H. E. Gervais Rakotoarimanana
Minister of Finance and Budget
Ministry of Finance and Budget
BP 61
Antananarivo
Republic of Madagascar

Re: EITI Grant No. TF0A3272
Extractive Industry Management Frameworks Project

Letter Agreement

Excellency:

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 Australia, Belgium, Canada, Denmark, the European Union, represented by the European Commission, Finland, France, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States ("Donors"), under the Multi-Donor Trust Fund for the Extractive Industry Transparency Initiative (MDTF-EITI) ("Donors"), proposes to extend to the Recipient a grant in an amount not to exceed one million four hundred thousand United States Dollars (US $1,400,000) ("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 Donors. 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 Donors 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.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Mark R. Lundell
Country Director for Madagascar
Africa Region

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
Article I

Standard Conditions; Definitions


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, and the following additional terms shall have the following meanings:

(a) "Extractive Industries Transparency Initiative" and "EITI", each means the standard adopted by the Association for the Extractive Industries Transparency Initiative, an association established by Articles of Association adopted February 16, 2009, as the same may be amended from time to time.

(b) "Large Scale Mining Law" means the law no. 2001-031 of October 8, 2002 establishing a special regime for large scale investments in the Recipient’s mining sector as modified through law no. 2005-022 of October 17, 2005.

(c) "Mining Code" means the comprehensive set of rules, regulations and procedures established pursuant to the Recipient’s law no. 99-022 of August 19, 1999 as modified through law no. 2005-021 of October 17, 2005.

(d) “National Oil Company” means the state owned enterprise created pursuant to the petroleum code which holds its shares in upstream petroleum operations.

(e) “Operating Costs” means reasonable operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diem, but excluding salaries of officials of the Recipient’s civil service.

(f) “Project Implementation Unit” and “PIU”, each means the coordination unit established within the President’s office as referred to in Section 2.03 (a).

(g) “Tendering Oil Blocks” means the demarcation of perimeters in which the Recipient invites investors to explore and/or develop the hydrocarbon potential.

(h) “Training” means the reasonable costs of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and per diem of trainers and trainees; and (iii) any other expenses related to training to be carried out under the Project.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the Recipient’s capacity to develop legal, regulatory, fiscal and institutional frameworks for an effective and transparent management of extractive industries. The Project consists of the following parts:

**Part A. Technical Assistance for an Improved Licensing Framework**

(a) Provision of technical assistance to the Recipient’s mining cadaster and ministry, including: (i) review of existing mining titles; (ii) review and upgrade of information sharing tools such as website and databases; and (iii) drafting of reporting templates and selected administrative procedures.

(b) Provision of advisory support to Tendering Oil Blocks, including: (i) drafting of a standard tender package and procedures; (ii) support to the organization of a bidding round; and (iii) technical assistance to the evaluation committee in reviewing bidders’ offers.

**Part B. Technical Assistance for Legal and Institutional Development**

(a) Provision of technical assistance to support an effective enforcement of the Recipient’s mining laws and regulations, including: (i) drafting of regulations, procedures and implementation documentation for a sound application of the Recipient’s Mining Code and the Large Scale Mining Law; (ii) production of communication materials about the sector’s management for key stakeholders, including artisanal miners and civil servant’s staff; and (iii) training of civil servants and local authorities’ staff on new legal/regulatory measures.

(b) Provision of advisory support on institutional framework and state participation in mining activities, including: (i) advice and coaching on organizational management; (ii) review and training on institutional frameworks for mining; and (iii) a study on management of state participation in mining ventures.

(c) Provision of advisory support to the drafting of statutes for the National Oil Company.

(d) Provision of advisory support to improve the management of environmental and social impacts generated by oil and mining operations, including assessment of national and international practices and recommendations addressed to stakeholders.

**Part C. Support Extractive Sector Transparency and Stakeholder Engagement**

Provision of support to EITI’s dissemination and outreach programs aimed at improving dialog around the management of extractive industries. Such support to include: (i) strengthening the capacity of the EITI Secretariat; and (ii) awareness raising at the central and/or local levels.

**Part D. Project Management**

Provision of operational support to the Project Implementation Unit (PIU), including: (a) appointment of: (i) a full-time technical focal point; (ii) a Project accountant; and (b) provision of consultants’ services for the carrying out of the Grant audit.
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 its ministry in charge of mining and petroleum in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "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 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.012 above:

(a) The Recipient shall maintain, throughout Project implementation, a PIU with staffing, resources and mandate satisfactory to the World Bank to carry out: (i) the fiduciary responsibilities under the Project, including financial management, procurement, accounting and auditing; (ii) Project monitoring and evaluation; and (iii) Project reporting.

(b) The Recipient shall pay due attention to and ensure that all terms of reference for any training, technical assistance or studies carried out under the Project are consistent with the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects.

(c) The Recipient shall, prior to conducting any training or workshop under the Project, furnish to the World Bank for its review, the following information relating to such training or workshop: (i) the objective and content of the training or workshop envisaged; (ii) the selection method of institutions or individuals conducting such training or workshop, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said training or workshop; and (iv) the personnel selected to attend the training and/or the workshop.

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 Donors' 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 Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Documents; Records.** In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereto, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.
2.06. **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 indicators acceptable to the World Bank. 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 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 (6) months after the Closing Date.

2.07. **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. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.08. **Procurement**

(a) **General.** All goods 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:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (revised July 2014) (“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**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(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) 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 Individual Consultants; and (G) Single-source procedures 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.

(f) **Document Retention.** Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix I to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix I to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section 3.03 of this Agreement; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor.

**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>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, Operating Costs and Training under the Project</td>
<td>1,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,400,000</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 this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 29, 2018.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister in charge of finance.

4.02. **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  
    Republic of Madagascar  

    Facsimile:  
    +261 20 22 34530

4.03. **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

    Telex: Facsimile:  
    248423 (MCI) or 64145 (MCI)  
    1-202-477-6391