Agreement providing for the Amendment and Restatement of the Africa Catalytic Growth Fund Grant Agreement

(Financial Services Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an administrator of the Africa Catalytic Growth Fund)

Date 6 February 2013
AGREEMENT PROVIDING FOR THE AMENDMENT AND RESTATEMENT
OF THE AFRICA CATALYTIC GROWTH FUND GRANT AGREEMENT

AGREEMENT, dated February 6, 2013, entered into between
REPUBLIC OF MADAGASCAR ("Recipient") and INTERNATIONAL
DEVELOPMENT ASSOCIATION ("World Bank") acting as an administrator of the
Africa Catalytic Growth Fund. The Recipient and the World Bank hereby agree as
follows:

ARTICLE I — AMENDMENT AND RESTATEMENT

1.01. The Africa Catalytic Growth Fund Grant Agreement for ACGF Grant Number
TF092098 ("Grant Agreement") is hereby amended and restated so as to read as
set forth in the Annex hereto.

ARTICLE II — TRANSITIONAL PROVISIONS

2.01. Except as provided below, the Current Guidelines (as defined in the Annex to
this Agreement) shall apply to all contracts for goods, works and services under
the Project, whether entered into before or after the date of this Agreement.

2.02. Where, in the case of contracts for which the invitation to bid or request for
proposals was issued on or before November 30, 2012, the relevant contracts do
not provide for the application of the Current Guidelines or otherwise allow for
such application, the applicable guidelines shall be those which applied
immediately prior to the date of this Agreement.

ARTICLE III — ENTRY INTO FORCE

3.01. This Agreement shall not become effective until evidence satisfactory to the
World Bank has been furnished to the World Bank that the conditions of
effectiveness listed in (a) to (e) below, have been satisfied:

(a) the Disbursement Deadline set forth in Section 9.1 of Annex 2 to the
Memorandum of Understanding between the Government of the
Kingdom of Spain and the International Development Association (IDA)
for the Multi-Donor Trust Fund for the Africa Catalytic Growth Fund
(Trust Fund Number TF 070478) has been extended from April 30, 2014
to December 31, 2017 in accordance with its terms.

(b) The AGILPASEF Governing Documents have been revised in order to
reflect the institutional arrangement described in Section I.A.1 of
Schedule 2 to the Grant Agreement.
(c) The BCM Subsidiary Agreement has been terminated.

(d) The Subsidiary Agreement has been amended in form and substance acceptable to the World Bank.

(e) An amendment to the Project Agreement in form and substance acceptable to the World Bank has been signed by the Project Implementing Entity.

3.02. Except as the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 3.01 ("Effective Date").

3.03. This Agreement and all obligations of the parties under this Agreement shall terminate if this Agreement has not entered into effect by the date ("Effectiveness Deadline") ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later Effectiveness Deadline, for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later Effectiveness Deadline.
AGREED at Antananarivo, Madagascar, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

[Signature]
Name: Hary M. RAJONARIMAMPIANINA
Title: Le Ministre des Finances et du Budget

INTERNATIONAL DEVELOPMENT ASSOCIATION acting as an administrator of the Africa Catalytic Growth Fund

[Signature]
Name: Hakeh Z. BRIDI
Title: Country Director for Madagascar, Mauritius, Comoros and Seychelles
Africa Catalytic Growth Fund
Grant Agreement

(Financial Services Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an administrator of the Africa Catalytic Growth Fund)

Dated July 15, 2008
AGREEMENT dated July 15, 2008, entered into between the REPUBLIC OF MADAGASCAR ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as an administrator of the Africa Catalytic Growth Fund.

The Recipient and the World Bank hereby agree as follows:

Article I

Standard Conditions; Definitions

1.01. The Standard 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 Standard Conditions or in the Appendix to this Agreement.

1.03. Italicized terms used in this Agreement to denote place names and locations shall be deemed to denote place names and locations in the Recipient’s territory.

Article II

The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause AGEPASEF to carry out the Project, in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III

The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to fifteen million United States Dollars ($15,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV

Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) the Project Implementing Entity has failed to perform any of its obligations under the Project Agreement;

(b) IBRD, IDA or any other donor who has signed a cross debarment agreement with the World Bank has declared the Project Implementing Entity ineligible to be awarded a contract financed by IBRD, IDA or such other donor;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement;

(d) any of the AGIPEA EF Governing Documents, the PPCG Fund Governing Documents, the Fund Manager Governing Documents, or legislation or legal instruments pertaining to any other entity involved in the implementation of the Project, or any text pertaining to their operation, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity, the PPCG Fund, the Fund Manager, or any other entity involved in the implementation of the Project to implement the Project or perform any of its obligations under this Agreement, the Project Agreement, the Subsidiary Agreement, the Fund Management Agreement, or any of the agreements entered into for the implementation of the Project; and

(e) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.
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 conditions specified below have been satisfied:

(a) the AGEPASEF Governing Documents have been updated in a manner satisfactory to the World Bank;

(b) the Recipient has adopted the Operational Manual in form and substance satisfactory to the World Bank;

(c) the execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate actions; and

(d) the Subsidiary Agreement referred to in Section 1.B.1 of Schedule 2 to this Agreement has been duly executed and delivered on behalf of the Recipient and the Project Implementing Entity.

5.02. As part of the evidence to be furnished pursuant to Sections 5.01 (c) and (d), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf, and is legally binding upon it in accordance with its terms;

(b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized by the Project Implementing Entity, and executed and delivered on its behalf, and is legally binding upon it in accordance with its terms; and

(c) on behalf of each of the Recipient and the Project Implementing Entity, that the Subsidiary Agreement has been duly authorized by, and executed and delivered on behalf of the Recipient and the Project Implementing Entity, and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“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 in effect, 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.
5.04. 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. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister at the time responsible for finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Budget
Antananarivo 101
Madagascar
BP 61

Cable address: MEFB
Facsimile: (261) 20 22 345 30
Antananarivo

6.03. The World Bank's Address referred to in Section 7.01 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
Washington, D.C.
AGREED at Antananarivo, Republic of Madagascar, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

By: /s/ Robert R. Blake
    Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an administrator of the Africa Catalytic Growth Fund

By: /s/ Haja Nirina Razafinjatovo
    Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in increasing access to sustainable financial services particularly by micro, small and medium enterprises and households, in the Recipient's territory.

