OFFICIAL DOCUMENTS

CREDIT NUMBER 5979-MG

Financing Agreement

(Sustainable Landscape Management Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated APRIL 20, 2017
FINANCING AGREEMENT

AGREEMENT dated APRIL 20, 2017, entered into between REPUBLIC OF MADAGASCAR ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Cofinanciers intend to make available to the Recipient Co-financing ("Co-financing"), to assist in the financing of the Project on the terms and conditions set forth in two agreements to be entered into between the Recipient and the Association ("Co-financing Agreements");

(B) the Association has agreed, on the basis of the foregoing, inter alia, to extend the Credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty-eight million four hundred thousand Special Drawing Rights (SDR 48,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
2.05. The Payment Dates are January 15 and July 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project, except for Part 2.3, in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — EFFECTIVENESS

4.01. The Additional Conditions of Effectiveness consist of the following:

   (a) The Co-financing Agreements have been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

   (b) The IPSC and PIU has each been established.

   (c) The PIM has been adopted by the Recipient, in form and content acceptable to the Association.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its minister of finance.

5.02. The Recipient’s Address is:

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

Cable address: MFB
Facsimile: (261) 20 22 34530
Antananarivo

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
AGREED at Washington D.C, United States of America, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

By

Authorized Representative

Name: H.E. SERVAIS RAKOTRAKANANA
Title: MINISTER OF FINANCE AND BUDGET

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MARK R. LUPDELL
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to increase access to improved irrigation services and agricultural inputs, and strengthen the integrated management of natural resources in the Selected Landscapes by the local actors and, to provide immediate and effective response to an Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1. Information and planning

1.1. Data collection and decision support tools

Support for the development, application and refinement of SIS, and to use the data generated by SIS for planning and decision-making for landscape management at both the national and Project area level.

1.2. Preparation of selected SLMP

Support for the preparation of a planning and programming methodology for preparation of the five landscape management plans and the preparation of SLMPs in the five Selected Landscapes; an analysis of the threats to production, natural resources and livelihoods; an assessment of options for intervention; an Intervention Plan; and a financing strategy.

1.3. Policy design for landscape management

Support for policy formulation and reform including: (i) the preparation of a landscape management methodology; (ii) strengthening of the legal and regulatory framework on transfer of natural resource management to local community organizations; (iii) elaboration of a policy and institutional and regulatory framework for management, operation and maintenance of water infrastructure; (iv) development of a policy framework for payment for environmental services; and (v) preparation of policy notes on value chain governance at the local level.

Part 2. Investments and capacity building in the selected landscapes

2.1. Capacity building

Support for the coordinated and integrated management of landscapes at local, municipal and regional levels as well as at the national level: (i) at the local level, establish new local community organizations and build the capacity of existing ones; support the organization of COBAs, WUAs and livestock producer groups; (ii) at the municipal and regional level, strengthen guichets fonciers; support the establishment of a river basin agency in the boeny region; support the integration of water resources, forest resources and conservation areas
management plans into land use and other territorial plans; (iii) at the national level build FDA/FRDA's project development and management capacity; support ANDEA to complete the inventory of water resources and ensure coherence of the SLMPs with water sector plans; support CSAs; provision of technical assistance; support forest resources surveillance and monitoring; and (iv) strengthen the capacity of CSA, private sector, university departments and other research centers.

2.2. Productive investments

Support to address the constraints that cause low productivity and resilience of systems through: (i) Targeted Investments in the five Selected Landscapes; (ii) Targeted Investments in feeder road maintenance; (iii) partnerships with the private sector, to enhance linkages between producers and the market, rehabilitate or construct agriculture storage facilities, crop processing units, and livestock holding; and developing Silvicultural Approaches in forestry; and (iv) support to local producers to address the constraints that cause low productivity and resilience of agriculture production systems; introduce new technology; strengthen technical capacity and skills; enhance animal health and productivity; improve the profitability and sustainability of natural forests and plantations; and pilot Payment for Environmental Services (PES) in select locations within the Selected Landscapes.

