

CONFORMED COPY

CREDIT NUMBER 2243 MAG

(Livestock Sector Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 12, 1991

CREDIT NUMBER 2243 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 12, 1991, between DEMOCRATIC REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has stated in a letter, dated April 17, 1991, and addressed to the Association the Borrower's livestock sector policy designed to improve the efficiency of the livestock sector (the Program);

(C) the Borrower intends to obtain from Caisse Centrale de Cooperation Economique (CCCE) a financing in an amount equivalent to about five million five hundred thousand Dollars (\$5,500,000) (the CCCE Financing) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Agreement) to be entered between the Borrower and CCCE;

(D) the Borrower intends to obtain from the French Ministry of Cooperation and Development (MCD) a contribution equivalent to about one million Dollars (\$1,000,000) (the MCD Financing) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the MCD Agreement) to be entered between the Borrower and MCD;

(E) the Borrower intends to obtain from the Association, acting as Administrator of development funds provided by the Kingdom of Norway (Norway) a grant in an amount equivalent to about two million one hundred thousand Dollars (\$2,100,000) (the Norwegian Grant) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the Norwegian Agreement) to be entered between the Borrower and the Association;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MPAEF" means the Borrower's Ministry responsible for animal production, water and forests;

(b) "MinAgri" means the Borrower's Ministry responsible for agriculture;

(c) "DEL" means the Livestock Directorate within MPAEF;

(d) "DEPF" means the Financing, Programming and Studies Directorate within MPAEF;

(e) "CEPROVET" means the Veterinary Promotion Center, to be established pursuant to the provisions of paragraph 3 (d) of Schedule 1 to this Agreement;

(f) "ROMANOR" means the entity to be legally established pursuant to Section 6.01 (b) of this Agreement;

(g) "FOFIFA" means the Centre National de Recherche Appliqu e au D veloppement Rural;

(h) "FIFAMANOR" means the development operation of MinAgri, active in the region of Antsirabe;

(i) "LPF" means the livestock promotion fund to be established pursuant to paragraph 3 (c) of Schedule 1 to this Agreement;

(j) "ROMANOR Implementation Agreement" means the agreement to be entered by the Borrower with ROMANOR according to the provisions of Section 3.01 (a) (ii) of this Agreement;

(k) "CEPROVET Implementation Agreement" means the agreement to be entered by the Borrower with CEPROVET according to the provisions of Section 3.01 (a) (iii) of this Agreement;

(l) "FOFIFA" Implementation Agreement" means the agreement to be entered by the Borrower with FOFIFA according to the provisions of Section 3.01 (a) (iv) of this Agreement;

(m) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 5, 1990 and May 9, 1990, between the Borrower and the Association; and

(n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fourteen million Special Drawing Rights (SDR 14,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be

designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 2001 and ending February 15, 2031. Each installment to and including the installment payable on February 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Parts A.1 through A.8, B.1, B.2, B.4, B.5 and C.9 of the Project through MPAEF with due diligence and efficiency and in conformity with appropriate financial, administrative and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.
- (ii) shall cause ROMANOR to carry out Parts C.1 through C.5 and C.7 of the Project, with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices in accordance with the ROMANOR Implementation Agreement to be entered into by

the Borrower and ROMANOR whose terms and conditions shall have been approved by the Association, including arrangements to be made between ROMANOR and FIFAMANOR, and which shall not be amended without the prior approval of the Association;

- (iii) shall cause CEPROVET to carry out Parts A.9 and A.10 of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices in accordance with the CEPROVET Implementation Agreement to be entered into by the Borrower and CEPROVET, whose terms and conditions shall have been approved by the Association and which shall not be amended without the prior approval of the Association;
- (iv) shall cause FOFIFA to carry out Parts B.3 and C.8 of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices in accordance with the FOFIFA Implementation Agreement to be entered into by the Borrower and FOFIFA, whose terms and conditions shall have been approved by the Association and which shall not be amended without the prior approval of the Association;
- (v) shall cause a legal entity to be established under droit priv , with statutes acceptable to the Association, to carry out Part C.6 of the Project with due diligence and efficiency and in conformity with appropriate financial, administrative and engineering practices;
- (vi) shall take or cause to be taken all action including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ROMANOR, CEPROVET, FOFIFA and the entity referred to in paragraph (v) above to carry out the respective Parts of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the respective Parts of the Project.

(b) Without any limitation upon the provisions of paragraph (a) of this Section, the Borrower shall, for the purpose of making available its contribution, open and maintain a separate account, make an initial contribution of the equivalent of \$100,000 into such account and replenish such account on a monthly basis up to the amount of the initial contribution.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and

expenditures in respect of the Project of the departments or agencies of the Borrower, including the LPF, responsible for carrying out the Project or any part thereof.

(b)The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) The Borrower shall cause ROMANOR, FIFAMANOR, FOFIFA and CEPROVET to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial conditions of ROMANOR, FIFAMANOR, FOFIFA and CEPROVET, respectively.

(d) The Borrower shall cause ROMANOR, FIFAMANOR, FOFIFA and CEPROVET to:

- (i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of their financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records, accounts, financial statements and the audit thereof as the Association shall from time to time reasonably request.