The Project consists of the following parts:

Part 1: Increasing Micro, Small and Medium Enterprise Access to Finance

Promoting the expansion of micro, small and medium enterprises (each an "MSME") financing by commercial banks and microfinance institutions through the establishment, management and operation of an organic guarantee fund (the "PPCG Fund") for the provision of partial portfolio credit guarantees (each a "PPCG") partially covering portfolios of credits to micro, small and medium enterprises originated by Participating Financial Institutions, including: (i) the financing of the Recipient's initial contribution to the PPCG Fund for the purpose of enabling the PPCG Fund to provide PPCGs and to pay attendance fees to the members of the PPCG Fund's Board of Directors; (ii) the provision of technical advisory services and training to Participating Financial Institutions and to the Fund Manager; (iii) the carrying out of audits of the Participating Financial Institutions, the Fund Manager and the Fund; (iv) the provision of legal assistance for the establishment of the PPCG Fund and the provision of PPCGs; and (v) the carrying out of a study on interest rates charged to MSMEs.

Part 2: Improving the Capacity of Microfinance Institutions for Greater Outreach and Sustainability

Strengthening microfinance in the Recipient's territory through: (i) the provision of capacity building support and technical assistance to the Recipient's banking and financing supervisor's authority to, inter alia, improve compliance by microfinance institutions with applicable laws and regulations, including assistance to microfinance institutions to operate in accordance with such applicable laws and regulations; (ii) the strengthening of microfinance institutions through training, modernizing the management information and communications systems of microfinance institutions; and (iii) the provision of support to microfinance institutions to operate in Targeted Regions, including through the provision of Matching Grants.

Part 3: Project Implementation, Monitoring and Evaluation

Support to Project implementation, coordination, procurement and financial management as well as monitoring and evaluation activities, all through the provision of technical advisory services and the financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

The Recipient shall maintain the following institutional, contractual and other arrangements, further described in the Project Manuals, throughout the implementation of the Project.

A. Institutional Arrangement

1. AGEPASEF
   (a) The Recipient shall take all actions necessary on its part to ensure that AGEPASEF (the "Project Implementing Entity") is maintained at all times during the implementation of the Project with organization, methods of operation, functions, staffing and resources satisfactory to the World Bank.
   (b) Without limitation to the generality of the foregoing provision of paragraph (a) immediately above, the Project Implementing Entity shall ensure: (i) overall day-to-day management as well as overall coordination and implementation of activities; (ii) consolidation of the draft work plans and budgets; (iii) maintenance of records and accounts for all transactions; (iv) timely preparation of quarterly and annual financial statements, Project Reports and other reports; (v) cash management and preparation of withdrawal applications; (vi) procurement and (vii) monitoring and evaluation of activities.
   (c) Without limitation to the generality of the foregoing provision of paragraph (a) immediately above, the Project Implementing Entity shall include the following staff: (i) a Project Coordinator; (ii) an accounting and financial management specialist; (iii) a procurement specialist; (iv) a monitoring and evaluation specialist; and (v) two microfinance and banking specialists.
   (d) (i) Without limitation to the generality of the foregoing provision of paragraph (a) immediately above, the Recipient shall take all actions necessary on its part to ensure that the Steering Committee is maintained with composition and terms of reference satisfactory to the World Bank. 
      (ii) Without limitation to the generality of the foregoing provision of paragraph (i) immediately above, the Steering Committee shall include representative from the Recipient’s treasury directorate (including its service responsible for national coordination for microfinance) in MFB, the Recipient’s professional association for banks and professional association for microfinance institutions.
      (iii) Without limitation to the generality of the foregoing provision of paragraph (i) immediately above, the Steering Committee shall ensure the overall guidance for the Project, including planning and supervision
of Project activities, problem solving and general oversight of the Project. The Steering Committee shall meet at least twice a year.

(e) (i) Without limitation to the generality of the foregoing provision of paragraph (a), immediately above, the Recipient shall take all actions necessary on its part to ensure that the General Assembly is maintained with composition and terms of reference satisfactory to the World Bank.

(ii) Without limitation to the generality of the foregoing provision of paragraph (i) immediately above, the General Assembly shall include representatives from BCM, MFB and the Recipient’s Ministry responsible for economy.

(iii) Without limitation to the generality of the foregoing provision of paragraph (i) immediately above, the General Assembly shall provide policy directions and ensure the strategic guidance for the Project.

2. PPCG Fund

(a) (i) Under Part 1( ) of the Project, the Recipient shall, no later than January 1, 2015, or such other date as shall have been agreed with the World Bank, have established the PPCG Fund, with purpose, organization, method of operation, staffing (if any), resources and monitoring and evaluation arrangements satisfactory to the World Bank, and the PPCG Fund shall be ready to start its operations.

(ii) The Recipient shall take all actions necessary on its part to ensure that the PPCG Fund is maintained in accordance with paragraph (i) immediately above, until such date (the “Category 7 Cut Off Date”) when the full amount disbursed under Category (7)(a) to (d) shall have been either: (A) allocated to reserves to support the issuance of PPCGs in a manner satisfactory to the World Bank; or (B) reimbursed to the Recipient and (AA) transferred by the Recipient to the World Bank for reallocation to another Category in a manner acceptable to the World Bank or for cancellation, if before the Closing Date; or (BB) allocated by the Recipient to the financing of activities (“Permitted Activities”): (AA/ ) which are for such developmental purpose as may have been agreed between the Recipient and the World Bank; (BBB) which are acceptable to the World Bank; and (CCC) which are implemented in a manner acceptable to the World Bank, if on or after the Closing Date.

(b) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, from the date of its establishment until the Category 7 Cut Off Date, the PPCG Fund shall be administered by a Board of Directors (or other form of collective administration body) composed of representatives of the Recipient, the Recipient’s bankers association as well as two members appointed for their own personal relevant technical expertise in banking and guarantees. Members of the Board of Directors shall have been designated no later than the
date referred to in paragraph (a)(i) immediately above. The PPCG Fund Governing Document shall provide that members of the Board of Directors shall not receive a salary, but only a fee for their participation to the Board meetings.

