
CREDIT NUMBER 7342-MG

Financing Agreement

(First Equitable and Resilient Growth Development Policy Operation)

between

THE REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7342-MG

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MADAGASCAR (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program, and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to seventy-four million three hundred thousand Special Drawing Rights (SDR 74,300,000) (“Credit”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are March 1 and September 1 in each year.
- 2.04. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.05. The Payment Currency is Dollar.
- 2.06. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specific in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consist of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister responsible for economy and finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
- Ministère de l'Economie et des Finances
BP 61 Antananarivo 101
Republic of Madagascar; and
- (b) the Recipient's Electronic Address is:
- E-mail: tresorddp@gmail.com
- 6.03. For purposes of Section 11.01 of the General Conditions:
- (a) The Association's address is:
- International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
- (b) the Association's Electronic Address is:
- | | |
|--------------|-----------------|
| Telex: | Facsimile: |
| 248423 (MCI) | +1-202-477-6391 |

AGREED as of the Signature Date.

REPUBLIC OF MADAGASCAR

By



Authorized Representative

Name: Rindra Hasimbelo Rabarininarison

Title: Ministre de l'Economie et des Finances

Date: 09-Jun-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Idah Z. Pswarayi-Riddihough

Title: Country Director for Mozambique, Madagascar, Co

Date: 09-Jun-2023

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. Actions Taken under the Program. The actions taken by the Recipient under the Program include the following:

Strengthening Governance and Macro-Fiscal Resilience

1. To improve public investment management efficiency and public procurement transparency, the Recipient has: (i) through its Council of Ministers, adopted a decree to establish selection criteria – including climate change and gender related criteria – for the prioritization of public investment projects and a national database thereof; and (ii) adopted *arrêtés* governing disclosure of beneficial owners of public procurement contracts and annual publication of the Recipient's public investment program review; as evidenced by: Decree No. 2023-255 dated March 15, 2023 "*portant gestion des investissements publics (GIP)*", published in the Official Gazette dated April 21, 2023; *arrêté* No. 13811/2023 dated April 5, 2023 "*portant institution du manuel de procédure et transparence des marchés publics en matière de gestion des investissements publics*"; and *arrêté* No. 15227/2023-MEF, dated April 24, 2023 "*portant déclaration et publication de l'identité des bénéficiaires effectifs de marchés publics*".
2. To ensure efficiency, consistency, and transparency of transfers of the national equalization fund to decentralized territorial entities, the Recipient, through its Council of Ministers, has issued a decree establishing: (i) predictable transfer timelines from the fund to beneficiary communes; (ii) updated selection criteria and formulas, including a climate vulnerability index; (iii) eligibility of post-cataclysmic events disbursements; and (iv) publication of an annual technical and financial report for the fund; as evidenced by Decree No. 2023-285 dated March 21, 2023 "*modifiant et complétant certaines dispositions du décret n°. 2018-472 du 25 mai 2018 instituant le manuel de procédures du fonds national de péréquation*", published in the Official Gazette dated April 21, 2023.
3. To improve the efficiency of revenue mobilization, the Recipient, through its Council of Ministers, has established conditions and procedures for the adoption, evaluation and monitoring of all new or effective customs and tax incentives; as evidenced by Decree No. 2023-328 dated March 30, 2023 "*portant conditions d'adoption, d'évaluation et de suivi des mesures incitatives fiscales et douanières*", published in the Official Gazette dated April 21, 2023.

Enhancing an Enabling Investment Climate and Deepening Structural Reforms in Critical Sectors (digital connectivity, energy, and mining)

