

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5773-MG

Financing Agreement

(Electricity Sector Operations and Governance Improvement Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 2, 2016

CREDIT NUMBER 5773-MG

FINANCING AGREEMENT

AGREEMENT dated April 8, 2016, entered into between 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 forty-seven million one hundred thousand Special Drawing Rights (SDR 47,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).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 and the Program. To this end, the Recipient shall carry out Parts 1 and 4.1 of the Project through its Ministry of Energy and Hydrocarbons (“MEH”) and Parts 2, 3 and 4.2 of the Project through JIRAMA, 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:
 - (a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
 - (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has appointed or recruited a qualified project coordinator at the MEH in accordance with the provisions of Section III of Schedule 2 of the Financing Agreement, and on the basis of terms of reference, qualifications and experience acceptable to the Association.
 - (b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following:
 - (a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

- 5.03 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
Republic of Madagascar

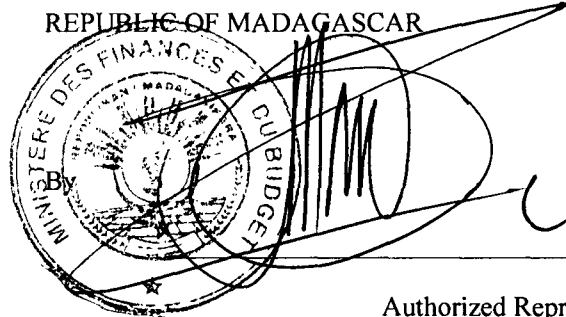
Cable address:	Facsimile:
MFB	(261) 20 22 34530

- 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.

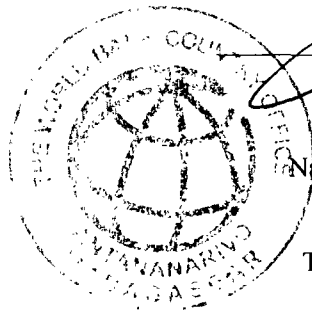
REPUBLIC OF MADAGASCAR

Authorized Representative

Name: RAKOTOARIMANANA Francois M.M. Gervais

Title: Le Ministre des Finances et du Budget

INTERNATIONAL DEVELOPMENT ASSOCIATION

By




Authorized Representative

Name: Coralie GEVERS

Title: Country Manager
for Madagascar, Comoros

SCHEDULE 1

Project Description

The objectives of the Project are to improve the operational performance of the national electricity utility (JIRAMA), to improve the reliability of electricity supply in the Project Area, and, in the event of an eligible crisis or emergency, to provide immediate and effective response to said Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1: Improving electricity sector planning and financial sustainability

Improving electricity sector planning and financial sustainability through the provision of technical assistance, capacity building and consultancy services for:

- (a) The preparation of a Least Cost Power Development Plan (LCPDP).
- (b) The definition of a strategy and action plans to increase electricity access.
- (c) The preparation of studies to address sector financial viability.
- (d) Strengthening the capacity of public agencies responsible for planning and implementation of the electrification strategy.
- (e) Complementary technical assistance needed for implementation of the LCPDP and/or the electrification strategy.

Part 2: Strengthening operational performance and governance of JIRAMA

Strengthening operational performance and governance of JIRAMA through the provision of technical assistance, capacity building, consultancy services and equipment:

- (a) The preparation of the MIP which will provide: (i) a roadmap for implementation of an optimal organizational structure for JIRAMA (including description of functions and responsibilities of positions at management level and definition of skills required for each position), and the incorporation of management information systems at JIRAMA to provide the tools for JIRAMA management and staff to better run the company and the sector; (ii) the design of a Revenue Protection Program (RPP); and (iii) the identification of urgent investment needs in rehabilitation and upgrade of facilities to reduce technical losses and bring service quality to acceptable levels.
- (b) The implementation of the organizational structure for JIRAMA based on

the recommendations in the MIP through the selection of staff to occupy positions at the two top levels in the organizational structure below the Director General through competitive and transparent processes.

- (c) The incorporation of management information systems (MIS) in line with the MIP, through the provision and installation of the MIS, which will include a commercial management system, an integrated distribution management system, and an enterprise resource planning system, to be complemented with the update of respective databases supported by a geographic information system.
- (d) The implementation of the RPP for sustainable reduction of non-technical losses in supply through systematic remote recording and monitoring of consumption of large users.