(c) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the PPCG Fund shall have entered into the Fund Management Agreement in accordance with Section I.B.2 of Schedule 2 to this Agreement.

(d) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the PPCG Fund shall have been established for the purpose of, *inter alia*, issuing PPCG to Participating Financial Institutions on the basis of eligibility criteria and terms and conditions satisfactory to the World Bank further described in Section I.B.3 of this Agreement, all in accordance with the Recipient's laws and regulations, the provisions of the PPCG Governing Documents, the PPCG Operational Manual, the Fund Management Agreement, the Anti-corruption Guidelines applicable to recipients of proceeds of the Grant other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents.

(e) (i) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Recipient shall cause the PPCG Fund to: (A) to later than January 1, 2015, or such other date as shall have been agreed with the World Bank, adopt the PPCG Operational Manual in form and substance acceptable to the World Bank; and thereafter (B) carry out its activities described in paragraph (d) immediately above in accordance with the PPCG Operational Manual; and (C) except as the World Bank shall otherwise agree, the Recipient shall not permit the PPCG Fund to assign, amend, abrogate, or waive the PPCG Operational Manual or any provision thereof, or to permit the Fund Manager to do so.

(ii) In the event of any conflict between the provision of the PPCG Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

(f) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Recipient shall cause Project Implementing Entity to, no later than January 1, 2015, or such other date as shall have been agreed with the World Bank, open in the name of the PPCG Fund a separate account (the "PPCG Account"), for the exclusive purpose of depositing the funds of Category (7). The PPCG Account shall be opened in a bank acceptable to the World Bank, under terms and conditions satisfactory to the World Bank including, *inter alia*, (A) the waiver of the right of said bank may have to set off any amount deposited in the PPCG Account against any other debt; and (B) adequate legal protection acceptable to the World Bank against the right any third party may have to set off any amount deposited in the PPCG Account with any other debt.
(g) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the Recipient shall take all necessary measures and provide all confirmations, authorizations and exemptions as may be required or needed under the laws of the Recipient and cause all formalities or actions needed to be taken to ensure that no Taxes shall be levied on the capital reserve funded by the proceeds of the Grant allocated from time to time to Category 7 and established by the PPCG Fund to support its issuance of PPCGs.

(h) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the PPCG Fund Governing Documents shall provide for periodic financial and technical audits of the operations of the PPCG Fund. Financial audits of the annual financial statements of the PPCG Funds shall be carried out annually, and technical audits of the operations of the PPCG Fund shall be carried out every six months, each in accordance with consistently applied auditing standards acceptable to the World Bank, by independent auditors acceptable to the World Bank and further described in the PPCG Operational Manual. Each such financial audit of the PPCG Fund shall cover the period of one year, and each such technical audit of the PPCG Fund shall cover the period of six months, each starting from the date following the last day of the period covered by the previous audit, except for the first such audit which shall cover the period between the date of first disbursement under Category (7)(a) until the next December 31 for the first financial audit, and until the next June 30 or December 31 whichever comes first for the first technical audit. The reports of the auditor as well as the audited financial statements shall be furnished to the World Bank not later than three (3) months after the end of the period covered by such audit until the Category 7 Cut Off Date, unless otherwise agreed between the Recipient and the World Bank.

(i) Without limitation to the generality of the foregoing provisions of paragraph (a) immediately above, the PPCG Fund Governing Documents shall provide that until the Category 7 Cut Off Date, the PPCG Fund shall:

(i) at the request of the Recipient, the Project Implementing Entity or the World Bank, exchange views with the Recipient, the Project Implementing Entity and the World Bank with regard to its activities and overall financial and technical performance and those of the Fund Manager including, without limitation, the assessment of the portfolio of eligible credits of each Participating Financial Institution (including compliance with the Environmental and Social Management Framework and the PPCG Safeguard Documents), the issuance of PPCGs and the signing of PPCG Agreements, the payment of claims under PPCGs, the monitoring of: (A) the payment of PPCG fees by the Participating Financial Institutions, (F) the Participating Financial Institutions' efforts to recover outstanding arrears under their guaranteed credit portfolio, and (C) the payment received from Participating Financial Institutions as a result of their recovery efforts, as well as the investment by the PPCG Fund of its liquid assets and the income derived therefrom; and
(ii) promptly inform the Recipient and the World Bank of any condition which interferes or threatens to interfere with the ability of the PPCG Fund to carry out its activities in accordance with the provisions of this Agreement, including the PPCG Governing Documents, the PPCG Operational Manual, the Anticorruption Guidelines applicable to recipients of proceeds of the Grant other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents.

(j) As part of the evidence of the satisfaction of the provisions of paragraph (a) immediately above, as further elaborated in paragraph (b) to (i) above, the Recipient shall furnish to the World Bank:

(i) (A) the PPCG Fund Governing Documents, (B) the Fund Management Agreement, (C) the PPCG Operational Manual, (D) evidence satisfactory to the World Bank that the PPCG Account has been opened in accordance with the provisions of paragraph (f) immediately above, each in form and substance acceptable to the World Bank, and (E) any other document as the World Bank shall reasonably request; and

(ii) an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, demonstrating and confirming that: (A) the PPCG Fund has been duly established in accordance with the laws and regulations of the Recipient and the provisions of this Agreement; (B) its internal bodies have been created in accordance with the laws and regulations of the Recipient and the provisions of this Agreement and are ready to operate; (C) each commitment to the World Bank related to the establishment, operation and financing of the PPCG Fund is valid, binding upon the PPCG Fund and enforceable in accordance with its terms in the Recipient’s territory; (D) all authorizations, approvals, registrations or other actions or formalities required under the laws of the Recipient for the PPCG Fund to issue PPCGs in accordance with this Agreement, including the PPCG Governing Documents, the Fund Management Agreement, the PPCG Operational Manual, the Anticorruption Guidelines applicable to recipients of proceeds of the Grant other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents, have been obtained or complied with; (E) adequate mechanisms under the laws of the Recipient are in place to safely protect the funds deposited in the PPCG Account against any third party’s claim or right of set off or compensation; and (F) all confirmations, authorizations and exemptions required or needed under the laws of the Recipient have been obtained and all formalities or actions needed have been taken to ensure that no Taxes shall be levied on the capital reserve funded by the proceeds of the Grant and established by the PPCG Fund to support its issuance of PPCGs. All supporting documents shall be attached to the corresponding opinion or certificate.
B. Contractual Arrangements

1. Subsidiary Agreement

(a) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant 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 World Bank, which shall include the provisions described in paragraph (b) immediately below.

