Agreement providing for the Amendment and Restatement of the Project Agreement

(Financial Services Project)

between

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

and

ASSOCIATION POUR LA GESTION DU PROGRAMME D'APPUI AUX SERVICES FINANCIERS (AGEPASEF)
(Previously known as AGENCE D'EXECUTION DU PROJET MICROFINANCE)

Dated February 6, 2013
AGREEMENT PROVIDING FOR THE AMENDMENT AND RESTATEMENT OF THE PROJECT AGREEMENT

AGREEMENT, dated February 6, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank") acting as an administrator of the Africa Catalytic Growth Fund and ASSOCIATION POUR LA GESTION DU PROGRAMME D'APPUI AUX SERVICES FINANCIERS - AGEPASEF, previously known as AGENCE D'EXECUTION DU PROJET MICROFINANCE ("Project Implementing Entity"). The Recipient and the World Bank hereby agree as follows:

ARTICLE I — AMENDMENT AND RESTATEMENT

1.01. The Project Agreement dated July 15, 2008 between the World Bank, acting as an administrator of the Africa Catalytic Growth Fund and the Project Implementing Entity, in connection with the Africa Catalytic Growth Fund Grant Agreement ("Grant Agreement") of July 15, 2008 between the REPUBLIC OF MADAGASCAR ("Recipient") and the World Bank for the provision of the ACGF Grant Number TF092098 is hereby amended and restated so as to read as set forth in the Agreement here to.

ARTICLE II — ENTRY INTO FORCE

2.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition of effectiveness has been satisfied, namely, that the Agreement Providing for the Amendment and Restatement of the Africa Catalytic Growth Fund Grant Agreement of the same date as this Agreement has become effective in accordance with its terms.
AGREED at Antananarivo, Madagascar, as of the day and year first above written.

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

B /:

Authorized Representative
Haleh Z. BRIDI
Name: Haleh Z. BRIDI
Country Director
Title: Country Director
Name: Country Director
Title: Country Director

ASSOCIATION POUR LA GESTION DU PROGRAMME D'APPUI AUX SERVICES FINANCIERS (AGEPASEF)

B /:

Authorized Representative
BROMBINO ANDRIAMINTAO
Name: BROMBINO ANDRIAMINTAO
Title: Brookman Tania
Title: Brookman Tania
ANNEX

ACGF GRANT NUMBER TF092098

Project Agreement

(Financial Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

and

ASSOCIATION POUR LA GESTION DU PROGRAMME D'APPUI AUX SERVICES FINANCIERS (AGEPASEF)

(Previously known as AGENCIE D'EXECUTION DU PROJET MICROFINANCE)

Dated July 15, 2008
AGREEMENT dated July 15, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank") and ASSOCIATION POUR LA GESTION DU PROGRAMME D'APFUI AU SERVICES FINANCIERS - AGEPAFSEF, previously known as AGENCE D'EXECUTION DU PROJET MICROFINANCE ("Project Implementing Entity") ("Project Agreement") in connection with the Grant Agreement ("Grant Agreement") of same date between the REPUBLIC OF MADAGASCAR ("Recipient") and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the Recipient's obligations as set forth in the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

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

ARTICLE III — TERMINATION

3.01. The date on which the provisions of this Agreement shall terminate is the date on which the Grant Agreement shall terminate in accordance with its terms pursuant to Section 6.02 of the Standard Conditions.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Executive Secretary.

4.02. The World Bank’s Address is

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 2484:3 (MCI) or 1-202-477-6391
Facsimile: 3 (MCI)

4.03. The Project Implementing Entity’s Address is:

Association pour la Gestion du Programme d’Appui aux Services Financiers – AGEPASEF
22-23 rue Réinitovo Antshavola
Antananarivo
Madagascar

AGREED at Antananarivo, Republic of Madagascar, as of the day and year first above written.

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

By: /s/ Robert R. Blake
Authorized Representative

ASSOCIATION POUR LA GESTION DU PROGRAMME D’APPUI AUX SERVICES FINANCIERS – AGEPASEF

Previously: AGENCE D’EXECUTION DU PROJET MICROFINANCE

By: /s/ Haja Nirina Razafinjatovo
Authorized Representative
SCHEDULE

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangement

(1) The Project Implementing Entity shall maintain at all times throughout the implementation of the Project its organization, methods of operation, functions, staffing and resources satisfactory to the World Bank.