Part 3: Investing in enhanced reliability of electricity

- 3.1. **Reinforcement of an existing 138/63 kV substation and construction of 63kV electricity transmission lines:** (a) installation of 2 x 60MVA 138/63kV transformers and auxiliaries at the existing substation of Ambohimambola; (b) construction of transmission lines that will connect the substations of Tana Nord and Tana Sud; and (c) construction of electricity transmission lines between the substations of Tana Nord and Ambodivona.
- 3.2. **Rehabilitation and/or upgrading of existing distribution networks** through the replacement of 20/0.4kV overloaded transformers by new transformers with adequate capacities, and the installation of associated accessories and switchgear; the construction of 20kV lines; the installation of distribution sub-stations with primary voltage 20kV; and the replacement of 5/0.4kV pole mounted transformers and of insulators, accessories, and conductors in about 144 km of existing 5kV lines to upgrade the infrastructure to operate in 20kV; the installation of new poles to replace existing ones in bad condition; and installation of metering systems.
- 3.3. **Rehabilitation of auxiliaries of generation plants** through: (a) the provision of spare parts necessary for the rehabilitation of the fuel supply and treatment system of JIRAMA's existing heavy fuel oil (HFO) plants in order to ensure that HFO could be used; (b) the installation of a motorized bar screen in Andekaleka hydro plant to evacuate debris in the water intake; and (c) the rehabilitation and commissioning of the alternator of one unit at Antelomita small hydro plant to increase its generation capacity.
- 3.4. **Provision of Technical Assistance and equipment/logistics** to support JIRAMA to finalize the design of the activities, to prepare the bidding documents, to supervise the implementation of electricity transmission and distribution works and to implement part of the distribution works.

Part 4: Project Management

- 4.1. **Project Management support to MEH** through the provision of technical assistance, training, capacity building, equipment and supporting incremental Operating Costs related to the coordination and implementation of Project activities for Part 1 of the Project, monitoring and evaluation, implementation of safeguards requirements and assessment of the impacts of the Project activities, including the recruitment of project staff the financing of audits and financial management software, purchasing of selected office and IT equipment.
- 4.2. **Project Management support to JIRAMA** through the provision of technical assistance, training, capacity building, equipment and supporting incremental Operating Costs related to the coordination and implementation of Project activities for Parts 2 and 3 of the Project, monitoring and evaluation, implementation of safeguards requirements and assessment of the impacts of the Project activities, including the recruitment of social and environmental safeguards experts, the design and implementation of the customer satisfaction survey, selected office and IT equipment.

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 MEH 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. Strategic Committee for the Reform of JIRAMA

- (a) The Recipient shall establish and maintain the Strategic Committee for the Reform of JIRAMA, with mandate, composition and resources acceptable to the Association.
- (b) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Strategic Committee for the Reform of JIRAMA shall be chaired by the Minister in charge of energy of the Recipient and include at a minimum high level representatives of the MEH, the Ministry of Water, the Ministry of Finance and Budget, the Central Bank, JIRAMA, and the Presidency.
- (c) Without limitation to the provisions of paragraph (a) immediately above, the Strategic Committee for the Reform of JIRAMA shall be responsible for the responsible for driving the reform of JIRAMA and approving any plans, decisions, and actions for implementation, and will be responsible for the direct supervision of the MIP.

2. Coordination Committee

- (a) The Recipient shall establish and maintain the Coordination 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 Coordination Committee shall be chaired by the MEH and include at a minimum high level representatives of the ORE, ADER, JIRAMA, the Ministry of Finance and Budget of the Recipient.
- (c) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Coordination 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 Budget; and shall meet at least once a year to review Project progress reports provided by the Implementing Agencies.

3. Implementing Agencies

- (a) MEH shall be responsible for the implementation of Parts 1 and 4.1 of the Project and JIRAMA for the implementation of Parts 2, 3 and 4.2 of the Project.
- (b) MEH shall implement Part 1 and 4.1 of the Project through its management team, which shall include at a minimum a project coordinator, a procurement specialist and a financial management specialist; appointed or 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.
- (c) JIRAMA shall implement Parts 2, 3 and 4.2 of the Project through its staff, which shall include at a minimum a project coordinator, a procurement specialist and a financial management specialist, a safeguards specialist; appointed or 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.
- (d) MEH and JIRAMA shall be responsible for the procurement, financial flows, and environmental and social safeguards matters for their respective Parts and shall provide reporting and information to the Coordination Committee and MEH, as applicable. The MEH will be responsible for consolidating information on the various project components and prepare and submit Project Reports to the Association.