(b) The Subsidiary Agreement shall include, inter alia, the following terms and conditions:

(i) The obligation of the Recipient to:

(A) make the funds of the Grant available to the Project Implementing Entity on a grant basis; and

(B) 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.

(ii) The obligation of the Project Implementing Entity to:

(A) carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, the Operational Manual, the Anti-Corruption Guidelines, the Procurement Guidelines, the Consultant Guidelines and the Annual Work Plans and Budgets;

(B) promptly refund to the Recipient for further refund to the World Bank any proceeds from the Grant 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;

(C) at the request of the Recipient or the World Bank, exchange views with the Recipient and the World Bank with regard to: (AA) the progress of the Project and the achievement of the objective thereof, (BB) the Project Implementing Entity's performance of its obligations under the Project Agreement, the Subsidiary Agreement, the Operational Manual, the Annual Work Plans and Budgets, the Anti-Corruption Guidelines, the Procurement Guidelines and the Consultant Guidelines, and (CC) the PPCG Fund and the Fund Manager's performance of their respective...
obligations under or referred to in this Agreement, including the PPCG Governing Documents, the Fund Management Agreement, the PPCG Operational Manual, the Anticorruption Guidelines applicable to recipients of proceeds of the Grant other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents; and

(D) 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.

(iii) 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.

(c) 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 World Bank and to accomplish the purposes of the Grant. 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.

2. Fund Management Agreement and accompanying measures

(a) (i) For purposes of carrying out Part 1(i) of the Project, no later than January 1, 2015, or such other date as shall have been agreed with the World Bank, the Recipient shall cause the Project Implementing Entity to itself cause the PPCG Fund to enter into, an agreement (the "Fund Management Agreement") with a fund manager (the "Fund Manager") selected in accordance with the provisions of Section III of Schedule 2 to this Agreement, on the basis of terms of reference, qualifications and experience satisfactory to the World Bank, pursuant to which the Fund Manager shall be responsible for the management of the PPCG Fund, including, inter alia, the following: (A) reviewing the applications of financial institutions to become a Participating Financial Institution and verifying their eligibility; (B) reviewing the documentation of the portfolio of credits to be partially guaranteed and verify their eligibility for a PPCG; (C) approving the granting of PPCGs; (D) signing PPCG Agreements in the name of the PPCG Fund; (E) collecting fees from Participating Financial Institutions; (F) verifying compliance with all covenants included or referred to in the PPCG Agreements, including timely payment of all guarantee fees; (G) monitoring and evaluating Participating Financial Institutions, and verifying that they maintain their eligibility status over time as outlined in the PPCG Operational Manual, ensuring that the periodic technical and financial audits of the Participating Financial Institutions are carried out in accordance with the provisions of this Agreement and reviewing the corresponding audited financial statements and audit reports; (H) processing calls under PPCGs
and making payments to Participating Financial Institutions; (I) monitoring Participating Financial Institutions’ recovery efforts and corresponding payments to the PPCG Fund; (J) investing the PPCG Fund’s liquid assets, but exclusively in compliance with the PPCG Fund financial investment guidelines acceptable to the World Bank and detailed in the PPCG Operational Manuals; and (K) contributing to the preparation by the Project Implementing Entity of the Project Reports and financial reports to the extent that they relate to the activities under Part I of the Project.

(ii) Without limitation to the provisions of paragraph (i) above, the Fund Management Agreement shall contain the following provisions:

(A) the right of the PPCG Fund to terminate the Fund Management Agreement, upon the Fund Manager’s failure to perform any of its obligations under the Fund Management Agreement;

(B) the obligation of the Fund Manager to carry out its obligations under the Fund Management Agreement with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, administrative, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the PPCG Operational Manual, the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents;

(C) the obligation of the Fund Manager to 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 its activities under the Fund Management Agreement and the activities of the PPCG Fund;

(D) the obligation of the Fund Manager to have such financial statements audited annually and its activities under the Fund Management Agreement audited every six (6) months, all in accordance with consistently applied auditing standards acceptable to the World Bank, by independent auditors acceptable to the World Bank on the basis of terms of reference acceptable to the World Bank and further described in the PPCG Operational Manual. Each such financial audit of the Fund Manager shall cover the period of one Fiscal Year and each such technical audit of the operations of the Fund Manager shall cover the period of six months, in each case starting from the date following the last day of the period covered by the previous
Fund Manager audit, except for the first such audit which shall cover the period between the date of first disbursement under Category (7)(a) until the next December 31 for the first financial audit or until the next June 30 or December 31, whichever comes first, or the first operational audit. The report of the auditor concluding each financial audit as well as the audited financial statements shall be furnished to the World Bank not later than six (6) months after the end of the period covered by such audit, and the report of the auditor concluding each technical audit shall be furnished to the World Bank not later than three (3) months after the end of the period covered by such audit, until the dissolution, disestablishment of the PPCG Fund or suspension of its operations, or the Category 7 Cut Off Date, whichever comes first, unless otherwise agreed between the Recipient and the World Bank; and

(E) the obligation of the Fund Manager to: (1) enable the PPCG Fund, the Project Implementing Entity, the Recipient, the World Bank and their representatives to inspect its sites and operations under the Fund Management Agreement, and any relevant records and documents; and (2) prepare and furnish to the PPCG Fund, the Project Implementing Entity, the Recipient, the World Bank and their representatives all such information as the PPCG Fund, the Project Implementing Entity, the Recipient, the World Bank or their representatives shall reasonably request regarding the foregoing.

(iii) The Recipient shall cause the PPCG Fund to exercise its rights and carry out its obligations under the Fund Management Agreement in such manner as to protect the interests of the PPCG Fund, the Project Implementing Entity, the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not permit the PPCG Fund to assign, amend, terminate, abrogate, waive or fail to enforce the Fund Management Agreement or any of its provisions.

(iv) In the event of any inconsistency between the provisions of the Fund Management Agreement and those of this Agreement and the Project Agreement, the provisions of this Agreement and the Project Agreement shall prevail.

