March 27, 2014

Hon. Lantoniaina Rasoloelison
Minister of Finance and Budget
Ministry of Finance and Budget
B.P. 61
Antananarivo 101
Republic of Madagascar

Re: Madagascar: PHRD Grant No. TF016875
Irrigation and Watershed Management Project

Honorable Minister:

In response to the request for financial assistance made on behalf of the Republic of Madagascar ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Japan Policy and Human Resources Development (PHRD) Fund, proposes to extend to the Recipient a grant from the Technical Assistance Program of the PHRD Fund in an amount not to exceed twelve million six hundred and sixty thousand United States Dollars ($12,660,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the notice of effectiveness from the World Bank to the Recipient, confirming in accordance with the provisions of Section 4.03 of the Annex to this
Agreement that the World Bank has accepted the supporting documents provided by the Recipient to the World Bank to establish that the conditions of effectiveness listed in Section 4.01 of the Annex to this Agreement have been satisfied.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Mark R. Lundell
Country Director for Madagascar
Africa Region

AGREED:
REPUBLIC OF MADAGASCAR

La Ministre des Finances et du Budget

Le Ministre des Finances et du Budget

Authorized Representative

Name: Antonioina Rasoloelison
Title: Minister of Finance and Budget
Date: March 24, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011
(4) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011
Article I
Standard Conditions; Definitions

1.01. Standard Conditions. The Standard Conditions constitute an integral part of this Agreement.

1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

1. "Agriculture Service Center" means a center for agricultural services established in accordance with the Recipient’s Decree no. 2006-834 dated November 6, 2006.

2. "Annual Work Plans and Budgets" means the annual work plans and budgets for the implementation of the Project approved by the World Bank in accordance with Section 2.03 (7) of the Annex to this Agreement.


4. "Category" means a category set forth in the table in Section 3.01 of the Annex to this Agreement.

5. "CelCo" means the coordination unit within MoA established by the Recipient’s Decree no. 2006-644 dated September 5, 2006.

6. "Commune" means a decentralized subdivision of the Recipient, referred to as "commune" in, and established pursuant to, the Recipient’s law no. 094-001 dated April 26, 1995, as amended until the date of this Agreement.


9. "Displaced Person" means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; “Displaced Persons” means all such persons.
10. "DRDR" means Direction Régionale de Développement Rural, one of the Recipient's regional directorates for rural development under MoA.

11. "Eligible Beneficiary" means a public or private sector entity, established and operating under the laws of the Recipient, which has met the eligibility criteria specified in the Project Manuals (as hereinafter defined) and, as a result, has been granted financing, or is to be granted a financing, from the resources of the Grant for carrying out the activities under Part A.1 of the Project.

12. “Environmental and Social Management Framework” means the Recipient's document entitled “Cadre de Gestion Environnementale et Sociale (CGES) du Projet BVPI sous Financement PHRD - Secteur 1, 2 et 3 Marovoay et Ifanja Nord Itasy” dated May 2012 prepared for the Project, and detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.

13. “Environmental and Social Management Plan” means the Recipient’s document prepared and disclosed in accordance with the Environmental and Social Management Framework with respect to an activity included under an Annual Work Plan and Budget, that details: (i) the measures to be taken during the implementation and operation of such activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (ii) the actions needed to implement these measures.

14. “Fiscal Year” means the Recipient’s fiscal year from January 1 to December 31 of each year.

15. “FOFIFA” means Centre National de Recherche Appliquée au Développement Rural – FOFIFA, the National Center for Applied Research in Rural Development.


17. “Head of Region” means Chef de Région, as defined under the laws of the Recipient.

18. “Implementing Institutions” means CelCo, the three (3) DRDR having jurisdiction in a Project Area and GTDR, as defined here above.

19. “Irrigation Rehabilitation Work” means a set of specific activities carried out or to be carried out for a WUA (as hereinafter defined) under Part B.2 (b) and (c) of the Project, and for which the reasonable cost of goods, works or services required therefor is financed or proposed to be financed out of the proceeds of the Grant.

20. “MoA” means the Recipient’s Ministry responsible for agriculture.


23. “Operating Costs” means the incremental expenses incurred by CelCo, the DRDR or FOIIFA, based on the Annual Work Plans and Budgets as approved by the World Bank, on account of Project implementation, management, and monitoring and evaluation, including the reasonable costs for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

24. “Performance Contract” or “PC” means the agreement between a WUA and the relevant DRDR, Region and Commune in accordance with Section 2.03(6)(d)(ii) of this Annex.

25. “Pest and Pesticide Management Plan” means the Recipient’s plan entitled “Révision du Plan de Gestion des Pestes et Pesticides (PGPP)” and dated May 2012, containing guidance on the manufacturing, packaging, labeling, handling, storage, disposition of pesticides financed under the Project and the cancellation or mitigation to an acceptable level of adverse impact these pesticides may have on the environment or on the population.


27. “Procurement Plan” means the Recipient’s procurement plan for the Project dated December 10, 2013, 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.

28. “Program National Steering Committee” or “PNSC” means the committee established by the Recipient’s Decree no. 2006-644 dated September 5, 2006.

29. “Project Administrative, Financial and Accounting Manual” means the Recipient’s manual adopted for the Project in accordance with Section 4.01(b) of this Annex, outlining the administrative, financial and accounting arrangements for the implementation of the Project, as the same may be amended from time to time in accordance with the provisions of Section 2.03(2)(b)(ii) of this Annex, and such term includes any schedules to the Project Administrative, Financial and Accounting Manual.

30. “Project Areas” means: (a) Marovoay (Boeny Region) and associated watershed; (b) North Ifanja and associated watershed (Itasy Region); and (c) Imamba-Ivakaka and associated watershed, and Anony, both near Lac Alaotra (Alaotra Mangoro Region).

31. “Project Implementation Manual” means the Recipient’s manual adopted for the Project in accordance with Section 4.01(b) of this Annex, outlining institutional and operational arrangements for the implementation of the Project, including eligibility criteria for Sub-Projects, as the same may be amended from time to time in accordance with the provisions of Section 2.03(2)(b)(ii) of this Annex, and such term includes any schedules to the Project Implementation Manual.

33. “Project Monitoring and Evaluation Manual” means the Recipient’s manual adopted for the Project in accordance with Section 4.01(b) of this Annex, outlining the monitoring and evaluation arrangements for the Project, as the same may be amended from time to time in accordance with the provisions of Section 2.03(2)(b)(ii) of this Annex, and such term includes any schedules to the Project Monitoring and Evaluation Manual.

34. “Region” means a decentralized subdivision of the Recipient, referred to as “région” in, and established pursuant to, the Recipient’s law no. 094-001 dated April 26, 1995, as amended until the date of this Agreement, and “Regional” means related to a Region.

35. “Regional Monitoring Committee” or “RMC” means a committee established in one of the Project Areas by the Recipient’s Decree no. 2006-644 dated September 5, 2006.

36. “Resettlement Action Plan” means the Recipient’s document prepared and disclosed in accordance with the Resettlement Policy Framework with respect to an activity included under an Annual Work Plan and Budget, which, inter alia: (a) contains a census survey of Displaced Persons and evaluation of their assets; (b) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation; and (c) contains a timetable and budget for the implementation of such measures.

37. “Resettlement Policy Framework” means the Recipient’s document entitled “Cadre de Politique de Réinstallation Involontaire (CPRI) du Projet BVPI sous Financement PHRD - Secteur 1, 2 et 3 Marofoay et Ifanja Nord Itasy” dated May 2012 prepared for the Project, and containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons.

38. “Safeguard Documents” means, collectively, the Environmental and Social Management Framework, the Resettlement Policy Framework, the Dam Safety Manual, the Pest and Pesticide Management Plan, as well as the Environmental and Social Management Plans and the Resettlement Action Plans prepared for specific activities carried out under the Project, if any.

39. “Scheme Development Plan for Irrigation” or “SDPI” means the plan to be adopted by WUAs as further detailed in Section 2.03(6) of this Annex.


41. “Sub-Project” means a set of specific activities carried out or to be carried out by a Sub-Project Beneficiary (as hereinafter defined) under Part A.2 and C.2(b) of the Project, and for which the reasonable cost of goods, works or services required therefor is financed or proposed to be financed out of the proceeds of the Grant through a Sub-Project Matching Grant (as hereinafter defined).
42. “Sub-Project Agreement” means an agreement entered into, or to be entered into, between the relevant Implementing Institution, on behalf of the Recipient, and a Sub-Project Beneficiary, for the purpose of extending a Sub-Project Matching Grant to such Sub-Project Beneficiary on the terms and conditions set forth or referred to in Section 2.03(5) of this Annex.

43. “Sub-Project Beneficiary” means an individual, a local community organization, a group or association, operating under the laws of the Recipient, which has met the eligibility criteria specified in the Project Manuals and, as a result, has been extended, or it is to be extended, a Sub-Project Matching Grant (as hereinafter defined) for the carrying out of a Sub-Project.

44. “Sub-Project Matching Grant” means a grant made or proposed to be made out of the proceeds of the Grant by the Recipient, through the relevant Implementing Institution, to a Sub-Project Beneficiary for the purpose of financing a Sub-Project in accordance with the provisions of Section 2.03 (4) of this Annex.

45. “Training” means the reasonable cost of in-country training under the Project, based on Annual Work Plans and Budgets, including costs associated with seminars, workshops, conference, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.

46. “Transfer Agreement” means the agreement to be entered into, as the case may be, between the relevant WUA and the relevant DRDR for the transfer of the management of irrigation infrastructure under Part B of the Project, as further detailed in Section 2.03(6)(d)(iii) of this Annex.

47. “Water User Association” or “WUA” means a local community organization established and operating under Law 10-016 of July 20, 1990 and Decree 90-462 of December 19, 1990 of the Recipient for the purpose of promoting local participation in the development and management of irrigation.

Article II

Project Execution

2.01. Project Objective and Description. The objective of the Project is to increase rice productivity in selected irrigation sites and their surrounding watersheds. The Project consists of the following parts:
Part A: Development of Commercial Agriculture

1. **Support to agricultural services.** Support the Recipient in improving access to markets and developing commercial agriculture value chains, including in the following areas: (a) support to the development of commercial agricultural supply chains, through market research and surveys, thematic studies, research and development of technologies for agricultural intensification, support to strengthen the capacity of Eligible Beneficiaries to access credit and other financial services, and promoting partnerships, (b) strengthening of the capacities of Eligible Beneficiaries; (c) support to Agriculture Service Centers in the Project Areas, and (d) support and advisory services for the implementation of technologies for agricultural intensification and diversification, including implementation of agro-ecological and agro-forestry techniques.

2. **Support to private investment.** Provision of demand-based Sub-Projects Matching Grants to Sub-Project Beneficiaries, such as farmers, farmer organizations and other private stakeholders, to carry out Sub-Projects for demand-driven improvement of agricultural production, and marketing along the rice value chain.

Part B: Irrigation Development

1. **Support to Irrigation Development.** Support to CelCo, WUAs, and the Regions and Communes within the Project Areas concerned for: (a) the preparation of a Scheme Development Plan for Irrigation and Performance Contracts; and, as the case may be, Transfer Agreements; (b) the implementation of the relevant PCs; and (c) the carrying out of studies on maintenance and operation costs and cyclone-related damages.

2. **Irrigation Investments.** Support to CelCo, WUAs, the Regions and Communes within the Project Areas concerned for: (a) preparation of technical design studies, including preparation of bidding documents; (b) rehabilitation of irrigation and appurtenant infrastructure works agreed in the PCs; (c) supervision of the works under (b) above; and (d) development and dissemination of low-cost irrigation technologies.

Part C: Watershed Development

1. **Planning and capacity building for sustainable management of watersheds.** Support the Recipient in the: (a) preparation of participatory plans for managing sub-watersheds; (b) support to communications and negotiations platforms; (c) training and capacity strengthening of sustainable land management groups; and (d) support to the improvement of land tenure security.

2. **Investments in watersheds.** Support the Recipient in the: (a) carrying out of strategic anti-erosion infrastructure works through physical and biological methods and technologies; and (b) provision of Sub-Projects Matching Grants to Sub-Project Beneficiaries to carry out Sub-Projects for demand-driven improvements of the vegetation cover, including pastures and reforestation.

Part D. Project Management

1. **Project management.** Support to CelCo and DRDR, both at regional and at national levels to enable them to effectively carry out the overall Project planning, quality oversight,
procurement, financial management and monitoring of Project activities, including through the provision of training, technical assistance, minor upgrading works, equipment (but specifically excluding vehicles), evaluation studies and reasonable Project related incremental operating costs to CelCo and DRDR.

2. **Monitoring and Evaluation.**

Support to CelCo and to the DRDR in the Project Areas in the management of information systems, preparation of procedures for data collection and reporting, in order to: (a) carry out regular project monitoring and completion evaluations of Project output and impact indicators; and (b) carry out surveys and participatory assessments, including those on regular user satisfaction.

**Part E. Support to Rice Research and Development.**

1. **Improvement of the soil, plants and water chemical analysis capacity.** Support to FOFIFA to improve its soil, plants and water chemical analysis capacity and provide soil analyses as well as advice for selected Project Areas.

2. **Basic seed production.** Support to FOFIFA to strengthen its capacity in rice research and production of pre-basic and basic rice seeds, through support to FOFIFA’s national rice germplasm center and several associated Regional research stations and seeds multiplication farms in the Project Areas.

3. **Rice research and extension linkages.** Support to FOFIFA and/or universities to undertake applied research in response to demand from and with the involvement of beneficiary groups of farmers in the Project Areas.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MoA in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.

2.03. **Institutional and Other Arrangements.**

1. The Recipient shall carry out the Project under the overall:

   (a) strategic direction and oversight of:

   (i) the Program National Steering Committee (PNSC) at the national level, to be chaired by the General Secretary of MoA and supported by a technical secretariat; the said PNSC shall ensure coherence of Project activities with national policies under the National Irrigation and Watershed Management Program; and shall be responsible for: (A) carrying out the annual programming of Project activities and approval of the Annual Work Plans and Budgets; (B) monitoring Project implementation and results, including in particular the analysis and approval of activity reports and financial and operational audits; and (C) formulating recommendations of corrective measures that may be
necessary to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(ii) the Regional Monitoring Committees (RMC) at the regional level, one per Project Area, each composed by GTDR and headed by its respective Head of Region; each such RMC shall ensure consistency of Project activities with both the NIWMP and policy and regional development priorities and programs; and shall be responsible for: (A) preparing and validating detailed work plans and budgets at the regional level; and (B) reviewing Project progress and performance, and formulation and implementation of corrective measures that may be necessary in order to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(b) responsibility and coordination of the following Implementing Institutions: (i) at the national level, CelCo; and (ii) at the regional level, the relevant DRDR.

2. (a) The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate economic, administrative, financial, social and environmental standards and practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) (i) The Recipient shall carry out the Project in accordance with the Project Manuals, in form and substance satisfactory to the World Bank, said manuals to provide details of all operational guidelines and procedures as shall have been agreed with the World Bank, for the implementation, monitoring and supervision of the Project including, but not limited to, the composition, terms of reference and mandates of the Program National Steering Committee at the national level, and of the Regional Monitoring Committees at the regional level, respectively, and key staff to be recruited under the Project.

(ii) The Recipient shall, except as the World Bank shall otherwise agree, refrain from amending or waiving any provision of the Project Manuals, if such amendment or waiver may, in the opinion of the World Bank, materially or adversely affect the implementation of the Project.

(iii) In the event of any conflict between the provisions of any of the Project Manuals and those of this Agreement, the provisions of this Agreement shall prevail.

(c) (i) The Recipient shall ensure that personnel in adequate numbers, each with terms of reference, qualifications and experience satisfactory to the World Bank, are assigned to the Project.

(ii) Without limitation to the generality of paragraph (i) immediately above, the Recipient shall ensure that, no later than three (3) months after the Effective Date, the following staff are recruited, each with terms of reference, qualifications and experience satisfactory to the World Bank, and in accordance with the provisions of Section 2.07 of this Annex (if
their fees are to be financed from the proceeds of the Grant): (A) one financial management specialist, one accountant and one procurement specialist to be posted in CelCo; (B) one accountant, one procurement specialist, six researchers and two technicians, to be posted in FOFIFA; and (C) one accountant to be posted in the DRDR in Boeny.

(iii) Without limitation to the generality of paragraph (i) immediately above, the Recipient shall ensure that the following staff are maintained for the Project, throughout Project implementation: (A) the staff to be recruited in accordance with paragraph (ii) immediately above (but only from the date referred in said paragraph (ii)); and (B) one monitoring and evaluation specialist in each of the DRDRs in the Project Areas.

(iv) Without limitation to the generality of paragraph (i) immediately above and Section 2.01(b) of the Standard Conditions, the Recipient shall ensure that sufficient funds are made available to the Project for the payment from other sources than the proceeds of the Grant of the six researchers and two technicians referred to in Section 2.03(2)(c)(ii)(B) of this Annex from the date falling twenty-one (21) months after the Effective Date until Project completion.

3. The Recipient shall:

(a) maintain the Implementing Institutions, during Project implementation, with functions, staffing and resources satisfactory to the World Bank, in accordance with the Project Manuals; and

(b) cause the Implementing Institutions to carry out the daily facilitation, implementation, monitoring, evaluation and coordination of the Project at their respective level.

4. The Recipient shall ensure that the relevant Implementing Institution appraise, approve and monitor Sub-Projects and administer the Sub-Project Matching Grants in accordance with the provisions and procedures set forth or referred to in this Annex and described in more detail in the Project Manuals. To be eligible for financing under Part A 2 or Part C 2(b) of the Project, a Sub-Project shall be:

(a) an investment activity, or related technical assistance, related to agricultural production and management of natural resources and consistent with the criteria, terms and conditions (including a positive/negative list of eligible activities), provided in the Project Manuals; and initiated and identified by the relevant Sub-Project Beneficiary;

(b) appraised, implemented, monitored and evaluated in accordance with the conditions, criteria and procedures set forth in the Project Manuals;

(c) economically and technically viable, and co-financed by the Sub-Project Beneficiary and in accordance with the standards specified in the Project Manuals;
(d) in compliance with the standards set forth in the Safeguard Documents; and

(e) compliant with any other requirements specified in the Project Manuals.

5. For each approved Sub-Project under Parts A 2 and C 2(b), the Recipient, through the relevant Implementing Institutions at regional level, shall conclude a Sub-Project Agreement with the corresponding Sub-Project Beneficiary, whereby the Recipient shall agree to provide to the Sub-Project Beneficiary a Sub-Project Matching Grant from the proceeds of the Grant, on terms and conditions satisfactory to the World Bank, including the eligibility terms and conditions set in this Annex, and the following additional terms and conditions:

(a) The obligation of the Sub-Project Beneficiary to:

(i) require the relevant Implementing Institutions at regional level to ensure the execution of each Sub-Project by the related Sub-Project Beneficiary, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, social and environmental standards and practices satisfactory to the World Bank, including, without limitation to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, each of the Project Manuals and the Safeguard Documents; and to maintain adequate records;

(ii) require that the goods, works and services to be financed from the proceeds of the relevant Sub-Project Matching Grant shall be procured in accordance with the provisions of this Agreement and used exclusively in carrying out the Sub-Project concerned;

(iii) maintain policies and procedures, adequate to enable the Recipient through the Implementing Institution to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the activities carried out under its Sub-Project and the achievement of its objective;

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

(v) enable the Recipient and the World Bank to inspect the activities carried out under its Sub-Project, its operation and any relevant records and documents; and prepare and furnish to the Recipient and the World Bank
all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(b) The Recipient, through the Implementing Institution, shall exercise its rights and carry out its obligations under each Sub-Project 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 any of the Agreements or any of their provisions.

6. For the implementation of Part B.2(b) and (c) of the Project, the Recipient shall comply with the following procedures, eligibility criteria and terms and conditions:

(a) Procedures: In submitting a proposal for Irrigation Rehabilitation Works to CelCo for its review and approval, the relevant DRDR shall prepare and furnish to CelCo a report satisfactory to the World Bank which shall contain:

(i) a description, bill of quantities, cost estimates and an economic analysis of the proposed Irrigation Rehabilitation Work;

(ii) information on the WUA benefiting from the proposed Irrigation Rehabilitation Work, including information on its eligibility, legal, institutional and financial status, implementation capacity, its operation and maintenance plan and the estimate of the irrigation service fee;

(iii) a description of the WUA members’ participation in the selection, implementation and O&M of the proposed Irrigation Rehabilitation Works;

(iv) information on the environmental considerations; and

(v) such other information as the Project Manuals shall require.

(b) Eligibility Criteria: in selecting an Irrigation Rehabilitation Work, the Recipient, through the relevant DRDR, shall ensure that the WUA has fulfilled the eligibility criteria agreed with the World Bank and defined in the Project Manuals.

(c) Terms and Conditions:

(i) Each Irrigation Rehabilitation Work under Part B.2(b) and (c) of the Project shall be carried out with due diligence and efficiency under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with appropriate administrative, financial, technical, engineering and environmental standards, including local and national environmental requirements.

(ii) The Recipient, through the relevant DRDR, shall allow the representatives of the World Bank, if the World Bank shall so request, to inspect the sites, works, plants, goods and construction included in the
Irrigation Rehabilitation Works, the operation thereof, and any relevant records and documents.