B. Anti-Corruption

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

C. Subsidiary Agreement

- 1. To facilitate the carrying out of Parts 2, 3 and 4.2 of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement (the "Subsidiary Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the provisions described in paragraph (2) immediately below.
- 2. The Subsidiary Agreement shall include, *inter alia*, the following terms and conditions:

- (a) The obligation of the Recipient to:
 - (i) make the funds of the Financing set out in Category (2) available to the Project Implementing Entity on a grant basis; and
 - (ii) take all actions necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof, as well as refrain from taking or permitting to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of any of its obligations under the Project Agreement.
 - (b) The obligation of the Project Implementing Entity to:
 - (i) carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, the Project Manual, the Anti-Corruption Guidelines, the Procurement Guidelines, the Consultant Guidelines and the Annual Work Plans and Budgets;
 - (ii) promptly refund to the Recipient for further refund to the Association any proceeds from the Financing not used for purposes of carrying out the Project or for achieving the objective thereof, or otherwise utilized in a manner inconsistent with the provisions of this Agreement or the Project Agreement;
 - (iii) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to: (A) the progress of the Project and the achievement of the objective thereof; and (B) the Project Implementing Entity's performance of its obligations under the Project Agreement, the Subsidiary Agreement, the Project Manual, the Annual Work Plans and Budgets, the Anti-Corruption Guidelines, the Procurement Guidelines and the Consultant Guidelines; and
 - (iv) promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objective thereof.
 - (c) a provision stipulating that, in case of conflict between any of the provisions contained in the Subsidiary Agreement and those set forth in this Agreement and the Project Agreement, the provisions of this Agreement and the Project Agreement shall at all times prevail.
3. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient

and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

D. 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 Policies, as well as the Recipient's own laws relating to environment and social aspects.
2. The Recipient shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguards 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, 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 Safeguards 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 Safeguards Documents, giving details of: (a) measures taken in furtherance of the Safeguards Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth

implementation of the Safeguards Documents; and (c) remedial measures taken or required to be taken to address such conditions.

5. In the event that any provision of the Safeguards Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

E. Immediate Response Mechanism

In order to ensure the proper implementation of Part 5 of the Project (“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 safeguards 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.

F. Annual Work Plans and Budgets

1. Each year the Recipient shall prepare (with the input of JIRAMA):
 - (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 Safeguards 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 Coordination 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 and the Coordination Committee's prior approval.

G. Manuals

1. (a) The Recipient shall ensure that the Project is carried out in accordance with the Project Manual and the IRM Operations Manual, as applicable.

(b) Except as the Association and the Coordination Committee 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. In the event of any conflict between the provisions of any of the Project Manual or the IRM Operations Manual and those of this Agreement, the provisions of this Agreement.

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 quarter, and shall be furnished to the Association not later than 45 days 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 as part of the Project Report, 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.

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: (A) its capability and resources to successfully perform the contract; (B) a conflict of interest situation, or (C) an accepted prohibition.
 - (AA) Firms of a country or goods manufactured in a country may be excluded if: (AAA) 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 (BBB) 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.
 - (BB) Government-owned enterprises or institutions of the Recipient shall be eligible to participate in the bidding process in their country, only if they can establish that they are legally and financially autonomous, operate

under commercial law, and are not dependent agencies of the Recipient or the Project Implementing Agency.

- (CC) 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.
- (DD) 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 UNOPS.
- (e) Force Account.

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) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Selection of Individual Consultants; and (e) 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.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs for Part 1 and 4.1 of the Project.	1,300,000	100%
(2) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs for Part 2, 3 and 4.2 of the Project.	44,800,000	100%
(3) Refund of Project Preparation Advance (Q941).	1,000,000	Amount payable pursuant to Section 2.07 of the General Conditions

(4) Emergency Expenditures under Part 5 of the Project.	0	100%
TOTAL AMOUNT	47,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) under Category (4), 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 (and any other safeguards 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.E 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.E 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.E 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, 2020.