(v) As part of the evidence of the satisfaction of the provisions of paragraph (a) immediately above, the Recipient shall furnish to the World Bank:

(A) the copy of the Fund Management Agreement signed by all parties, in form and substance acceptable to the World Bank; and
(B) An opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that the Fund Management Agreement has been duly authorized by, executed and delivered on behalf of, each party and is legally binding upon each party in accordance with its terms.

(b) The Recipient shall cause the Project Implementing Entity to, no later than January 1, 2015, or such other date as shall have been agreed with the World Bank, recruit and thereafter maintain for a minimum of two (2) years, a consultant of international repute, with terms of reference, qualifications and experience satisfactory to the World Bank, to support the Fund Manager in the implementation of its obligations under the Fund Management Agreement.

(c) The Recipient shall cause the PPCG Fund to itself cause the Fund Manager, at all times until the Category 7 Cut Off Date, to maintain staff in adequate numbers with terms of reference, qualifications and experience satisfactory to the World Bank.

3. Partial Portfolio Credit Guarantees

(a) For the implementation of Part 1(i) of the Project, the Recipient shall cause the Project Implementing Entity to itself cause the Fund Manager, acting on behalf of the PPCG Fund, to enter into agreements (each a “PPCG Agreement”) with Participating Financial Institutions for the provision of PPCGs, each on the basis of the model form of PPCG Agreement provided in the PPCG Operational Manual and on terms and conditions satisfactory to the World Bank, which shall include, inter alia, the following:

(i) PPCGs shall be provided exclusively to mitigate a percentage (determined in agreement with the World Bank and specified in the PPCG Operational Manual) of the credit risk of eligible Participating Financial Institutions on their portfolio of eligible credits, in accordance with criteria, terms and conditions set forth in the PPCG Operational Manual.

(ii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, eligibility criteria for Participating Financial Institutions shall include, inter alia, the level of compliance with prudential norms, coverage of the country, activities in the MSME sector, assignment of dedicated staff to their MSME department or measures taken to establish an MSME department and to assign dedicated staff to said MSME department, level of readiness in ensuring compliance with the Environmental and Social Management Framework and the PPCG Safeguard Documents, interest in obtaining a PPCG, as shall be further described in the PPCG Operational Manual.
(iii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, eligibility criteria for credits to be included by the Participating Financial Institution in the portfolio of loans covered by the PPCG shall include, *inter alia*, the size of the borrower and its sector of activity, the credit amount and terms and conditions, and the environmental and social impact of the activities financed from the credit and compliance with the Environmental and Social Management Framework and the PPCG Safeguard Documents, as shall be further described in the PPCG Operational Manual; the Participating Financial Institution shall commit in terms of volume, diversification and quality of its portfolio.

(iv) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, terms and conditions for the issuance of a PPCG reflected in the PPCG Agreement shall include the following, as shall be further described in the PPCG Operational Manual:

(A) PPCGs shall be subject to an annual fee, which shall be determined according to a market based formula acceptable to the World Bank;

(B) The obligation of the relevant Participating Financial Institution to comply with the pertinent provisions of the PPCG Operational Manual, the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, the Environmental and Social Management Framework and the PPCG Safeguard Documents; and

(C) The obligation of the Participating Financial Institution to maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the PPCG Fund, the Fund Manager, the Project Implementing Entity, the Recipient and the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its activities under the guaranteed credit portfolio and to have such financial statements and its activities periodically audited in accordance with consistently applied auditing standards acceptable to the PPCG Fund, the Fund Manager, the Project Implementing Entity, the Recipient and the World Bank, by independent auditors acceptable to the World Bank and further described in the PPCG Operational Manual. Each such audit of the Participating Financial Institution’s financial statements shall cover the period of one Fiscal Year and each such audit of the Participating Financial Institution’s operations shall cover a period of six (6) months, each starting from the date following the last day of the period covered by the previous Participating Financial Institution audit,
except for the first such financial audit which shall cover the period between the date of issuance of the PPCG until the next December 31, and for the first such technical audit which shall cover the period between the date of issuance of the PPCG until the next June 30 or December 31, whichever comes first. The auditor’s report concluding each financial audit as well as the audited financial statements shall be furnished to the PPCG Fund, the Fund Manager, the Project Implementing Entity, the Recipient and the World Bank not later than six (6) months after the end of the period covered by such audit and the auditor’s report concluding each technical audit shall be furnished to the PPCG Fund, the Fund Manager, the Project Implementing Entity, the Recipient and the World Bank not later than three (3) months after the end of the period covered by such audit, in both cases until the termination or disestablishment of the PPCG Fund or the suspension of its operations, or the Category 7 Cut Off Date, whichever comes first, unless otherwise agreed between the Recipient and the World Bank.

(b) (i) Except as the World Bank shall otherwise agree, the Recipient or the Project Implementing Entity shall not permit the PPCG Fund, and the PPCG Fund shall not permit the Fund Manager, to assign, amend, abrogate, terminate, waive or fail to enforce, or permit to be assigned, amended, abrogated, terminated, waived or failed to be enforced, any PPCG Agreement, or any provisions included or referred to therein.

(ii) No withdrawal from the PPCG Account shall be made for any PPCG unless a PPCG Agreement for such PPCG, on terms and conditions acceptable to the Recipient and the World Bank and in accordance with procedures, all further described in the Operational Manual.

4. Matching Grants

(a) (i) For the implementation of Part 2(iii) of the Project, the Recipient shall cause the Project Implementing Entity to extend Matching Grants to eligible microfinance institutions (each a “Beneficiary”) for the partial financing of their operations in Targeted Regions (each a “Subproject”), under eligibility criteria, terms and conditions acceptable to the Recipient and the World Bank and in accordance with procedures, all further described in the Operational Manual.

