date, the Recipient shall recruit an external auditor pursuant to terms of reference satisfactory to the Association.
2. By no later than 3 months after the Effective Date, the Recipient shall have established the RIUs with mandates, compositions, staff and resources satisfactory to the Association, as further set out in Section I.A of Schedule 2 to this Agreement.
3. By not later than 3 months after the Effective Date, the Recipient shall have adopted in a manner satisfactory to the Association, the National Land Program.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15, commencing April 15, 2022, to and including October 15, 2053	1.5625%

\* 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. “AGEPASEF” means *Association pour la Gestion du Programme d’Appui aux Services Financiers* (AGEPASEF), a public interest non-profit association established under the laws of the Recipient initially under the name AGEPMF by the Recipient’s Decree no. 99-245 dated April 7, 1999 and operating in accordance with the AGEPASEF Governing Documents, the project implementing entity for the Madagascar Financial Services Project.
2. “AGEPASEF Governing Documents” means, collectively, the Recipient’s Decree no. 99-245 dated April 7, 1999 pursuant to which AGEPASEF was established as a public interest non-profit association and AGEPASEF’s governing document (*statuts*) revised by its members and registered by the Recipient on February 22, 2011.
3. “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 and revised in January 2011.
4. “Annual Work Plans and Budgets” means the annual work plans and budgets for the implementation of the Project approved by the Association, referred to in Section I.E.2 of Schedule 2 to this Agreement.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Category 2 Cut Off Date” means the date referred to in Section I.A.4 (b) of Schedule 2 to this Agreement.
7. “CCRF” or “Land Reform Coordination Unit” means the Land Reform Coordination Unit, the Recipient’s unit in charge of land reform within the Ministry responsible for land registration and spatial planning.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
9. “Coordination Agreement” has the meaning set forth in Section IV.B.1 (b) of Schedule 2 to this Agreement.
10. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.



11. “Displaced Person” means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person “Displaced Persons” means all such persons.
12. “Eligible Agribusiness Firms” means producers, traders, processors, agribusiness SMEs and larger agribusiness firms.
13. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
14. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants’ services, Training, and Operating Costs, set forth in the IRM Operations Manual in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
15. “EDBM” means Economic Development Board of Madagascar, a legally and budgetary autonomous agency established by the Recipient’s decree no. 2006-382 dated May 31, 2006, as amended from time to time.
16. “Environmental and Social Management Framework” means the Recipient’s document entitled “*Cadre de Gestion Environnementale et Sociale (CGES)*” disclosed at the Association’s *Infoshop* on January 14, 2016, and in the country of the Recipient on January 13, 2016, detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.
17. “Environmental and Social Management Plan” means the Recipient’s document prepared and disclosed in accordance with the Environmental and Social Management Framework with respect to an activity included under an Annual Work Program and Budget, that details: (a) the measures to be taken during the implementation and operation of such activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (b) the actions needed to implement these measures.

18. “DGSF” means the *Direction Générale des Services Fonciers*, the Recipient’s unit in charge of land registration within the Ministry responsible for land registration and spatial planning.
19. “FI” means financial institutions.
20. “Fund Management Agreement” means the Fund Management Agreement dated June 27, 2014, entered into between the PPCG Fund and the Fund for the management of the PPCG Fund.
21. “Fund Manager” means SOLIDIS, the fund manager with whom the PPCG Fund has entered into a Fund Management Agreement.
22. “Fund Manager Governing Documents” means, collectively, SOLIDIS’ Articles of Incorporation (“*Statuts*”) dated August 24, 2010, and the authorization from the Recipient’s Banking and Financial Monitoring Commission (*Commission de Supervision Bancaire et Financière*) dated October 5, 2010, completed by its decisions dated March 24, 2011, January 3, 2012 and June 18, 2012.
23. “GCV” means “*Greniers Communs Villageois*”, a communal village-level storage system linked to MFIs.
24. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
25. “Immediate Response Mechanism Operations Manual” or “IRM Operations Manual” means the operations manual referred to in Section I.D of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.
26. “Institutional Decree” means the inter-ministerial order (*Arrêté*) establishing the PIU and the Steering Committee to be adopted pursuant to Section 5.01(b) of this Agreement.
27. “IRM Part of the Project” or “IRM Part” means Part 5 of the Project.
28. “Madagascar Financial Services Project” means the project financed by the Africa Catalytic Growth Fund Grant Agreement (TF092098) dated July 15, 2008, approved by the Association on June 4, 2008 and amended on February 6, 2013.
29. “MEPATE” means the *Ministère d’Etat en charge du foncier et de l’aménagement du territoire*, the Ministry of the Recipient in charge of land registration and spatial planning.
30. “MFI” means micro-financial institution.

