H. E. Lantoniaina Rasoloelison
Minister of Finance and Budget
Ministry of Finance and Budget
Antananarivo
Republic of Madagascar

Excellency:

Re: Republic of Madagascar: Regional Communication Infrastructure Project
(IDA Credit No 4285-MAG)
Additional Instructions: Disbursements – First restatement

I refer to the Financing Agreement between the International Development Association (the "Association") and the Republic of Madagascar represented by the Minister of Finance and Budget (the "Recipient") for the above-referenced project, dated June 5, 2007 ("Financing Agreement"). The Financing Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of the Credit ("Financing") and the operation of the Designated Account under the Financing. This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This Disbursement Letter is the First Restatement of the Disbursement Letter dated June 05, 2007 for the above referenced project introducing Section IV (vi) to (a) introduce the opening of a Sub Account in local currency (Ariary) and instructions related to the management of the Sub Account and (b) Section II (iii) and (iv) related to the use of “Secure Identification Credentials (SIDC)”. In addition, Section II (ii) related to the address where withdrawal application should be sent has been and updated. All other provisions of the Disbursement Letter dated June 05, 2007, except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (Section 2). The following Disbursement Methods may be used under the Financing:
(ii) Disbursement Deadline Date (Subsection 3.7). The disbursement deadline date is four (4) months after the Closing Date. Any changes to this date will be notified to the Addressee by the Association.

(iii) Disbursement Conditions (Subsection 3.8). The disbursement conditions stipulated in Schedule 2, Section IV B will apply to the above IDA Financing. H. E. B. A. Radavidson 2 June 5, 2007

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (Subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank,
Country Office
Antananarivo, Republic of Madagascar
Attention: Ms. Haleh Bridi, Country Director

(ii) Applications (Subsections 3.2 - 3.3). Please provide completed and signed Applications for Withdrawal, together with supporting documents and applications for special commitments, together with a copy of the commercial bank letter of credit to the address indicated below:

The World Bank,
Loan Department,
Kenya Re Towers, 10th Floor,
Upper Hill, off Ragati Road,
Nairobi,
Kenya
Contact Telephone number: +254 20 2983 000

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.
(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Secure Identification Credentials") provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (Subsection 3.5). The Minimum Value of Applications for direct payment, special commitment, and reimbursement should be the equivalent of 20 percent of the advance deposited in the Designated Account;

(vi) Advances (Sections 5 and 6).

- Type of Designated Accounts (Subsection 5.3): Segregated
- Currency of Designated Accounts (Subsection 5.4): US Dollar
- Financial Institution at which the Designated Accounts Will Be Opened (Subsection 5.5): Bank of Africa.
- Ceiling (Subsection 6.1): US$2,500,000 (The initial deposit will be limited to US$ 1,500,000 and the aggregate disbursed amount to be reached before the balance of the authorized allocation would be requested will be US$ 6,000,000).

III. Reporting on Use of Financing Proceeds

(i) Supporting Documentation (Section 4). Supporting documentation should be provided with each Application for Withdrawal as set out below:

- For requests for Reimbursement:
  - Statement of Expenditure in the form attached (Attachment 3);
  - Records evidencing Eligible Expenditures, e.g., copies of receipts, supplier invoices, for payments against contracts valued at US$500,000 or more for works, US$250,000 or more for goods, US$100,000 equivalent or more for consulting firms and US$50,000 equivalent or more for individual consultants; and
  - List of payments against contracts that are subject to the World Bank's prior review, in the form attached (Attachment 4).

- For reporting Eligible Expenditures paid from the Designated Accounts:
  - Statement of Expenditure in the form attached (Attachment 3);
  - Records evidencing Eligible Expenditures, e.g., copies of receipts, supplier invoices, for payments against contracts valued at US$500,000 or more for works, US$250,000 or more for goods, US$100,000 equivalent or more for consulting firms and US$50,000 equivalent or more for individual consultants; and
  - List of payments against contracts that are subject to the World Bank's prior review, in the form attached (Attachment 4).

- For requests for Direct Payment: Records evidencing Eligible Expenditures, e.g., copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Accounts (Subsection 6.3): Monthly
IV. Other Disbursement Instructions

Sub-Account

(i) An advance of US$ 50,000 will be made from the Designated Account that is managed by Bank Of Africa (BOA) to a sub-account BFV/Société Général” that will be opened for the Project. This will ensure that funds are available in a timely manner to the designated Implementing Agency. The advance to the sub-account will be reported to BOA on a monthly basis, before additional transfers are made. The advance to the sub-account will be fully accounted prior to the Closing Date;

(ii) The advance to the DA will be replenished by BOA after the designated Implementing Agency provides full supporting documentation for all utilized funds from the advance. The designated Implementing Agency will take charge of the full payment process to beneficiaries who meet the eligibility criteria as stated in the Project’s Operational Manuel. BOA will execute the replenishment without extensive reviews.

(iii) The Recipient is responsible for bearing all risks associated with foreign exchange fluctuations when making transfers from the Designated Account which is denominated in US Dollars to the sub-account at BFV/Société Général denominated in Ariary. At the end of the Project, any unused balances in the sub-account should be deposited to the Designated Account, including any balance in Ariary which should be converted to US Dollars.

V. Other Important Information


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be affected. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Mr. Faly Diallo, Finance Officer, at loa-afr@worldbank.org, using the above reference.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Halieh Bridi
Country Director for Republic of Madagascar
Africa Region