(ii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, Subproject expenditures eligible for a financing from the proceeds of a Matching Grant shall be limited to Minor Works, equipment, staff training and salaries of staff which are not members of the Recipient’s civil service.
(b) The Recipient shall cause the Project Implementing Entity to make each Matching Grant in a Matching Grant Agreement, in the form attached to the Operational Manual, which shall include, *inter alia*, adequate rights of the Project Implementing Entity to protect the Project Implementing Entity’s and the Recipient’s interests and those of the World Bank, including the following:

(i) the Project Implementing Entity shall have the right to suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) each Beneficiary shall be required to:

(A) use the proceeds of the Matching Grant 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 applicable to recipients of Grant proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for its Subproject;

(C) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of its Subproject and the achievement of its objectives;

(E) (1) 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 its Subproject; and (2) at the Project Implementing Entity’s, the Recipient’s or the World Bank’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, promptly furnish the statements as so audited to the Project Implementing Entity, the Recipient and the World Bank, and allow the World Bank to make the Matching Grant Agreement and all financial statements audited pursuant to subparagraph (E)(2) immediately above available to the public in
accordance with the World Bank’s policies on access to information;

(F) enable the Project Implementing Entity, the Recipient and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and

(G) prepare and furnish to the Project Implementing Entity, the Recipient and the World Bank all such information as the Project Implementing Entity, the Recipient or the World Bank shall reasonably request relating to the foregoing.

(c) The Recipient shall cause the Project Implementing Entity to exercise its rights and carry out its obligations under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not allow the Project Implementing Entity to assign, amend, abrogate or waive any Matching Grant Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall ensure that:

(a) 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 the environment and social aspects; and

(b) in drafting any regulations under the Project, due attention will be given to said policies and laws.

2. The Recipient shall cause the Project Implementing Entity to itself cause the Fund Manager to ensure that the activities financed from the credits included in the Participating Financial Institutions’ portfolio referred to in Section I.B.3(a)(iii) are not part of the list of excluded activities included in the PPCG Operational Manual and are implemented in accordance with the Environmental and Social Management Framework.

3. Without limitation to the generality of the foregoing provisions in paragraph (2) immediately above, the Recipient shall cause the Project Implementing Entity to itself:

(i) cause the Fund Manager to ensure that the PPCG Safeguard Documents to be prepared and thereafter complied with pursuant to the provisions of the Environmental and Social Management Framework and the Bank Policies during the implementation and operation of activities financed by each of the Participating Financial Institutions under its credit.
portfolio referred to in Section I.B.3(a)(iii) in order to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels have been prepared. Each PPCG Safeguard Document shall be in form and substance acceptable to the World Bank and disclosed in accordance with Bank Policies; and (ii) cause the Fund Manager to ensure until the Category 7 Cut Off Date (unless otherwise agreed between the Recipient and the World Bank), that the activities financed from the proceeds of the Participating Financial Institutions’ credits referred to in Section I.B.3(a)(iii) of Schedule 2 to this Agreement are implemented in accordance with the PPCG Safeguard Documents, if any.

4. Except as the World Bank shall otherwise agree in writing and subject to compliance with applicable consultation on and public disclosure requirements of the Bank Policies, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Environmental and Social Management Framework, the PPCG Safeguard Documents, if any, nor shall it permit the Project Implementing Entity, the Fund Manager or any Participating Financial Institution to do so.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to regularly collect, compile and submit to the World Bank, on a semi-annual basis, reports on the status of compliance with the Environmental and Social Management Framework and the PPCG Safeguard Documents, giving details of: (a) measures taken in furtherance of the Environmental and Social Management Framework and the PPCG Safeguard Document, if any; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Environmental and Social Management Framework and the PPCG Safeguard Documents, if any; and (c) remedial measures taken or required to be taken to address such conditions.

6. In the event that any provision of the Environmental and Social Management Framework or the PPCG Safeguard Documents shall conflict with any provision under this Agreement or the Project Agreement, the terms of this Agreement and the Project Agreement shall prevail.

E. Annual Work Plans and Budgets

1. Each year the Recipient shall cause the Project Implementing Entity, with input from the Fund Manager, to prepare and submit to the Steering Committee and then to the World Bank for approval, a draft annual work plan (including Training and Operating Costs), and budget for the Project, for each subsequent year of Project implementation, of such scope and detail as the World Bank shall have reasonably requested.

2. The Recipient shall cause the Project Implementing Entity to furnish to the World Bank, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets for their review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation 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 World Bank (each
an "Annual Work Plan and Budget") are eligible to a financing from the proceeds of the Grant.

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. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the World Bank's prior approval.

F. Project Manuals

1. The Recipient shall cause the Project Implementing Entity to, no later than July 30, 2013, amend the Operational Manual in form and substance satisfactory to the World Bank, for the purpose of, inter alia, reflecting the changes made in the execution of the Project as described or referred to in this Agreement.

2. (a) The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Operational Manual; and (b) except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Operational Manual, or any provision thereof, nor shall the Recipient permit the Project Implementing Entity to do so.

3. In the event of any conflict between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

4. (a) The Recipient shall cause the PPCG Fund, and shall cause the PPCG Fund to itself cause the Fund Manager, to each carry out their respective activities, including their obligations under the PPCG Fund Governing Documents, the Fund Management Agreement and each of the PPCG Agreements, in accordance with the PPCG Operational Manual; and (b) except as the World Bank shall otherwise agree, the Recipient shall not permit the PPCG Fund, or permit the PPCG Fund to itself permit the Fund Manager, to assign, amend, abrogate or waive the PPCG Operational Manual, or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than 45 days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

3. Seventy two (72) months after the Effective Date, or such other date as the World Bank shall have agreed with the Recipient, the Recipient shall, in conjunction with the World Bank, the Project Implementing Entity and the Fund Manager, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. The Recipient shall prepare, and cause the Project Implementing Entity to prepare for the Project, and furnish to the World Bank not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the World Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

4. Six (6) months before the Closing Date, or such other date as the World Bank shall have agreed with the Recipient, the Recipient shall, in conjunction with the World Bank, the Project Implementing Entity and the Fund Manager, carry out a pre-closing review of the Project (the “Pre-Closing Review”), covering the progress achieved in the performance of the PPCG Fund and the Fund Manager. The Recipient shall cause the Project Implementing Entity to prepare and furnish to the World Bank not less than three (3) months prior to the beginning of the Pre-Closing Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved by the PPCG Fund and the Fund Manager during the period preceding the date of such report, and including a description of the measures designed to ensure the continued implementation of the PPCG Fund’s activities in accordance with the PPCG Fund Governing Documents after the Closing Date. Following the Pre-Closing Review, (A) the World Bank shall determine, in its own discretion, no later than one (1) month before the Closing Date, whether the funds disbursed under Category 7 which have not been used on or before the Closing Date by the PPCG Fund to support the issuance of PPCGs shall be refunded to the World Bank for cancellation or shall remain available to the PPCG Fund but exclusively for the purpose of supporting the issuance of PPCGs, or funding Permitted Activities, and (B) the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the World Bank to remedy any shortcoming noted in the carrying out of the PPCG Fund’s activities.