31. “MSME” means micro-, small and medium enterprises.
32. “National Land Program” means the 2016-2020 National Land Program for the implementation of the land policy reform referred in Section V.3 of Schedule 2 to this Agreement.
33. “Operating Costs” means the reasonable incremental operating expenses, based on Annual Work Programs and Budgets approved by the Association, incurred by the PIU or its regional offices on account of the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment ; water and electricity utilities, telephone, office supplies, bank charges, public awareness-related media expenditures, travel and supervision costs, per diem, additional staff costs, but excluding the salaries of officials and public servants of the Recipient’s civil service.
34. “Participating Financial Institution” means, individually, a commercial bank, established and operating pursuant to the laws of the Recipient, which has met the eligibility criteria specified in the Updated PPCG Operational Manual and as a result has entered into a PPCG Agreement with the PPCG Fund; and “Participating Financial Institutions” means, collectively, more than one Participating Financial Institution.
35. “Permitted Activities” means activities satisfying the three criteria listed in Section I.A.4(b) of Schedule 2 to this Agreement.
36. “Pest Management Plan” means the Recipient’s document entitled “*Plan de Gestion des Parasites et des et Pesticides (PGPP)*” disclosed at the Association’s Infoshop on January 14, 2016 and in country on January 13, 2016, containing guidance on the manufacturing, packaging, labeling, handling, storage, disposition of pesticides financed under the Project and the cancellation or mitigation to an acceptable level of adverse impact these pesticides may have on the environment or on the population.
37. “PPCG” means a partial portfolio credit guarantee issued by the PPCG Fund in accordance with the provision of Section I.G of Schedule 2 to this Agreement.
38. “PPCG Agreement” means an agreement entered into between the PPCG Fund and a Participating Financial Institution for the provision of a PPCG in accordance with Section I.G of Schedule 2 to this Agreement.
39. “PPCG Fund” means the organic fund the Partial Portfolio Credit Guarantee Fund established under the Madagascar Financial Services Project.
40. “PPCG Fund Governing Documents” means, collectively, the legal instrument pursuant to which the PPCG Fund has been established, the legal instrument which

governs its operations (if different from the instrument pursuant to which the PPCG Fund was established, including any supplemental letters which may be entered into by the PPCG Fund in order to fully reflect its obligations under this Agreement) and the authorizations pursuant to which the PPCG Fund is authorized to carry out its activities.

41. “PPCG Operational Manual” means the manual governing the operation of the PPCG Fund, including its management by the Fund Manager.
42. “PLOF” or “Local Land Tenure Mapping” means *Plan Local d'Occupation Foncière*.
43. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on August 21, 2015, and on behalf of the Recipient on September 14, 2015.
44. “Procurement Guidelines” means 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 (revised July 2014).
45. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated 26 janvier 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
46. “Project Areas” means, collectively: (a) the agriculture production zones in the Central Highlands in the regions of Analamanga, Itasy and Vakinankaratra; (b) production zones on the East Coast in the Atsinanana et Analanjirofo regions; and (c) the agricultural production zone in the Anosy et Androy regions.
47. “Project Implementation Unit” or “PIU” means the project implementation unit for the Project described in Section I.A.2 of Schedule 2 to this Agreement and to be established by Institutional Decree pursuant to Section 5.01(b) of this Agreement.
48. “Project Manual” means Manual to be adopted pursuant to Section 5.01(a) of this Agreement.
49. “Regional Implementation Units” or “RIUs” means the regional implementation units for the Project described in Section I.A.3 of Schedule 2 to this Agreement and to be established pursuant to Section V.2 of Schedule 2 to this Agreement.
50. “Resettlement Action Plan” means the Recipient’s document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to an activity included under an Annual Work Program and Budget, which, *inter alia*, (i) contains a census survey of Displaced Persons and valuation of their assets;

(ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation, and (iii) contains a timetable and budget for the implementation of such measures.

51. “Resettlement Policy Framework” means the Recipient’s document entitled “*Cadre de Politique de Réinstallation Involontaire (CPRI)*” disclosed at the Association’s *Infoshop* on January 14, 2016 and in the country of the Recipient on January 13, 2016, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons.
52. “SME” means small and medium enterprises.
53. “Safeguard Documents” means, collectively, the Pest Management Plan, the Resettlement Process Framework, the Environmental and Social Management Framework, the Environmental and Social Management Plans prepared in accordance with the Environmental and Social Management Framework, if any, the Resettlement Policy Framework, and the Resettlement Action Plans prepared in accordance with the Resettlement Policy Framework, if any.
54. “SOLIDIS” means SOLIDIS S.A., a company established in accordance with the laws of the Recipient with the purpose of, *inter alia*, facilitating access to credit including through the issuance of guarantees, duly authorized to carry out its activities in the Recipient’s territory and governed by the SOLIDIS Governing Documents.
55. “Steering Committee” means the Recipient’s committee referred to in Section I.A.1 of Schedule 2 to this Agreement and to be established by Institutional Decree pursuant to Section 5.01(b) of this Agreement.
56. “Training” means the reasonable cost of training under the Project, based on Annual Work Plans and Budgets, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.
57. “Updated PPCG Documents” have the meaning set forth in Section IV.B.1(c) of Schedule 2 to this Agreement.
58. “Updated PPCG Operational Manual” has the meaning set forth in Section IV.B.1 (b) of Schedule 2 to this Agreement.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
  3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”
  4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
  5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).