4. To enhance the investment climate and investor confidence, the Recipient has submitted to Parliament a draft investment law governing domestic and foreign investors' rights and obligations, protection and promotion of direct investments, dispute resolution mechanisms, environmental compliance, including fight against climate change mitigation measures, and containing a short negative list of activities excluded from foreign direct investment; as evidenced by draft Law No. 003/2023 dated March 9, 2023 "*Projet de loi sur les investissements à Madagascar*", transmitted to the Recipient's Parliament on March 30, 2023.
5. To encourage investment in digital infrastructure, leverage foundation to financial inclusion, and make broadband services more affordable through improved competition, the Recipient, has issued: (i) a ministerial order fixing revised backbone price caps; (ii) through its Council of Ministers, a decree on licenses and declarations introducing unified licenses and putting an end to exclusive rights on all segments of the value chain; and (iii) through its Council of Ministers, a decree on interconnection and access – governing situations of dominance and preventing anti-competitive practices, as evidenced by ministerial *arrêté* No. 12567/2023 dated March 14, 2023 "*portant définition de la structure du backbone national et fixation des prix maxima applicables*", published in the Official Gazette dated May 5, 2023; Decree No. 2023-351, dated April 5, 2023, published in Official Gazette dated April 21, 2023; and Decree No. 2023-397, "*fixant les règles et modalités d'interconnexion et d'accès aux réseaux de télécommunications*", dated April 12, 2023, published in Official Gazette dated April 21, 2023.
6. To support restoring the financial viability of JIRAMA and encourage private investments in the power sector, the Recipient has: (i) issued, through its Council of Ministers, a decree implementing the CodeElec, allowing JIRAMA to regularize its electricity production, transport and distribution activities, authorizing JIRAMA to enter into purchasing power agreements prioritizing renewable energy and allowing more private sector participation; (ii) issued, through its Council of Ministers, a decree governing a pre-paid scheme for government institutions while scaling up pre-paid meters; and (iii) published, through its regulator, the *Office pour la Régulation de l'Electrification* (ORE)'s website, new energy tariffs for businesses (Optima Business); as evidenced by Decree No. 2023-245 dated March 14, 2023 "*fixant les procédures relatives aux concessions de production, de transport et de distribution; aux autorisations de production et de distribution et aux déclarations de production d'énergie électrique*"; and Decree No. 2023-330 dated March 30, 2023 "*fixant les modalités de basculement en mode prépayé des compteurs catégories administration*"; published in the Official Gazette dated April 21, 2023.

7. To promote responsible investment, transparency and an improved fiscal and non-fiscal contribution in the mining sector, the Recipient, through its Council of Ministers, has: (i) submitted to Parliament a new draft mining code; (ii) issued decrees governing gold regime and clarifying the legal status of the local extractive industries transparency initiative (EITI) branch; and (iii) adopted ministerial *arrêtés* to lift bans on gold exports and resume mining cadaster permits; as evidenced by draft Law No. 005/2023 dated April 12, 2023 “*portant refonte du Code Minier*”, transmitted to Parliament on April 14, 2023; Decree No. 2023-334 dated March 31, 2023 “*Portant Régime de l’or*”, published in the Official Gazette dated April 21, 2023; Decree No. 2023-335 dated March 31, 2023 “*fixant le statut juridique de EITI-Madagascar*”, published in the Official Gazette dated April 21, 2023; *arrêté* No. 15078/2023 dated April 20, 2023, *portant levée de la suspension de l’exportation de l’or*; and *arrêté* No. 15079/2023 dated April 20, 2023, “*portant reprise du traitement des demandes de permis miniers en suspens au niveau du Bureau du Cadastre minier de Madagascar*”.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (Expressed in SDR)
(1) Single Withdrawal Tranche	74,300,000
TOTAL AMOUNT	74,300,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Dollars ("Foreign Currency Dedicated Account"); (ii) a dedicated account in Ariary ("Local Currency Dedicated Account"); and
 - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.
2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the Ariary equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the Dedicated Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case, not later than four (4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Dedicated Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2024.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1:	
commencing September 1, 2029 to and including September 1, 2034	8.33334%
on March 1, 2035	8.33326%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to renumbered Section 3.03(b) (originally numbered Section 3.05(b)) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Ariary” means the Recipient’s local currency.
2. “Dedicated Accounts” means both the Foreign Currency Dedicated Account and the Local Currency Dedicated Account.
3. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
4. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022), with the modifications set forth in Section II of this Appendix.
5. “CodeElec” means the Recipient’s *Code de l’Electricité à Madagascar*, pursuant to Law No. 2017-020 of April 10, 2018.
6. “JIRAMA” means *Jiro sy rano Malagasy*, the Recipient’s state-owned electricity and water service provider established and operating pursuant to ordinance No. 75-024 of October 17, 1975.
7. “Local Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
8. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated May 8, 2023 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
9. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
10. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.03 (Service Charge) and Section 3.04 (Interest Charge) are deleted in their entirety and the remaining Sections in Article III are renumbered accordingly, and all references to the Sections of Article III in any provision of the General Conditions are understood to be to such renumbered Sections.
2. Paragraph 64 (Interest Charge) in the Appendix is modified to read as follows:
“64. “Interest Charge” means the interest charge for the purpose of Section 3.07.”
3. Paragraph 95 (Service Charge) in the Appendix is deleted in its entirety and the subsequent paragraphs are renumbered accordingly, and any reference to “Service Charge” or “Service Charges” in any provision of the General Conditions is deleted.
4. In the Table of Contents, the Appendix and all other provisions of the General Conditions, all references to Section numbers and paragraphs of Article III are modified, as necessary, to reflect the modifications set forth above.