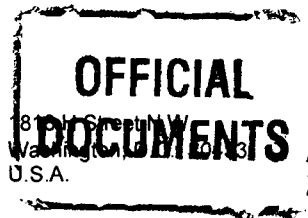


**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION



Q903-MG

(202) 473-1000  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

February 10, 2014

H. E. Lantoniaina Rasoloelison  
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 Second Integrated Growth Poles and Corridor  
Project  
Project Preparation Advance No. Q9030

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 the number of jobs and enterprises in selected regions of the Recipient's territory by fostering inclusive economic growth and poverty reduction in designated regional growth poles ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

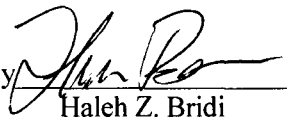
The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the 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 return 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   
Haleh Z. Bridi  
Country Director for Madagascar  
Africa Region

AGREED:  
REPUBLIC OF MADAGASCAR

By:   
  
Authorized Representative  
Ministre

Name: des Finances et du Budget

Title: Lantoniaina RASOLOELISON

Date: 26 FEB 2014

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.
- (4) Guidelines: "Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers", dated January 2011.
- (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) “NPS” and “National Project Secretariat” each means the national project secretariat unit established within the Recipient’s ministry responsible for finance and budget pursuant to the provisions of the original Financing Agreement (Integrated Growth Poles Project) between the Recipient and the Association dated July 13, 2005 (Credit Number 4101-MG).

(b) “Operating Costs” means the reasonable expenditures incurred by the Recipient to finance: (i) salaries of the staff of the NPS; (ii) per diem and travel expenses of staff required to perform their responsibilities under the Activities; (iii) fuel, and vehicle maintenance and insurance services; (iv) communication technology (including, without limitation, internet and telephone service); (v) rent for office space and building security and office maintenance services; (vi) translation services, photocopies and publications; and (vii) utilities and office supplies.

**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. Carrying out of identification studies in the tourism sector in Atsimo-Andrefana and Diana Region, such studies to include: (a) air access for Diego and Tuléar; (b) land for potential investors as well as an infrastructure needs assessment; (c) tourist presence in Diego and Tuléar; (d) a needs assessment for capacity building; (e) international mission organization; and (f) site visits for potential investors.

2. Carrying out of: (a) identification studies in the agribusiness sector in Atsimo-Andrefana and Diana Region, such studies to include: (i) an analysis of the legal framework of selected value chains; (ii) needs evaluation of roads and agricultural infrastructure; (iii) options and procedures for securing land for small producers; (iv) potential fruit transformation; (v) microfinance and village level savings groups; and (b) a feasibility study for the use of sisal in boat construction.

3. Carrying out of: (a) identification studies in the energy sector in Atsimo-Andrefana and Diana, such studies to include: (i) energy demand, at a lower cost and an extended scope of distribution, up to the year 2030 for Toliara; and (ii) an update of the existing study on energy demand up to the year 2030 for Diana; (b) a feasibility study on the use of bagasse for electricity production in the Ambilobe town; and (c) a feasibility study of electrification through renewables in

rural areas in Antsakoabe, Andrakaka, Antsalaka and Joffre Ville in Diana and d'Anakao, Saint Augustin, Ankililaoka, Ifaty, Andranovory, Andavadaoka in Toliara.

4. Carrying out of: (a) identification studies in targeted communes and regions, such studies to include: (i) an institutional and organizational diagnostic of main communes and the targeted regions; (ii) an assessment of the infrastructure sector; (iii) the rehabilitation of selected roads in said targeted regions; and (iv) technical and institutional diagnostic of public waste management in Diego and Toliara; and (b) a technical pre-feasibility study for the construction of garbage dump sites in Diego and Toliara.

5. Development of baseline indicators for Project monitoring and evaluation and for the Project's environmental and social studies through: (a) an household survey in targeted regions of the Recipient's territory; (b) a diagnostic of child nutrition in said regions and identification of possible support linked to agribusiness activities; (c) an economic profitability analysis for the establishment of indicators for the Project; (d) the preparation of the Project's safeguard instruments, including any sub-projects to be financed under the Project; and (e) any operational costs incurred during the implementation of the Activities.

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 through NPS 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 limitations upon the provisions of Section 2.02 above, the Recipient shall maintain, throughout the Refinancing Date, the NPS with functions, staffing and resources satisfactory to the World Bank to ensure overall coordination and management of the Activities, including procurement and financial management thereof.

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 ("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 ("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) Shopping; and (B) Direct Contracting.

### (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: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 Operating Costs 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 March 16, 2015.

**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 ( $\frac{3}{4}$  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 at the time 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 Economy, Finance and Budget  
B.P. 61  
Antananarivo 101  
Madagascar

Facsimile:

(261) 20 22 34530

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

Cable:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

1-202-477-6391