2.3. Management of critical ecosystems and protected areas

Support for sector agencies, decentralized authorities and protected areas management agencies to managing key Conservation and Protected Areas in the Selected Landscapes through: (i) protected areas and conservation site management including surveillance of 5000 grids, construction and upgrading of conservation infrastructure, provision and renewal of essential equipment for park management; (ii) restoration in conservation sites, including active restoration and passive restoration; (iii) strengthening local structures to ensure proper monitoring and sustainable management of the restored areas; and (iv) PES.

Part 3. Project management coordination and monitoring and evaluation (M&E)

Support for the Project’s management by the PIU and the RIUs, including: (i) operating costs for the Project; (ii) financial management including external audits and accounting; (iii) M&E; (iv) safeguards compliance including dam safety and the dissemination of the pesticide management plan at the community level, inter alia; and (v) Training.

Part 4. Contingency Emergency Response

Support to the Recipient for a disaster contingency fund to be established to finance immediate responses to an Eligible Crisis or Emergency.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

The Recipient shall establish and, throughout Project implementation, maintain the following institutional arrangements, as further described in the PIM.

A. Institutional Arrangements

1. IPSC
   
   (a) Not later than the Effective Date, the Recipient shall establish, and thereafter maintain the IPSC with a mandate, composition and resources acceptable to the Association.
   
   (b) The IPSC shall be responsible for providing strategic oversight of the Project.

   (c) The IPSC shall include representation from the following ministries, *inter alia*, with a rotating chair between agriculture and livestock (co-chair); environment, ecology and forests (co-chair); water, sanitation and hygiene (co-chair); finance; economy and planning; interior and decentralization; the Ministry of Presidential Projects, Land Use Planning and Equipment; the Heads of Region; and the representative of COBA Federation; and the National Chamber of Farmers.

2. Regional Monitoring Committees (RMCs)

   The Recipient shall maintain four RMCs to be chaired by the Head of Region in order to ensure consistency of Project activities in the five Selected Landscapes with regional development policies and planning processes.

3. PIU
   
   (a) The Recipient shall, not later than the Effective Date, establish the PIU.

   (b) The Recipient shall, throughout Project implementation, maintain a PIU with terms of reference, organization and resources acceptable to the Association.

   (c) The PIU shall be responsible for the coordination and implementation of the Project, including planning, quality oversight, implementation, procurement, financial management and disbursement, accounting, financial and technical reporting, monitoring and evaluation of the Project,
including the environmental and social safeguards aspects, and ensuring the auditing of the Project accounts.

(d) The PIU shall include the following staff *inter alia*: a coordinator, a procurement specialist, an accountant, a financial management specialist, an environmental and social specialist, an internal auditor, sector technical experts and a national M&E specialist supported by a part-time international M&E specialist and an M&E assistant.

4. RIUs

The Recipient shall maintain four RIUs which shall be responsible for day-to-day implementation of activities in the four regions in which the five Selected Landscapes are located. RIUs shall be responsible for coordination and implementation of the Project, including planning, quality oversight, implementation, procurement, financial management and disbursement, accounting, financial and technical reporting, monitoring and evaluation of the Project, including the environmental and social safeguards aspects. RIUs shall report to the PIU and to their respective RMC.

B. Project Implementation Manual

1. The Recipient shall, not later than the Effective Date, adopt the PIM:

(a) The Recipient shall ensure that the Project is carried out in accordance with the provisions of the PIM.

(b) Except as otherwise agreed in writing with the Recipient, the Recipient shall not assign, amend, abrogate or waive any provision of the PIM.