Section V. Other Undertakings

1. By no later than 6 months after the Effective Date, the Recipient shall recruit an external auditor 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.
2. By no later than 3 months after the Effective Date, the Recipient shall appoint or recruit a qualified accountant and a procurement assistant at the MEH 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. By no later than 12 months after the Effective Date, the Recipient, with the support of specialized consultants, shall launch a competitive and transparent selection of staff at JIRAMA to occupy the top management positions.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
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. “ADER” means *Agence de Développement de l'Electrification Rurale*, the Recipient’s Agency for Rural Electrification.
2. “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.
3. “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.F.2 of Schedule 2 to this Agreement.
4. “Bank Policies” means the Bank’s operational environmental and social requirements of the Bank.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “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).
7. “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.E of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.
8. “Coordination Committee” means the coordination committee for the Project described in Section I.A.2 of Schedule 2 to this Agreement established by the interministerial Decree n°2746/2016 dated February 3, 2016.
9. “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.
10. “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.E of Schedule 2 to this Agreement and required for the activities included in 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. “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 and in the country of the Recipient on January 15, 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.
13. “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: (i) 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 (ii) the actions needed to implement these measures.
14. “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.
15. “Immediate Response Mechanism Operations Manual” or “IRM Operations Manual” means the operations manual referred to in Section I.G of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.
16. “Implementation Agencies” means MEH and JIRAMA.
17. “IRM Part of the Project” or “IRM Part” means Part 5 of the Project.
18. “JIRAMA” means *Jiro sy rano malagasy*, the Recipient’s state-owned electric utility and water services company.
19. “LCPDP” means the Least Cost Power Development Plan to be prepared by the Recipient under Part 1(a) of the Project.

20. “Letter of Sector Policy” means the Letter of Sector Policy of the Recipient dated February 4, 2016, for the electricity sector which sets forth the Recipient’s strategic views on the sector and in particular the reform of JIRAMA (namely the main elements of JIRAMA’s Management Improvement Plan), and confirms the Recipient’s adoption of the Management Improvement Plan and the Recipient’s and JIRAMA’s commitment for its implementation.
21. “MEH” means the Ministry of Energy and Hydrocarbons of the Recipient or any subsequent ministry in charge of energy.
22. “MIP” means JIRAMA’s Management Improvement Plan adopted on February 4, 2016.
23. “MIS” means the management information systems to be incorporated under Part 2(c) of the Project.
24. “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 rental, 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.
25. “ORE” means *Office de Régulation de l’Électricité*, the Recipient’s Electricity Sector Regulator
26. “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 and on behalf of the Recipient on October 11, 2014.
27. “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).
28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 17, 2015, 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.
29. “Program” means the program of the Recipient for the energy sector set forth in the Letter of Sector Policy.

30. “Project Area” means the geographical areas where project activities under Part 3 of the Project will be implemented, namely the regions of Analamanga, Vakinankaratra, Alaotra Mangoro, Diana, Sava, Boeny, Sofia, Betsiboka, Androy, Atsimo Andrefana, Antsinanana, Analanjirofo, Menabe, Haute Matsiatra, Vatovavy Fito Vinany, Ihorombe, or any other areas on which the Association may agree in writing with the Recipient. Recipient
31. “Project Implementing Entity” means JIRAMA.
32. “Project Implementing Entity’s Legislation” means: the Recipient’s Law Nr. 98-032 and Law Nr. 98-029 dated January 20, 1999, and implementation texts, and Ordinance Nr. 75/024 dated October 17, 1975, establishing JIRAMA and providing for its laws.
33. “Project Manual” means the manual for the Project adopted by the MEH on January 27, 2016, and by JIRAMA on January 25, 2016.
34. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.
35. “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.
36. “Resettlement Policy Framework” means the Recipient’s document entitled “*Cadre de Politique de Réinstallation Involontaire (CPRI)*” disclosed at the Association’s Infoshop and in the country of the Recipient on January 15, 2016, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons.
37. “RPP” means the Revenue Protection Program to be prepared under Part 2(a) of the Project.
38. “Safeguards Documents” means, collectively, 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.

39. "Strategic Committee for the Reform of JIRAMA" means the committee described in Section I.A.1 of Schedule 2 to this Agreement and established by the interministerial Decree n°2745/2016 dated February 3, 2016.
40. "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.

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).