(e) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall implement its public sector divestiture program in the livestock sector as set forth in the annex to the Program.

Section 4.03. (a) Unless otherwise agreed by the Association, the Borrower shall maintain a hiring freeze for DEL, until the study to be carried under Part A.8 of the Project has been completed and the Borrower has presented an action plan acceptable to the Association.

(b) By January 31, 1992, the Borrower shall eliminate all irregularities identified in the civil service census within MPAEF.

Section 4.04. The Borrower shall:

- (i) not grant any exemptions for duties on dairy products;
- (ii) take all necessary measures to assure that dairy products imported under food aid shall be sold to local operators under conditions compatible with the market situation, such conditions to be determined according to rules acceptable to the Association;
- (iii) convene, annually, a meeting of donors active in food aid in Madagascar, in order to coordinate deliveries to Madagascar of any such dairy products.

Section 4.05. The Borrower shall take adequate measures to:

- (i) effectively enforce its sanitary protection regulations at its borders;
- (ii) restrict any animal imports, requiring quarantine, to air transport arriving at the airport of Ivato-Antananarivo.

Section 4.06. By March 31, 1992, the Borrower shall restructure DEL in accordance with an organization chart acceptable to the Association.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely that:

(a) The implementation of the Program shall have been suspended or terminated or shall have materially deviated from such Program as defined in the Preamble to this Agreement.

(b) Subject to paragraph (c) of this Section:

- (i) the right of the Borrower to withdraw the pro-

ceeds of the CCCE Financing, the Norwegian Grant or the MCD Contribution made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the CCCE Agreement, the MCD Agreement or the Norwegian Agreement, or

(ii) the CCCE Financing shall have become due and payable prior to the agreed maturity thereof.

(c) Paragraph (b) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that:

(i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (b) (ii) of this Agreement shall occur, subject to the proviso of Section 5.01 (c) of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has published new legislation relating to the legal framework for veterinary activities, the by-laws pertaining to sanitary protection, the national veterinary order and the distribution of veterinary pharmaceuticals;

(b) ROMANOR has been legally established under droit privé with statutes acceptable to the Association and the Borrower has entered into an Implementation Agreement with ROMANOR in accordance with the provisions of Section 3.01 (ii) of this Agreement;

(c) the Borrower has made an initial deposit of the equivalent of \$100,000 into the account referred to in Section 3.01 (b) of this Agreement;

(d) all conditions precedent to initial disbursements of the CCCE Financing, the MCD Contribution and the Norwegian Grant have been fulfilled, save the effectiveness of this Agreement, have been taken.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minist re des Finances et du
Budget
Antananarivo
Madagascar

Cable address: Telex:
MINFIN 22489
Antananarivo

For the Association:

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

Cable address: Telex:
INDEVAS 248423 (RCA)
Washington, D.C. 82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their
duly authorized representatives, have caused this Agreement to be
signed in their respective names in the District of Columbia, United
States of America, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF MADAGASCAR

By /s/ Pierrot J. Rajaonarivelo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be
financed out of the proceeds of the Credit, the allocation of the
amounts of the Credit to each Category and the percentage of
expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Grants for:		
(a) materials and equipment under Part C.9 (c) and (d) of the Project	106,000	80%

(b) materials and equipment under Part C.9 (b) of the Project	423,000	100%
(2) Vehicles, equipment and other goods for Parts C.1 through C.5 of the Project	564,000	100% of foreign expenditures and 85% of local expenditures
(3) Management services for Part C.3 of the Project	70,000	90%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Training and fellowships under Parts C.1 and C.5 of the Project	317,000	100%
(5) Incremental operating costs for Part C.1 of the Project	1,057,000	85%
(6) Civil works under Parts A.2, A.3, A.9 and B.2 of the Project	775,000	85%
(7) Vehicles, equipment and other goods for Parts A and B.2 of the Project	2,044,000	100% of foreign expenditures and 85% of local expenditures
(8) Consultants' services and studies for Parts A and B of the Project	1,233,000	100%
(9) Management, accounting and auditing services other than for Part C.3 of the Project	176,000	100%
(10) Training and fellowships under Parts A and B.2 of the Project	1,128,000	100%
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(11) Grants under Part A.10 of the Project	634,000	90%
(12) Staff allowances of DEL	634,000	100% up to an amount of SDR 423,000, 60% up to an

		aggregate amount of SDR 564,000 and 30% thereafter
(13) Incremental operating costs of DEL, DEFF and CEPROVET	2,713,000	80%
(14) Vehicles, equipment and incremental operating costs of FOFIFA under Parts B.3 and C.8 of the Project	317,000	90%
(15) Refunding of Project Preparation Advance	282,000	Amount due under Section 2.02 (c) of this Agreement
(16) Unallocated	1,527,000	
TOTAL	14,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means expenditures related to operation and maintenance of vehicles, office supplies, veterinary supplies, operation of demonstration plots, temporary labor, maintenance of buildings, subscriptions to periodicals and local travel.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made, or to be made, in respect of Category 14 of the table set forth in paragraph 1 of this Schedule, unless the FOFIFA Implementation Agreement has been signed in accordance with the provisions of Section 3.01 (a) (iv) of this Agreement; (c) payments made, or to be made, in respect of Category 1 of the table set forth in paragraph 1 of this Schedule, unless the Borrower has established the LPF with operating procedures, including procurement procedures acceptable to the Association and its executive board has been appointed with equal representation of the governmental and farmers associations; and (d) payments made, or to be made, in respect of Category 11 of the table set forth in paragraph 1 of this Schedule, unless the Borrower has established CEPROVET as an association with operating procedures acceptable to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to promote livestock production for domestic consumption and export.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institution Building Component

