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

Re: Republic of Madagascar: Advance Agreement for the Preparation of the Proposed Social Safety Net Project
Project Preparation Advance No. Q971

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 three hundred thousand Dollars ($2,300,000) ("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 improve access to safety net services and lay the foundation for a social protection system ("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 notice of effectiveness from the World Bank to the Recipient, confirming in accordance with the provisions of Section 5.02 of the Annex to this
Agreement that the World Bank has accepted the supporting documents provided by the Recipient to the World Bank to establish that the condition of effectiveness listed in Section 5.01 of the Annex to this Agreement has been satisfied.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Mark R. Lundell
Country Director for Madagascar
Africa Region

AGREED:
REPUBLIC OF MADAGASCAR

By: Authorized Representative

Name: RAHAMAHAMBA
Title: Minister of Finance and budget
Date: 17/04/2015

Enclosures:

(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.
Article I
Standard Conditions; Definitions


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) "Cash Provider" means an entity contracted by the Implementing Entity in accordance with Section 2.03.C(f) of this Annex.

(b) "Cash Transfers" means the conditional cash transfers to be made to Eligible Beneficiaries under the Safety Net Program, as referred to in Section 2.01(b) of this Annex.

(c) "Cash Transfer Agreement" means an agreement entered into between the Implementing Entity and a Cash Provider in accordance with Section 2.03.C(f) of this Annex.

(d) "Cash Transfer Manual" means the manual outlining the terms and conditions of a Cash Transfer, as referred to in Section 2.03.B of this Annex.

(e) "CCT" means the Recipient's conditional cash transfer program that pays cash transfers to eligible households in accordance with the Cash Transfer Manual.

(f) "Eligible Beneficiary" means a representative of a selected household under a Cash Transfer Agreement, as referred to in Section 2.03.C(f) of this Annex.

(g) "Implementing Entity" means the Fonds d'Intervention pour le Développement established pursuant to decree no. 9344 of January 27, 1993 and governed by ordinance 60-133.

(h) "MIS" means the Management Information System, as referred to in Section 2.01(b) of this Annex.

(i) "Operating Costs" means the incremental expenditures incurred on account of the Activities' implementation, including, inter-alia, office supplies, transportation, office administration, insurance, publication of training materials, reasonable bank charges relating to operation of the designated account, and salaries of locally contracted employees, but excluding consultant fees and salaries of civil servants.

(j) "Subsidiary Agreement" means the Agreement between the Recipient and the Implementing entity, as referred to in Section 2.03.A(b) of this Annex.

(k) "Training" means the reasonable costs of training attributable to seminars, workshops, study tours, along with tuition, travel and subsistence allowances for training.
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:

(a) Provision of technical assistance, training and goods to:

(i) facilitate the Project’s targeting process in preparation of the cash transfer program; (ii) design the Project’s impact evaluation and carry out the Project’s baseline survey; (iii) prepare the integrated landscape development plans related to the Project; (iv) enhance the Recipient’s Management Information System (MIS); (v) prepare the Project’s productive safety net approach; (vi) recruit qualified staff, including financial management and procurement specialists with qualifications and experience and terms of reference satisfactory to the World Bank for Project preparation and implementation.

(b) Carrying out of a conditional cash transfer program (“Safety Net Program”) for CCT Beneficiaries.

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

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.02 above:

A. **Institutional Arrangements**

(a) The Recipient shall ensure that the Implementing Entity is maintained, throughout the Refinancing Date, with functions, resources and staff in number and with qualifications satisfactory to the World Bank.

(b) The Recipient shall make the proceeds of the Advance available to the Implementing Entity on a grant basis under a Subsidiary Agreement between the Recipient and the Implementing Entity, under terms and conditions approved by the World Bank (“Subsidiary Agreement”), including terms whereby the Implementing Entity shall be required to: (i) carry out the Activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods and services to be financed out of the Advance in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of
the Activities and the achievement of their objectives; (v) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Activities; and (B) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (vi) enable the Recipient and the World Bank to inspect the Activities, their operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(c) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank and shall perform its obligations and exercise said rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Advance. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Cash Transfer Manual

(d) The Recipient shall cause the Implementing Entity to carry out the Activities under Part (b) of the Advance in accordance with the Cash Transfer Manual. Except as the World Bank shall otherwise agree, the Recipient shall not permit the Implementation Entity to assign, amend, abrogate or waive the Cash Transfer Manual, or any provision thereof. In the event of any conflict between the provisions of the Cash Transfer Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Cash Transfers

(e) The Recipient shall cause the Implementing Entity to provide Cash Transfers to Eligible Beneficiaries in accordance with eligibility criteria and procedures acceptable to the World Bank and further described in the Cash Transfer Manual and shall ensure that the amount of each Cash Transfer is paid to its intended Eligible Beneficiary.