B. Financial Management Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained throughout the implementation of the Project in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

4. In order to ensure the timely carrying out of the audits referred to in Section II. B.3 of this Schedule, the Recipient shall engage auditors for the purpose not later than six (6) months after the Effective Date, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All Minor Works, goods, non-consultant services and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the Procurement Guidelines in the case of Minor Works, goods and non-consultant services and Sections I and IV of the Consultant Guidelines in the case of consultant services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance the Procurement Plan.

2. Definitions. The capitalized terms used below in 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Minor Works, Goods and Non-Consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, Minor Works, goods and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Minor Works, Goods and Non-Consultant Services. The following methods, other than International Competitive Bidding, may be used for procurement of Minor Works, goods and non-consultant services for those contracts specified in the Procurement Plan which the Bank agrees meet the requirements
set forth in the Procurement Guidelines for their use: (a) National Competitive Bidding; (b) Shopping; (c) Procurement from the United Nations Office for Project Services.

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 assignments which are specified in the Procurement Plan which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (a) Quality-Based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection; (e) Selection of Individual Consultants; and (f) Sole Source Procedures for the Selection of Individual Consultants.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant 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 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 Grant ("Category"), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services and Training under Part 2 (i) of the Project (for memory)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(2) Goods, consultants' services and Training under the Project other than under Parts 1(i) (for memory)</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>(3) Goods and Services for Matching Grants under Part 2(iii) of the Project</td>
<td>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Cost</td>
<td>1,650,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Risk Sharing Facility (for memory)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>180,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Initial Contribution to the PPCG Fund under Part (i) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) first disbursement</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) second disbursement</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) third disbursement</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(d) fourth disbursement</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(8) Minor Works, goods, consultant services and Training under the Project other than under Parts 1(i) and 2(iii)</td>
<td>7,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
B. **Withdrawal Conditions; Withdrawal Period**

Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

(a) payments made prior to the date of this Agreement; or

(b) under Category 7)(a) unless the PPCG Fund shall have been established and shall be ready to start its operations in accordance with Section 1.A.2 of Schedule 2 to this Agreement.

(c) under Category 7)(b) unless: (A) the funds allocated to Category (7)(a) shall have been disbursed in full; and (B) the Recipient shall have provided evidence, in form and substance satisfactory to the World Bank, that said funds have been allocated to the provision of one or more PPCGs of the risk a Participating Financial Institution on its portfolio of eligible credits for an aggregate amount approximately equivalent to US$3,000,000;

(d) under Category 7)(c) unless: (A) the funds allocated to Category (7)(b) shall have been disbursed in full, (B) the Recipient shall have provided evidence, in form and substance satisfactory to the World Bank, that: (AA) the funds allocated to Category (7)(a) have been allocated to the provision of one or more PPCGs of the risk a Participating Financial Institution on its portfolio of eligible credits for an aggregate amount approximately equivalent to US$4,000,000, and (BB) the funds allocated to Category (7)(b) have been allocated to the provision of one or more PPCGs of the risk a Participating Financial Institution on its portfolio of eligible credits for an aggregate amount approximately equivalent to US$3,000,000; and

(e) under Category 7)(d) unless: (A) the funds allocated to Category (7)(c) shall have been disbursed in full, (B) the Recipient shall have provided evidence, in form and substance satisfactory to the World Bank, that: (AA) the funds allocated to Category (7)(b) have been allocated to the provision of one or more PPCGs of the risk a Participating Financial Institution on its portfolio of eligible credits for an aggregate amount approximately equivalent to US$4,000,000, and (BB) the funds allocated to Category (7)(c) have been allocated to the provision of one or more PPCGs of the risk a Participating Financial Institution on its portfolio of eligible credits for an aggregate amount approximately equivalent to US$3,000,000.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 3rd, 2016.
APPENDIX I
Definitions

1. "ACGF" means the Africa Catalytic Growth Fund.

2. "AGEPASEF" means Association pour la Gestion du Programme d'Appui aux Services Financiers (AGEPASEF), a public interest non-profit association established under the laws of the Recipient initially under the name AGEPMF by the Recipient’s Decree no. 99-245 dated April 7, 1999 and operating in accordance with the AGEPASEF Governing Documents.

3. "AGEPASEF Governing Documents" means, collectively, the Recipient’s Decree no. 99-245 dated April 7, 1999 pursuant to which AGEPASEF was established as a public interest non-profit association and AGEPASEF’s governing document (status) revised by its members and registered by the Recipient on February 22, 2011 and to be further revised in accordance with Section 3.01(b) to the Agreement providing for the Amendment and Restatement of the Africa Catalytic Growth Fund Grant Agreement to which this Agreement is attached as an Annex.

4. "Annual Work Plans and Budgets" means the annual work plans and budgets for the implementation of the Project approved by the World Bank, referred to in Section I.E.2 of Schedule 2 to this Agreement.


7. "BCM” means the Central Bank of Madagascar established and operating pursuant to Law No. 94-004 of the Recipient, dated June 10, 1994, as amended to the date of this Agreement.

8. "BCM Subsidiary Agreement" means the subsidiary agreement entered into on October 21, 2008 between the Recipient and BCM for the implementation of Part 2(i) of the Project, to be terminated in accordance with Section 3.01(c) to the Agreement providing for the Amendment and Restatement of the Africa Catalytic Growth Fund Grant Agreement to which this Agreement is attached as an Annex.

9. "Beneficiary" means a microfinance institution which meets the eligibility requirements of Section I.B.4(a) of Schedule 2 to this Agreement and to which the Project Implementing Entity has made a Matching Grant for a Subproject.

10. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
11. “Category 7 Cut Off Date” means the date referred to in Section I.A.2(a)(ii) of Schedule 2 to this Agreement.


