December 22, 2015

His Excellency Mr. Gervais Rakotoarimanana
Minister of Finance and Budget
Ministry of Finance and Budget
Antananarivo
Republic of Madagascar

REPUBLIC OF MADAGASCAR: Additional Financing for the Third Environment Program Support Project - IDA Credit 4965-Mg-Amendment No. 5 to the Financing Agreement and the Project Agreement signed with the Foundation for Protected Areas and Biodiversity, dated October 12, 2011

Excellency,

We refer to the Financing Agreement (the “Agreement”) dated October 12, 2011, as amended and restated on December 30, 2014 (the “Additional Financing Agreement”), for the above-mentioned Project, between the Republic of Madagascar (the “Recipient”) and the International Development Association (the “Association”) and the Project Agreement signed between the Foundation for Protected Areas and Biodiversity and the Association dated October 12, 2011 (the “Foundation Project Agreement”). We also refer to your letter no. 1348-2015/MFB/SG/DGT/DDP/SADE, dated October 30, 2015, requesting a reallocation of proceeds between Disbursement Categories, and your letter no. 1581-2015-MFB/SG/DGT/DDP/SSP.Unité 2 dated December 18, 2015, requesting a revision of the Project Description to allow for allocation of IDA funds to capitalize the sinking fund to be managed by the Foundation and ensure financing of restoration of livelihood activities for the Eligible Protected Areas. Capitalized terms used in this amendment letter and not otherwise defined herein have the meaning ascribed to them in the Agreement.

We are pleased to inform you that the Association accedes to your request and proposes to amend the Agreement and the Foundation Project Agreement as follows (the “Amendment No. 5”):

A. Amendments to the Financing Agreement.

1. The following new Section 4.02 the Agreement is inserted directly after Section 4.01 of the Financing Agreement and the existing Section 4.02 is renumbered accordingly:

“4.02. The Additional Event of Acceleration consists of the following:

(a) The event specified in paragraph (c) of Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.”
(b) By January 1, 2018, the Recipient has failed to implement 80% of the livelihood restoration measures recommended in the Social Audit and continues to fail to do so for a period of 60 days after notice of the event has been given by the Association to the Recipient.

(c) The Foundation has used the funds in the Sinking Fund for expenditures other than the Sinking Fund Expenditures at any time prior to the full implementation of the livelihood restoration measures recommended in the Social Audit.”

2. The following new paragraph (e) is inserted immediately after paragraph (d) appearing in Part B.1 of Schedule 2 to the Agreement:

“(e) implementation of remediation measures set forth in the Social Audit”

3. The table set forth under Section IV A.2 to the Agreement is amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>2,490,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>2,830,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants' services and training</td>
<td>15,150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating costs</td>
<td>1,430,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Grants</td>
<td>2,000,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) Sinking Fund Expenditures under Part B.1(e) of the Project</td>
<td>2,100,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>26,000,000</td>
<td></td>
</tr>
</tbody>
</table>

4. The following new Section VI is inserted immediately after the existing Section V in Schedule 2 to the Financing Agreement:

"Section VI. Other Undertakings"

1. The Recipient shall provide the Association Sinking Fund Audits on a quarterly basis until such time as all funds in the Sinking Fund have been disbursed.

2. The Recipient shall ensure that all funds in the Sinking Fund are used for Sinking Fund Expenditures and that such fund maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject."
5. Add the following new definition in the Appendix to the Financing Agreement:

"'Sinking Fund' means the sinking fund set up in a Special Account managed by the Foundation.

'Sinking Fund Audits' means the quarterly audits to be provided to the Association by a third party auditor hired pursuant to terms of reference satisfactory to the Association and in accordance with the terms of Section III of Schedule 2 to this Agreement.'

'Sinking Fund Expenditures' means (i) eligible goods, works and services for the implementation of the livelihood restoration measures recommended in the Social Audit, inter alia, through Subprojects; (ii) reasonable management fees of the Foundation and implementing agencies; and (iii) financing of the Sinking Fund Audits.'

'Social Audit' means the Environmental and Social Audit dated December 2015, confirmed by the Association in writing to be acceptable to the Association, which assesses the social mitigation compensation measures put in place pursuant to the terms of the PFAPs and provides specific recommendations as to the additional measures necessary to support local communities and ensure livelihood restoration of Displaced Persons.

'Special Account' means a special account set up in a commercial bank acceptable to the Association for the exclusive management of Sinking Fund resources."

6. All other provisions of the Agreement except as amended herein, shall remain in full force and effect.

B. Amendments to the Foundation Project Agreement

7. Section 2.01 and 2.02 of the Foundation Project Agreement is deleted in its entirety and replaced by the following new text:

"2.01. The Project Implementing Entity declares its commitment to the objective of the Project and the Program. To this end, the Project Implementing Entity shall carry out Parts B.1(e) and C.1 of the Project in accordance with the provisions of Article IV of the General Conditions or Article II of the Standard Conditions, as the case may be, and shall provide promptly as needed, the funds, facilities, services and other resources required for Parts B.1(e) and C.1 of the Project."

Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Parts B.1(e) and C.1 of the Project in accordance with the provisions of the Schedule to this Agreement."

8. The following new paragraphs are inserted at the end of Section IV of Schedule I to the Foundation Project Agreement:

"4. The Project Implementing Entity shall provide the Recipient (for communication to the Association) Sinking Fund Audits on a quarterly basis until such time as all funds in the Sinking Fund have been disbursed."
5. The Recipient shall ensure that all funds in the Sinking Fund are used for Sinking Fund Expenditures and that such fund maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject.

6. The Project Implementing Entity shall implement the recommendations set forth in the Social Audit, inter alia, through Subprojects in accordance with Section I.C. of Schedule 2 to the Financing Agreement.”

Please confirm your agreement to the amendment by countersigning, dating and returning to us the enclosed copy of this letter, while keeping one original for your records.

This amendment shall become effective on the date of satisfaction of the following conditions:

(i) its countersignature by the Recipient’s and the Foundation’s authorized representative; and

(ii) the receipt by the Association of an amended Subsidiary Agreement between the Borrower and the Foundation, reflecting the revised allocations, in form and substance satisfactory to the Association;

(iii) the receipt by the Association of an Environmental and Social Audit dated December 2015 which assesses the social mitigation compensation measures put in place pursuant to the terms of the PFAPs and provides specific recommendations as to the additional measures necessary to support local communities and ensure livelihood restoration of Displaced Persons, and the confirmation in writing by the Association of the acceptability of such audit.

Very truly yours,

[Signature]

Rafael Saute
Acting Country Director
Mozambique, Madagascar, Mauritius, Comoros and Seychelles
Africa Region
CONFIRMED AND AGREED:

REPUBLIC OF MADAGASCAR

By: The Excellency Mr. Gervais Rakotoarimanana
Minister of Finance and Budget

Date: 29 DEC 2015

FOUNDATION FOR PROTECTED AREAS AND BIODIVERSITY

By: Mr RAMAIHOLIMIHASO Barjaona Andrianiaina
Chair Of The Board

Date: December 30th, 2015