H. E. Andriambololona Vonintsalama Sehenosoa
Minister of Finance and Budget
Ministry of Finance and Budget
BP 61
Antananarivo
Republic of Madagascar

Re: SCF-PPCR Grant No.TF0A5362
Republic of Madagascar: Pilot Program for Climate Resilience
Phase I 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 Bank for Reconstruction and Development ("World Bank"), acting as implementing entity of the Pilot Program for Climate Resilience (PPCR) under the Strategic Climate Fund ("SCF"), proposes to extend to the Recipient a grant in an amount not to exceed one million five hundred thousand United States Dollars (USD 1,500,000) ("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 BANK FOR RECONSTRUCTION AND DEVELOPMENT

Mark R. Lundell
Country Director for Madagascar
Africa Region

AGREED:
REPUBLIC OF MADAGASCAR

Authorized Representative
Name: ____________
Title: ________
Date: ____________

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
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) “Bureau National pour la Coordination du Changement Climatique” and “BNCCC”, each means the national entity under the Ministry of Environment, Ecology, Sea and Forests responsible for the management, coordination and monitoring of actions related to climate change.

(b) “Cellule de Prevention et Gestion des Urgences” and “CPGU”, each means the Project implementing unit established by decree no. 2005-866, dated 20 December 2005 in the Prime Minister’s office as referred in Section 2.02 of this Annex.

(c) “Experts Working Groups” means group of technical experts to be formed to support the preparation of individual PPCR investment plans, under the supervision of the CPGU. The EWG for the PPCR will meet periodically and report back to the NTCCC with recommendations on the planned investments, drawing on the studies’ findings.

(d) “National Framework of the Climate Services” means a coordinating mechanism enabling the development and delivery services required at national and local levels.

(e) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Project, consisting of consumable materials and supplies, communication, mass media and printing services, banking charges, travel cost, lodging and per diem for staff related travel, and salaries of contractual staff (but excluding consultants’ services and salaries of officials of the Recipient’s civil service)

(f) “Steering Committee” means the committee established on 17 June 2016 through Arrêté no. 13216/2016 as referred to in Section 2.03(a).

(g) “Strategic Program for Climate Resilience” and “SPCR”, each means the Recipient’s Strategic Program for Climate Resilience.

(h) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation.
Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to formulate a Strategic Program for Climate Resilience and its relevant investment plan and to establish the enabling environment for its implementation. The Project consists of the following parts:

Part 1. Strengthen Climate Resilience and Climate Risk Management

Carrying out complementary studies designed to provide basic knowledge and information on vulnerability analysis and resilience, including:

(a) Conducting a diagnostic of existing studies and vulnerability analyses, including: (i) a diagnostic of finished and ongoing studies to identify gaps in terms of climate vulnerability and significant achievements in building resilience; and (ii) an inventory of existing policies, strategies and programs related to strengthening climate resilience to inform the preparation of the SPCR.

(b) Building knowledge of climate risks and hydrometeorology to: (i) model climate risks and their socioeconomic and environmental impacts; and (ii) finalize and disseminate the atlas of climate risk targeting sensitive sectors and regions.

(c) Developing knowledge on the vulnerability of public infrastructure through: (i) the assessment of public infrastructure vulnerability; and (ii) the preparation of studies about standards related to the resilience of different types of public infrastructures.

(d) Conducting an analysis of the links between climate change and land use planning through the carrying out of cross-cutting activities that include: (i) the update vulnerability studies on coastal zones in marine and coastal ecosystems, inventory of actions undertaken on resilience of coastal zones and analysis of the shape and costs of adaptation; and (ii) strengthening studies on climate-related threats in urban planning.

(e) Conducting an analysis of economic and financial impacts of disasters and climate change.

Part 2. Development of the SPCR and Investment Plan

Supporting the development and implementation of the SPCR, and the identification and planning of priority investments, through:

(a) Development of the SPCR by: (i) assessing the institutional capacities of each concerned sector, including organizational setup, internal and inter-sectorial coordination and implementation capacity; (ii) supporting the coordination mechanisms; (iii) raising awareness among decision-makers, stakeholders and the population; (iv) supporting the consultation process; and (v) developing a multi-sectoral communication plan to mainstream climate change and building resilience.

(b) Capacity building in targeted sectors, including: (i) the development of regional climate projections, modelling and downscaling; (ii) integration of issues related to climate change in budget planning; (iii) financing in the context of climate resilience; (iv) land use planning associated climate-related risks; (v) technical adaptation and protection of coastal areas; and (vi) training sectorial experts as users and beneficiaries of climate services, in the context of the implementation of the National Framework of the Climate Services.
Identification and planning of priority investments that includes: (i) determining priority actions and planning their implementation; (ii) conducting a consultation process with all stakeholders to select priority activities; and (iii) conducting feasibility studies of the investments.


Supporting the establishment of the Project implementation unit for Project execution, monitoring and evaluation, through the provision of: (a) adequate resources, including staff to coordinate activities related to: (i) climate change coordination across the Recipient’s offices; (ii) SPCR preparation; (iii) Project monitoring and evaluation; and (iv) capacity building; (b) technical assistance to strengthen Project management, coordination, monitoring and reporting capacity; (c) training, including workshops; and (d) incremental Project management costs.

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 Cellule de Prevention et Gestion des Urgences (CPGU) 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. Without limitation upon the provisions of Section 2.02 above:

(a) The Recipient shall maintain, throughout Project implementation, the Steering Committee, comprised of officials at the director-general level from the Prime Minister’s office, officials from the Recipient’s ministries in charge of: (i) environment, ecology, sea and forest; (ii) economy and planning; (iii) public infrastructure, (iv) land use planning; (v) agriculture; and (vi) water-sanitation-hygiene, as well as officials from the disaster risk management national bureau and the national committee for coastal and marine area management (“Steering Committee”).

(b) To this end, the Steering Committee shall facilitate ministerial support to the SPCR preparation and implementation and provide guidance on: (i) planning, monitoring and evaluation; (ii) mobilization of funds and technical resources within the Recipient’s territory; (iii) mobilization of international funding; and (iv) the production and use of scientific and socio-economic information on climate and development to be incorporated in the design, preparation and implementation of programs and projects.

(c) The Recipient shall maintain, throughout Project implementation, the National Climate Change Coordination Bureau (BNCCC) with composition, resources, functions and with staff in adequate numbers with experience and qualifications satisfactory to the World Bank to provide technical support to the CPGU.

(d) The Recipient shall, not later than two months after the Effective Date, establish and maintain, throughout Project implementation, Experts Working Groups, under terms of reference acceptable to the World Bank and with staff with experience and qualifications satisfactory to the World Bank, to support the preparation of individual PPRC investment plans, under the supervision of the CPGU.

(e) The Recipient shall maintain, throughout the project implementation the Project implementation unit (CPGU) with composition, resources, functions, and staff in adequate
numbers, including a National Coordinator, a Communications Officer, a Financial Management Specialist, and a Procurement Specialist, with experience and qualifications satisfactory to the World Bank, to provide fiduciary and administrative support to the CPGU.

2.04. **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.

2.05. **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 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 (6) months after the end of such period.

2.06. **Procurement**

All goods and consulting 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 the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated June 22, 2017, provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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 “Disbursement Guidelines for Investment Project Financing”, dated February 2017, 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:
### 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>Goods, consulting services, Operating Costs and Training under the Project</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,500,000</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 this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 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 Bank for Reconstruction and Development
   1818 H Street, N.W.
   Washington, D.C. 20433
   United States of America

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