(f) The Recipient shall cause the Implementing Entity to enter into agreements with cash providers selected under terms of reference, qualifications and experience satisfactory to the World Bank and in accordance with the provisions of Section 2.06 of this Annex (each, a “Cash Provider”) for transferring cash to eligible beneficiaries (each, an “Eligible Beneficiary”) under the Advance for implementation of Part (b) of the Activities, the Implementing Entity shall enter into agreements (each, a “Cash Transfer Agreement”) on the basis of the model agreement attached in the Cash Transfer Manual.

(g) The Recipient shall ensure that, under each Cash-Transfer Agreement, the Implementing Entity obtain rights adequate to protect the interests of the Recipient and the World Bank, including the right to require the Cash Provider to:

(i) Carry out its activities under Part (b) of the Advance with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial,
environmental and social standards and practices satisfactory to the World Bank, including, without limitation to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of the proceeds of the Advance other than the Recipient and the Cash Transfer Manual;

(ii) maintain policies and procedures, adequate to enable the Cash Provider to monitor and evaluate, in accordance with indicators acceptable to the World Bank, the progress of the activities carried out under the Advance and the achievement of its objectives;

(iii) (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the activities carried out under the Advance; and (B) have such financial statements audited, at the Implementing Entity's, the Recipient's or the World Bank's request, by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and furnish promptly to the Implementing Entity, the Recipient or the World Bank the financial statements as so audited;

(iv) prepare and submit to the Implementing Entity technical proposals; carry out information and communication campaigns on the activities; and pay the Eligible Beneficiaries, as further described in said manual; and

(v) enable the Implementing Entity, the Recipient or the World Bank to inspect the activities carried out under the Advance, their operation and any relevant records or documents, and prepare and furnish to the Implementing Entity, the Recipient and the World Bank all such information, as the Implementing Entity, the Recipient or the World Bank shall reasonably request, relating to the foregoing.

(h) The Recipient shall cause the Implementing Entity to exercise its rights under the Cash Transfer Agreement in such manner as to protect the interests of the Implementing Entity, the Recipient and the World Bank. Except as the World Bank shall otherwise agree, the Recipient shall not permit the Implementing Entity to assign, amend, abrogate or waive any of the Cash Transfer Agreements, or any provision 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 Section 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:


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

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

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

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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; (C) Community Participation procedures which have been found acceptable to the World Bank; and (D) National Competitive Bidding, subject to the following additional provisions:

(a) all bids would be submitted in one envelope to be opened publicly; (b) point systems would not be used for bid evaluation; (c) the award of contracts would be announced to all bidders; (d) any bidder would be given adequate response time (at least four weeks) for preparation and submission of bids; (e) bid evaluation and bidder qualification criteria would be clearly specified in bidding/pre-qualification documents and will not be applied arbitrarily; (f) eligible firms would not be precluded from participation; (g) no preference margin is granted to domestic contractors and suppliers; (h) contracts would be awarded to the lowest evaluated bidder in accordance with predetermined and transparent methods; (i) bid evaluation reports would clearly state the reasons to reject any non-responsive bid; and (j) prior to issuing the first call for bids, draft standard bidding documents shall have been prepared and submitted to the World Bank, and found acceptable.

(d) Particular Methods of Procurement of Consultants’ Services

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

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

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

Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods, non-consulting services, consultants’ services, Training and Operating Costs under the Activities</td>
<td>2,020,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Cash Transfers for Safety Net Program</td>
<td>280,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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 February 28, 2016.

**Article IV**

**Terms of the Advance**

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

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

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

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

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(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

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

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Subsidiary Agreement referred to in Section 2.03(b) of this Annex has been executed on behalf of the Recipient and the Implementing Entity and is legally binding upon each such party in accordance with its terms.

5.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 of this Annex ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

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

6.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:
6.03. **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  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391