1. Training of selected DEL staff, including fellowships.
2. Establishment of a scientific and technical documentation center, improvement of facilities and provision of equipment and vehicles therefor.
3. Rehabilitation of five existing regional diagnostic laboratories, establishment of five district diagnostic laboratories to test the viability of a full network of decentralized laboratories and rehabilitation of the quarantine station at Ivato Airport.
4. Creation of five mobile teams for the carrying out of epidemiological surveys for the regional determination of mandatory disease control programs.
5. Studies, in service training and provision of furniture and equipment for the establishment of a national animal disease reporting system.
6. Studies, in-service training and provision of furniture and equipment for the establishment of a monitoring and evaluation system.
7. Evaluation and audit studies for selected parastatals in the livestock sector.
8. A manpower requirement review of DEL, development of new curricula for pre-service training programs and workshops for DEL staff.
9. Establishment of a veterinary promotion center (CEPROVET), and remodelling of office space, provision of furniture, a vehicle, and training.
10. Installation grants for about 90 private veterinary practitioners.

Part B: Extensive Production Component

1. Introduction of drug and input distribution as a private activity and provision of initial stocks of drugs and inputs for operators.
2. Rehabilitation of local and regional offices of, and provision of vehicles and equipment for DEL and on-the-job training of its decentralized staff.
3. Pilot research and development programs aiming at the alleviation of nutritional constraints in extensive cattle production systems.
4. A study on the bush fires problem.
5. Demonstration schemes to transfer research results to farmers.

Part C: Dairy Development Program

1. Extension services for farmer associations including technical and management assistance services and training for future staff of farmer associations or farmer association unions.
2. Provision of office equipment and supplies to farmer associations.
3. Strengthening of the management capability of ROMANOR.
4. An applied research program on fodder production.
5. A seed production program, including production of basic seeds, demonstration plots, seed multiplication by farmers and training.

6. Rehabilitation of milk collection facilities and processing plants of Antsirabe, Antananarivo and Antovotany and strengthening of their management capability.

7. Creation of a herd book and support services for artificial insemination, in particular for farmer associations.

8. A research and development program on crop/livestock farming systems.

9. Provision of grants to farmer associations for:

(a) the rehabilitation and maintenance of about 1000 km of milk collection tracks;

(b) the creation of about 50 milk collection centers and about 10 mini-dairy plants;

(c) the construction of about 15 small feed mills and corresponding storage silos; and

(d) construction of about 10 small-scale installations to produce mineral licks.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Madagascar may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items for goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$700,000, and works shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$2.5 million and contracts for works estimated to cost the equivalent of \$5,000 or less, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final

contracts:

(a) With respect to contracts estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Annual Work Programs

1. By September 30 during each year of execution of the Project, the Borrower shall prepare and submit to the Association for comments:

- (i) a work program covering all activities of the Borrower in the livestock sector during the following year and a budget therefor;
- (ii) a report on the execution of the annual work program executed during the preceding year;
- (iii) a work program of all activities to be carried out under the Project during the following year, in such scope and such detail as shall be satisfactory to the Association, including a financing plan therefor; and
- (iv) a report on the execution of the Project during the preceding year, in such scope and such detail as shall be satisfactory to the Association.

Mid-term Review

2. By November 30, 1994, the Borrower shall undertake, through consultants employed in accordance with the provisions of Section II of Schedule 3 to this Agreement, an in-depth review of the Project

and its implementation arrangement and submit a report thereon to the Association, which shall be in such scope and such detail, as the Association shall reasonably request. Without limitation upon the generality of the foregoing, said report shall contain a detailed examination of: (a) the viability of all parts of the Project; (b) the progress in the withdrawal of DEL field services from curative veterinary activities and non-compulsory vaccinations; (c) the execution of the divestiture program; (d) private involvement in the supply and distribution of veterinary care, drugs and other inputs; and (e) the outcome of epidemiological surveys and an assessment of disease control strategies.

3. By February 28, 1995, the Borrower shall review with the Association and the other co-donors the report proposed pursuant to paragraph 2 above and shall take all necessary measures to remedy any problem identified during such review.

Cost Recovery for Veterinary Services

4. The Borrower shall take all necessary measures to ensure that:
- (i) farmers receiving goods and services provided by DEL are charged the commercial value of any such goods and services, with the exception set forth in sub-paragraph (ii) below; and
 - (ii) compulsory vaccinations campaigns would recover at least the cost of the vaccine.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (14) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount of \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to, or at the time of each such request,

the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the

Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