2. In the event of a conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

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 the Project is implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents. In particular, the Recipient shall ensure that:

(a) for each activity under the Project for which the ESMF requires an ESMP, the Recipient shall ensure that such ESMP shall be prepared in form and
substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the ESMF and ESMP; and that such activity is implemented in accordance therewith;

(b) for each activity under the Project of a type for which the RPF provides that a Resettlement Action Plan should be prepared, the Recipient shall ensure that such Resettlement Action Plan shall be prepared, in form and substance satisfactory to the Association, 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 therewith;

(c) each activity under the Project involving pesticides is carried out in accordance with terms of the IPMP, which includes: (i) a survey on the local bio pesticides and agronomic technical practices to reduce the impacts of pests on the agriculture value chains in the project areas; (ii) appropriate actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; (iii) guidelines to be adopted on the possibility of agrochemical application and disposal; (iv) training sessions to strengthen the capacity of different actors (farmers, local vendors, regional agricultural agents, etc.) on the use, storage and disposal of agrochemical products; and (v) a coherent budget available in the project financing with coherent monitoring system and indicators; and

(d) each activity under the Project involving the rehabilitation of small irrigation infrastructures and the replacing of old hydraulic equipment/material is carried out in accordance with the terms of updated SDSM.

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

3. The Recipient shall adopt a grievance mechanism during Project implementation.

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

6. The Project shall not finance any new constructions or rehabilitation of large-scale irrigation facilities; nor shall it finance any dams above 15 meters or reservoirs of more than three (3) million cubic meter.

E. Annual Work Plans and Budgets

1. Each year the Recipient shall prepare:

(a) a draft Annual Work Plan and Budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and

(b) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities included in the draft Annual Work Plan and Budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Bank Policies before approval by the Association of the bidding documents for each activity.

2. The Recipient shall furnish to the Association, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets approved by the IPSC and the evidences referred to in subparagraph 1(b) above, for the Association’s review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, and the evidence which may be required for the implementation of the activities included in the draft annual work plan and budget for such period, 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 Association (each an “Annual Work Plan and Budget”) are eligible to a financing from the proceeds of the Financing.

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. The Recipient shall ensure that the Project is carried out in accordance with the annual work plans and budgets.
5. Annual work plans and budgets may be revised as needed during Project implementation subject to the Association’s prior approval.

F. Contingency Emergency Response

In order to ensure the effective implementation of Part 4 of the Project, the Recipient shall take the following measures.

1. The Recipient shall:
   (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the CER, including: (i) designation of terms of reference for, and resources to be allocated to the entity to be responsible for coordinating and implementing the CER ("Coordinating Authority"); (ii) specific activities which may be included in the CER, Eligible Expenditures required thereunder ("Emergency Expenditures"), and any selection procedures for such inclusion; (iii) financial management arrangements for the CER; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure effective coordination and implementation of the CER;
   (b) afford the Association a reasonable opportunity to review said proposed operations manual;
   (c) promptly adopt such operations manual for the CER as shall have been approved by the Association ("CER Operations Manual");
   (d) ensure that the CER is carried out in accordance with the CER Operations Manual; in the event of any inconsistency between the provisions of the CER Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
   (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the CER, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall not undertake any activities under the CER until the following conditions have been met:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association.

B. **Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audit reports Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III.  Procurement

A.  General

1.  Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2.  Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3.  Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

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

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

2.  Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

   (a) National Competitive Bidding.: procurement may be carried out in accordance with the “Open Competitive Bidding” method (Appel d’offres ouvert) set forth in the Recipient’s law no. 2004-009 of July 2004 on the Public Procurement Code, subject to the following additional provisions listed in (i) through (xv) below to conform to the provisions of the Procurement Guidelines:

   (i) No bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than: (A) its capability and resources to successfully perform the contract; (B) a conflict of interest situation, or (C) an accepted prohibition.
Firms of a country or goods manufactured in a country may be excluded if: (AAA) as a matter of law or official regulation, the Recipient’s country prohibits commercial relations with that country, provided that the Association is satisfied that such exclusion does not preclude effective competition for the supply of goods, works, and non-consulting services required, or (BBB) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Recipient’s country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the Recipient’s country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.

Government-owned enterprises or institutions of the Recipient shall be eligible to participate in the bidding process in their country, only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or the Project Implementing Agency.