(2) Without limitation to the generality of the foregoing provision of paragraph (1) immediately above, the Project Implementing Entity shall ensure: (i) overall day-to-day management as well as overall coordination and implementation of activities; (ii) consolidation of the draft work plans and budgets; (iii) maintenance of records and accounts for all transactions; (iv) timely preparation of quarterly and annual financial statements, Project Reports and other reports; (v) cash management and preparation of withdrawal applications; (vi) procurement; and (vii) monitoring and evaluation of activities.

(3) Without limitation to the generality of the foregoing provision of paragraph (1) immediately above, the Project Implementing Entity shall include the following staff: (i) a Project coordinator; (ii) an accounting and financial management specialist; (iii) a procurement specialist; (iv) a monitoring and evaluation specialist; and (v) two microfinance and banking specialists.

(4) (a) Without limitation to the generality of the foregoing provision of paragraph (1) immediately above, the Steering Committee shall be maintained with composition and terms of reference satisfactory to the World Bank.

(b) Without limitation to the generality of the foregoing provision of paragraph (a) immediately above, the Steering Committee shall include representatives from the Recipient’s treasury directorate (including its service responsible for national coordination for microfinance) in MFB, the Recipient’s professional association for banks and professional association for microfinance institutions.

(c) Without limitation to the generality of the foregoing provision of paragraph (a) immediately above, the Steering Committee shall ensure the overall guidance for the Project, including planning and supervision of Project activities, problem solving and general oversight of the Project. The Steering Committee shall meet at least twice a year.
(5)  (a) Without limitation to the generality of the foregoing provision of paragraph (1) immediately above, the General Assembly shall be maintained with composition and terms of reference satisfactory to the World Bank.

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

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

B. Contractual Arrangements

(1)  For purposes of carrying out Part 1(i) of the Project, no later than January 1, 2015, or such other date as shall have been agreed with the World Bank, the Project Implementing Entity shall cause the PPCG Fund to enter into the Fund Management Agreement.

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

(3)  Matching Grants

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

   (ii) Without limitation to the generality of the foregoing provisions of paragraph (i) immediately above, Subproject expenditures eligible for financing from the proceeds of a Matching Grant shall be limited to Minor Works equipment, staff Training and salaries of staff which are not members of the Recipient’s civil service.

   (b) The Project Implementing Entity shall make each Matching Grant under a Matching Grant Agreement, in the form attached to the Operational Manual, which shall include, inter alia, adequate rights of the Project Implementing Entity to protect the Project Implementing Entity’s and the Recipient’s interests and those of the World Bank, including the following:
(i) the Project Implementing Entity shall have the right to suspend or terminate the right of the Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) each Beneficiary shall be required to:

(A) use the proceeds of the Matching Grant with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient; and;

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

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

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

(E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its Subproject; and (2) at the Project Implementing Entity's, the Recipient's or the World Bank's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, promptly furnish the statements as so audited to the Project Implementing Entity, the Recipient and the World Bank, and allow the World Bank to make the Matching Grant Agreement and all financial statements so audited pursuant to sub-paragraph (E)(2) immediately above available to the public in accordance with the World Bank's policies on access to information; (F) enable the Project Implementing Entity, the Recipient and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Project Implementing Entity, the Recipient and the World Bank all such information as the Project Implementing Entity, the Recipient or the World Bank shall reasonably request relating to the foregoing.

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

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

D. Safeguards

The Project Implementing Entity shall ensure that the Project is implemented in accordance with the environmental and social safeguard requirements described in Section I.D of Schedule 2 to the Grant Agreement.

E. Annual Work Plans and Budgets

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

2. The Project Implementing Entity shall furnish to the World Bank, as soon as available, but in any case not later than November 30 of each year, the annual work plans and budgets, for their review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the World Bank (each an “Annual Work Plan and Budget”) are eligible to a financing from the proceeds of the Grant.

3. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, inter alia, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

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

F. Project Manuals

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

2. (a) The Project Implementing Entity shall carry out the Project in accordance with the Operational Manual; and (b) except as the World Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive the Operational Manual, or any provision thereof.
3. In the event of any conflict between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

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

A. **Project Reports; Completion Report**

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

2. The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of Section 2.0( of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

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

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

B. Financial Management; Financial Reports; Audits

1. The Project Implementing Entity shall ensure that a financial management system is maintained throughout the implementation of the Project in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Project Implementing Entity shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

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

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

Section III. Procurement

All Minor Works, goods, non-consultant services and consultant services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.