14. “Environmental and Social Management Framework” means the Recipient’s document entitled “Cadre de Gestion Environnementale et Sociale du Projet d’Appui aux Services Financiers” and dated December 2012, detailing: (a) measures to be taken during the implementation and operation of the activities financed from the credit portfolio referred to in Section I.B.3(a)(iii) of Schedule 2 to this Agreement, to eliminate or offset adverse environmental and social impacts, or reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.

15. “Financial Management Procedures Manual” means the Recipient’s manual satisfactory to the World Bank, outlining the administrative, financial management and accounting and auditing arrangements for the implementation of the Project, to be adopted by the Recipient pursuant to Section 5.01 (b) of this Agreement, as the same may be amended in agreement with the World Bank from time to time, and such terms include any schedules to the Financial Management Procedures Manual.

16. “Fiscal Year” means the fiscal year commencing January 1 and ending December 31 of each year.

17. “Fund Management Agreement” means the agreement to be entered into between the PPCG Fund and the Fund Manager pursuant to Section I.B.2(a) of Schedule 2 to this Agreement.

18. “Fund Manager” means the fund manager referred to in Section I.B.2(a)(i) of Schedule 2 to this Agreement, with whom the PPCG Fund shall have entered into a Fund Management Agreement in accordance with the provisions of Section I.B.2(a) of Schedule 2 to this Agreement.

19. “Fund Manager Governing Documents” means, collectively, the legal instrument pursuant to which the Fund Manager has been established, the legal instrument which governs its operations (if different from the instrument pursuant to which the Fund Manager was established) and all authorizations pursuant to which the Fund Manager is authorized to carry out its activities as Fund Manager. If SOLIDIS is the Fund Manager, the Fund Manager Governing Documents are the SOLIDIS Governing Documents.

20. “General Assembly” means the general assembly of AGEPASEF’s members established and operating in accordance with the AGEPASEF Governing Documents, and referred to in Section I.A.1(e) of Schedule 2 to this Agreement.
21. "Matching Grant" means a grant made or to be made by the Project Implementing Entity to a Beneficiary out of the proceeds of the Grant for a Subproject.

22. "Matching Grant Agreement" means the agreement between the Project Implementing Entity and a Beneficiary providing for a Matching Grant.


24. "Minor Works" means minor works, such as repairs or rehabilitation of existing facilities within existing footprints, which do not trigger Bank Policies.

25. "MSME" means micro-, small and medium enterprises.

26. "Operating Costs" means the reasonable operating costs incurred by AGEPASEF on account of the implementation of the Project, including office supplies, operation and maintenance of vehicles and equipment, staff salaries, but excluding civil servant salaries, and travel and other costs incurred for supervising the Project.

27. "Operational Manual" means, collectively, the Project Implementation Plan, the Financial Management Procedures Manual and the Procurement Plan, as updated in accordance with Section 5.01(b) of this Agreement, and to be further updated in accordance with Section 1.F.1 of Schedule 2 to this Agreement.

28. "Participating Financial Institution" means, individually, a commercial bank, established and operating pursuant to the laws of the Recipient, which has met the eligibility criteria specified in the PPCG Operational Manual and as a result has entered into a PPCG Agreement with the PPCG Fund; and "Participating Financial Institutions" means, collectively, more than one Participating Financial Institution.

29. "Permitted Activities" mean activities satisfying the three criteria listed in Section I.A.2(a)(ii)(B)(BB) of Schedule 2 to this Agreement.

30. "PPCG" means a partial portfolio credit guarantee issued by the PPCG Fund in accordance with the provision of Section I.B.3 of this Agreement.

31. "PPCG Agreement" means an agreement entered into between the PPCG Fund and a Participating Financial Institution for the provision of a PPCG in accordance with Section I.B.3(a) of Schedule 2 to this Agreement.

32. "PPCG Fund" means the organic fund to be established in accordance with Section I.A.2 of Schedule 2 to this Agreement.

33. "PPCG Fund Governing Documents" means, collectively, the legal instrument pursuant to which the PPCG Fund has been established, the legal instrument which governs its operations (if different from the instrument pursuant to which the PPCG Fund was established, including any supplemental letters which may be entered into by the PPCG Fund in order to fully reflect its obligations under this Agreement) and the authorizations pursuant to which the PPCG Fund is authorized to carry out its activities.
54. "PPCG Operational Manual" means the manual to be adopted for the operation of the PPCG Fund including its management by the Fund Manager, in accordance with Section I.A.2(e) of Schedule 2 to this Agreement.

55. "PPCG Safeguard Documents" means the set of assessments, guidelines, plans and timetables referred to in Section I.D.3 of Schedule 2 to this Agreement.

56. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 7, 2008, 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.

57. "Project Agreement" means the Project Agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time.

58. "Project Implementing Entity" means AGEPASEF.

59. "Project Implementation Plan" means the Recipient's plan satisfactory to the World Bank, outlining, inter alia, the coordination, disbursement, monitoring and evaluation arrangements for the implementation of the Project, including performance indicators, and criteria and procedures for Matching Grants and other provisions related to the institutional organization for the Project, to be adopted by the Recipient pursuant to Section 5.01(b) of this Agreement, as the same may be amended in agreement with the World Bank from time to time, and such terms include any schedules to the Project Implementation Plan.


61. "SOLIDIS" means SOLIDIS S.A., a company established in accordance with the laws of the Recipient with the purpose of, inter alia, facilitating access to credit including through the issuance of guarantees, duly authorized to carry out its activities in the Recipient's territory and governed by the SOLIDIS Governing Documents.


64. "Steering Committee" means the steering committee established under the AGEPASEF Governing Documents, and referred to in Section I.A.1(d) of Schedule 2 to this Agreement.
"Subproject" means a set of activities to be carried out by a Beneficiary, partly financed or to be financed from the proceeds of a Matching Grant, in accordance with Section I.B.4 of Schedule 2 to this Agreement.

"Subsidiary Agreement" means the subsidiary agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to Project Implementing Entity.

"Targeted Regions" means A nosy, Melaky and Menabe, and such other Region which may be proposed by the Recipient for the implementation of Project activities and which the World Bank has confirmed in writing is acceptable to the World Bank for the purpose.

"Training" means the costs associated with the training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation.