Project Agreement

(Additional Financing for the Microfinance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGENCE D’EXECUTION DU PROJET MICROFINANCE

Dated May 22, 2007
CREDIT NUMBER 3217-1-MAG

PROJECT AGREEMENT

Agreement dated May 22, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and AGENCE D’EXECUTION DU PROJET MICROFINANCE (AGEPMF) (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF MADAGASCAR (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts A.2 through D of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Minister of Finance and Budget.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

B.P. 628
Antananarivo - 101
Madagascar
AGREED at Antananarivo, Republic of Madagascar, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Robert R. Blake
    Authorized Representative

AGENCE D’EXECUTION DU PROJET MICROFINANCE

By: /s/ Benjamin Andriamparany Radavidson
    Authorized Representative
SCHEDULE

Execution of the Project Implementing Entity’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall:

   (a) carry on all operations and conduct all affairs pertaining to its respective part of the Project in accordance with sound administrative, financial and banking practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers;

   (b) at all times operate and maintain its buildings, office space, plant, equipment and other property relating to its respective part of the Project, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices; and

   (c) with its respective part of the Project, take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

2. The Project Implementing Entity shall:

   (a) carry out its respective part of the Project in accordance with the provisions of this Schedule and the procedures set out in the Project Implementation Manual;

   (b) obtain the consent of the Association before making any material changes in the Project Implementation Manual; and

   (c) not make any such changes in the Project Implementation Manual that are, in the opinion of the Association, likely to affect materially or adversely the carrying out of the Project or the achievement of the objectives of the Project.

3. The Project Implementing Entity shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out its respective part of the Project and the achievement of the objectives thereof;
(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by April 30 each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out its respective part of the Project and setting out the measures recommended to ensure: (i) the efficient carrying out of the Project; and (ii) the achievement of the objectives of the Project; and

(c) review with the Association, by June 30 of each year or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

4. The Project Implementing Entity shall:

(a) furnish to the Association no later than November 30 of each year an annual work program and budget, satisfactory to the Association, for the next following fiscal year of the Project;

(b) cause each of the SLA networks to furnish to AGEPMF: (i) no later than 30 days after the end of each quarter of the year, tables showing progress made by the SLA networks in meeting the performance indicators of the Project; (ii) no later than 60 days after the end of each such quarter, quarterly reports detailing the comments of the SLA networks on the performance indicators; said indicators to reflect increasing contributions of the SLA networks to their cost of operations; and (iii) no later than March 31 each year, annual reports summarizing the situation of the SLA networks as compared with such situation as at the beginning of the immediately preceding 12 month-period;

(c) cause each of the SLA networks to furnish to AGEPMF an action plan, satisfactory to the Association, no later than four months immediately after the end of any year of the Project in which a technical audit is carried out or at such other time as shall have been agreed upon between AGEMPF and the Association. Said action plan shall set out the measures the SLA network concerned shall take to resolve any problems indicated in the report of such audit; and

(d) cause the annual financial audits of each SLA network and microfinance institutions participating in the Project to be carried out under terms of reference satisfactory to the Association.
B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient no later than forty-five days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) by the Closing Date, the Recipient has adopted and implemented its new law for microfinance institutions;

(ii) by the Closing Date, five SLA networks with about 200 SLAs are in operation, reaching about 300,000 members, of which 50% are women;

(iii) by the Closing Date, the total savings in the SLA networks reach 25 million Dollars and total loans outstanding reach 23 million Dollars;

(iv) by the Closing Date, the five SLA networks under the project are operationally self-sufficient and profitable;

(v) by the Closing Date, specially designed and adapted technical training modules have been developed and delivered to all microfinance practitioners in the Recipient’s territory; and

(vi) by the Closing Date, evaluation of training program confirms increase in knowledge and skills for proper management of microfinance institutions.
B. **Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. **Procurement**

All goods, works and services required for the Project Implementing Entity’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.