A firm sanctioned by the Association in accordance with paragraph 1.16(d) of the Procurement Guidelines, or the Anti-Corruption Guidelines, shall be ineligible to be awarded or to benefit from an Association- or Bank-financed contract, financially or in any other manner, during the period of time determined by the Association.

The requirement of producing a registration number (Numéro d’Immatriculation) for any bidder to participate in the bidding process shall not be interpreted as a prior requirement to any sort of local registration, license or authorization.

Standard bidding documents acceptable to the Association shall be used so as to ensure economy, efficiency, transparency and consistency with the provisions of Section I of the Procurement Guidelines.

Participation from joint ventures shall be allowed on condition that such joint venture partners will be jointly and severally liable for their obligations under the awarded contract. Therefore, the
"Groupement Conjoint", described under the Recipient's law no. 2004-009 of July 2004 on the Public Procurement Code, shall not be allowed under National Competitive Bidding.

(iv) No domestic/regional preference, or any other kind of preferential treatment, shall be given for domestic/regional bidders, and/or for domestically/regionally manufactured goods, and/or for domestically/regionally originated related services.

(v) The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified. Qualification criteria shall be assessed on a "pass or fail" basis, and merit points shall not be used. Bidders' qualifications shall be assessed by post-qualification.

(vi) In case a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their typing, printing or publishing, and delivery to prospective bidders, and it shall not be so high as to discourage bidders' participation in the bidding process. Bids may be submitted by electronic means only provided that the Association is satisfied with the adequacy of the system, including, inter-alia, that the system is secure, maintains the integrity, confidentiality, and authenticity of the bids submitted, and uses an electronic signature system or equivalent to keep bidders bound to their bids.

(vii) The bid validity period required by the bidding documents shall be sufficient to complete the evaluation of bids and obtain any approval that may be required (at least four (4) weeks). If justified by exceptional circumstances, an extension of the bid validity may be requested in writing from all bidders before the original bid validity expiration date, and it shall cover only the minimum period required to complete the evaluation and award of the contract. The extension of the bid validity requires the Association's no objection for those contracts subject to prior review, if it is longer than four (4) weeks, and for all subsequent requests for extension, irrespective of the period.

(viii) Bid Evaluation:

(A) Evaluation of bids shall be made in strict adherence to the evaluation criteria declared in the bidding documents.
(B) Evaluation criteria other than price shall be quantified in monetary terms and the manner in which they will be applied for the purpose of determining the lowest evaluated bid shall be established in the bidding documents. A weighting/scoring system shall not be used.

(C) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid. No negotiations shall be permitted.

(D) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

(E) In case of requests for clarifications, bidders shall not be asked or permitted to alter or complete their bids.

(ix) All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior concurrence.

(x) Securities shall be in the format included in the bidding documents. No advance payment shall be made without a suitable advance payment security.

(xi) Information on contract award shall be published at least in a national newspaper of wide circulation within two (2) weeks of receiving the Association’s no objection to the award recommendation for contracts subject to prior review, and within two (2) weeks from the award decision for contracts subject to post review. Publication shall include the following information: (A) the name of each bidder which submitted a bid; (B) bid prices as read out at bid opening; (C) evaluated prices of each bid that was evaluated; (D) the names of bidders whose bids were rejected and the reasons for their rejection; and (E) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.

(xii) In the case of contracts subject to prior review, the Association’s no objection shall be obtained before agreeing to: (A) a material extension of the stipulated time for performance of a contract; (B) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (C) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract
amount by more than 15 percent; or (D) the proposed termination of the contract. A copy of all contract amendments shall be furnished to the Association for its record.

(xiii) In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.

(xiv) Each bidding document and contract financed from the proceeds of the Financing, and as deemed acceptable by the Association, shall include provisions stating the Association’s policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

(xv) The Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment process afforded due process and the debarment decision is final;

(b) Shopping;

(c) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association;

(d) Direct Contracting;

(e) Force Account;

(f) Procurement from UN Agencies (UNOPS, FAO,..); and

(g) Community Participation procedures which have been found acceptable to the Association.
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 contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of UN Agencies (FAO, WFP, ...); (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

E. **Procurement of Emergency Expenditures under the CER of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the CER of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CER Operations Manual.

F. **Establishment of a procurement complaint handling mechanism**

No later than three (3) months after Effective Date, the Recipient shall have established a procurement complaint handling mechanism acceptable to the Association.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Goods, works, consulting services and non-consulting services, Training and Operating Costs under Parts 1, 2 and 3 (except for Part 2.3) of the Project</td>
<td>46,900,000</td>
<td>70%</td>
</tr>
<tr>
<td>2) Goods, Operating Costs, Training, works, non-consulting services, and consultants' services for Emergency Expenditures under Part 4 of the Project</td>
<td></td>
<td>70%</td>
</tr>
<tr>
<td>3) Refund of Preparation Advance</td>
<td>1,500,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>48,400,000</td>
<td></td>
</tr>
</tbody>
</table>

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

B. Withdrawal Conditions; Withdrawal Period

1. 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.
(b) under Category (2), unless and until the Association is satisfied that the following conditions have been met:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include such activities in the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has adequate staff and resources for the purposes of said activities; and

(iii) the Recipient has made the necessary revisions to the PIM in form, substance and manner acceptable to the Association.

2. The Closing Date is August 1, 2022.
# SCHEDULE 3

## Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15, commencing July 15, 2023 to and including January 15, 2055.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “AFD” means Agence Francaise de Developpement, the French development agency.


3. “Annual Work Plan and Budget” means the work plan and budget prepared by the Recipient for one calendar year for the Project (including Training and Operating Costs) of such scope and detail as the Association shall have reasonably requested.


5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “CER Operations Manual” means the operations manual referred to in Section I.F of Schedule 2 to this Agreement, to be adopted by the Recipient for the CER under the Project, in accordance with the provisions of said Section.

8. “COBA” means Communautés de Base, local forestry groups located in the territory of the Recipient.

9. “Co-financiers” means AFD and GEF.

10. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, a total amount of approximately forty million United States Dollars (US$ 40,000,000) to be provided by the Co-financiers to assist in financing the Project.

11. “Co-financing Agreements” means the agreements between the Recipient and the two Co-financiers, respectively executed for providing for the Co-financing.
12. “Conservation and Protected Areas” means a geographical area of the Recipient’s territory, whether land-based or marine or both, which, for environmental, ecological or other reasons, is subject to a conservation management program, whether under the control or management of the Recipient’s government or under the control or management of an NGO.

13. “Coordinating Authority” means the entity or entities designated by the Recipient in the CER Operations Manual and approved by the Association pursuant to Section I.F of Schedule 2 to this Agreement, to be responsible for coordinating the CER under the Project.

14. “CSA” means Centres de Services Agricoles, agricultural service centers in the territory of the Recipient, established pursuant to Decr6e No. 2006-834 du 6 novembre 2006, portant institution du Centre de Services Agricoles (CSA) et adoption de ses statuts.

15. “Eligible Crisis or Emergency” means an event such as a natural disaster involving a formal declaration of a national or regional state of emergency that has caused, or is likely to cause, a major adverse economic and/or social impact in the territory of the Recipient.

16. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants’ services, Training, and Operating Costs, set forth in the CER Operations Manual in accordance with the provisions of Section I.F of Schedule 2 to this Agreement and required for the activities included in the CER under the Project.

17. “ESMF” means Environmental and Social Management Framework, disclosed in country on January 7, 2017 and at the World Bank InfoShop on January 9, 2017 which includes: screening procedures to screen identified implementation sites by the PIU, and a list of activities to be financed (as well as a negative list of activities that may not be financed by the Project) and screened per the established environmental and social screening procedures detailed in the ESMF; institutional arrangements outlining the roles and responsibilities for the various stakeholder groups involved, for screening, review and approval of activities, as well as implementation and monitoring of their mitigation measures.