(d) Contractual Implementation Framework: Before approval by CelCo of an Irrigation Rehabilitation Work under Part B.2.(b) and (c) of the Project the relevant WUA shall: (i) finalize an SDPI; (ii) enter into a PC with the relevant DRDR, the Region and the Commune; and (iii) enter, as the case may be, into a Transfer Agreement with the relevant DRDR, all in accordance with the provisions of the Project Manuals.

7. The Recipient shall:

(a) (i) furnish to the World Bank for its approval, as soon as available, but in any case not later than September 30 of each year, the annual work plan and budget for each subsequent Fiscal Year of such scope and in such detail as the World Bank shall have reasonably requested; and

(ii) proceed thereafter to implement the annual work plan and budget, taking into account any comments thereon as the World Bank may have had.

(b) 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.

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

(d) Training shall be carried out on the basis of annual work programs and budgets approved by the World Bank, 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.

8. Safeguards

(a) The Recipient shall ensure that the Project is implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents, including associated training, technical assistance and annual reviews. In particular, the Recipient shall ensure that:

(i) for each activity under the Project of a type for which the Environmental and Social Management Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the World Bank, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant
activity is implemented in accordance with its Environmental and Social Management Plan; and

(ii) for each activity under the Project of a type for which the Resettlement Policy Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the World Bank, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement Policy Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.

(b) Except as the World Bank shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the World Bank, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents.

(c) Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the World Bank, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (1) measures taken in furtherance of the Safeguard Documents; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (iii) remedial measures taken or required to be taken to address such conditions.

(d) After the filling and start-up of a new dam financed under the Project, the Recipient shall have periodic dam safety inspections performed by independent qualified professionals who have not been involved in the investigation, design, construction or operation of the dam, in accordance with the provisions of the Dam Safety Manual.

(e) In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

9. The Recipient shall ensure that a baseline household survey for the Project will be completed no later than September 30, 2014.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) 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 the indicators set forth in paragraph (b) immediately below. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Average yield in irrigated rice produced in Project-rehabilitated irrigation sites (t/ha); and

(ii) Direct beneficiaries (numbers), of which female (percentage).

c) 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 months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

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

(d) In order to ensure the timely carrying out of the audits referred to in Section 2.06 (c) of this Annex, the Recipient shall engage independent auditors for the purpose not later than three (3) months after the Effective Date, in accordance with the provisions of Section 2.07 of this Annex.

2.07. **Procurement**

(a) General. All goods, works, non-consulting services and consultants’ 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:

(i) Section I of the Procurement Guidelines, in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).
(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; (C) Framework Agreements; (D) Direct Contracting; and (E) Community Participation.

(d) **Particular Methods of Procurement of Consultants’ Services**

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

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Procedures set forth in paragraphs 3.8 to 3.11 of Consultant Guidelines for Single Source Selection; and (D) Procedures set forth in paragraphs 5.1 to 5.6 of Consultant Guidelines for the Selection of Individual Consultants.

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

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies 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>
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</thead>
<tbody>
<tr>
<td>(1) Sub-Project Matching Grants under Part A(2) and Part C(2)(b) of the Project</td>
<td>2,060,000</td>
<td>100% of amounts disbursed for Sub-Project goods, works or services</td>
</tr>
<tr>
<td>(2) Works, goods, non-consulting services, consultant services including Training and audits for the Project, excluding Sub-Project Matching Grants under Part A(2) and Part C(2)(b) of the Project and Operating Costs</td>
<td>9,820,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>780,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>12,660,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2018.

**Article IV**

**Effectiveness**

4.01. **Conditions of Effectiveness.** 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 execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

(b) The Recipient adopted the Project Manuals for the Project, each in form and substance acceptable to the World Bank.
4.02. Legal Opinion. As part of the evidence to be furnished pursuant to Section 4.01(a) of this Annex, 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 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.

4.03. Notice of Effectiveness. 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 4.01 of this Annex ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. Deadline for Effectiveness. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 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, but in no case later than eighteen (18) months after the date of the approval of the Loan by the World Bank. The World Bank shall prompty notify the Recipient of such later date.

Article V

Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister responsible for Finance.

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

Ministry of Finance and Budget
B.P. 61
Antananarivo 101
Madagascar

Cable address: MFB
Facsimile: (261) 20 22 34530
Antananarivo
5.03. *World Bank's Address.* 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

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<th>Telex:</th>
<th>Facsimile:</th>
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<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
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<tr>
<td></td>
<td>Washington, D.C. 64145 (MCI)</td>
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