18. “ESMP” means Environmental and Social Management Plan, to be prepared pursuant to the ESMF.


24. “Guichets fonciers” means commune level administrative units responsible for land use rights registration.

25. “Intervention Plan” means a plan for specific investments in agriculture, livestock, water resources management, agro-forestry, forestry and protected areas management.


27. “IPSC” means Inter-Ministerial Project Steering Committee.


29. “National Chamber of Farmers” means *Tranoben’ny Tantsaha*, established pursuant to *décrée no. 1198-2002 du 7 octobre 2002, portant creation de la chamber d’agriculture de Madagascar*.

30. “Operating Costs” means salaries, field supervision, transport and IT support provided in the annual world plan and budget.

31. “PES” means Payment for Environmental Services, a mechanism to be established with the support of the Project to facilitate payment by downstream landusers to upstream landusers for watershed protection.


33. “PIU” means “Project Implementing Unit”, the unit to be based within MPAE, responsible for managing the Project’s implementation.
34. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 23, 2016 and on behalf of the Recipient on November 23, 2016.


36. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 26, 2017 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.

37. RAP” means Resettlement Action Plan.

38. “RMCs” means Regional Management Committees.

39. “RIUs” means Regional Implementation Units, which are responsible for Project implementation at the regional level in the four regions in which the five Selected Landscapes are located.

40. “RPF” means Resettlement Policy Framework, disclosed in country on January 7, 2017 and at the InfoShop on January 9, 2017, which includes screening procedures for resettlement, provisions on the elaboration of a RAP or RAPs, as well as institutional arrangements outlining the roles and responsibilities for the various stakeholder groups involved, for screening, review and approval of activities, as well as implementation and monitoring of their mitigation measures.

41. “Safeguard Documents” means collectively all documents related to environmental and social safeguards including the ESMF, the ESMP, the IPMP, the RPF, RAP(s) and the SDSM.

42. “SDSM” means the Small Dam Safety Manual adopted by the Recipient in 2012 and updated in 2016 for the purpose of this Project.

43. “Sector Technical Experts” means technical experts hired by the PIU to support Project implementation in the areas such as agriculture, livestock, environment, social development, cartography, water and irrigation.

44. “Selected Landscapes” means Iazafo, Soanierana-Ivongo; Andapa; Bealanana; Marovoay, as identified in the Project Implementation Manual.

45. “Silviculture Approaches” means practices that include tree planting, forest management, transparent mechanisms for identifying and tracking standing timber and stockpiles; and pilot processing units for precious and non-precious wood,
aiming at ensuring a sustainable provision of quality goods and services from sustainably managed forests.

46. "SIS" or "Spatial Information System" means an approach used to organize data and enhance access by authorized users in support of planning and management of actions in a landscape. The SIS provides: (a) an integrated geospatial repository for existing but disaggregated and diffusely distributed data from different Ministries and government agencies, and (b) a gateway for dynamic understanding, planning and management of any landscape. It delivers actionable information, as the foundation for a high-level decision support system by providing (quantitative) analyses of complex, systemic interdependent environmental problems.

47. "SLMP" means Sustainable Landscape Management Plan, such SLMP to include a diagnostic of the landscape (physical, economic, social, and institutional); an analysis of existing planning efforts at the decentralized level (region and municipality) and the sector level.

48. "Targeted Investments" means investments to rehabilitate existing irrigation perimeters, stabilize hillsides; undertake forest restoration and indigenous tree species plantations, eligible for financing from the proceeds of the Financing based on selection criteria and under terms and conditions set forth in the PIM.

49. "Target Investments in Feeder Roads" means investments to rehabilitate critical spots on economically strategic feeder roads.

50. "Training" means established learning programs or courses, in institutes/schools in the territory of the Recipient and abroad, workshops, lectures, and coursework and study tours, provided in the Annual Work Plan and Budget.

51. "WUAs" means water user associations.