

CONFORMED COPY

CREDIT NUMBER 2042 MAG

(National Agricultural Research Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 11, 1989

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 11, 1989, 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) Part of the Project will be carried out by Centre National de Recherche Appliquee au Developpement Rural (hereinafter "FOFIFA") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to FOFIFA part of the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to obtain from additional donors (hereinafter "Cofinanciers") loans or grants (hereinafter "Cofinancing") to assist in financing the Project on the terms and

conditions to be set forth in agreements to be entered into between the Borrower and each of the Cofinanciers; and

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 and in the Project Agreement of even date herewith between the Association and FOFIFA;

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) "Project Agreement" means the agreement between the Association and FOFIFA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "ESSA Subsidiary Agreement" means the agreement to be entered into between the Borrower and ESSA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time;

(c) "FOFIFA" means the National Center for Applied Research on Rural Development, an *etablissement public a caractere industriel et commercial*, established pursuant to the Borrower's Decree No.74-184, dated June 10, 1974;

(d) "Statutes" means the *statuts* of FOFIFA, as defined by the Decree No. 74-184 of June 10, 1974, the Decree No. 83-423 of December 3, 1984, as the same may be amended from time to time;

(e) "FY" means FOFIFA's fiscal year, which coincides with the calendar year;

(f) "ESSA" means the *Ecole Superieure des Sciences Agronomiques*;

(g) "Steering Committee" means the Steering Committee for Agricultural Research Financing to be established pursuant to the provisions of Section 6.01 (c) of this Agreement;

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

(i) "MPARA" means the Borrower's Ministry of Agricultural Production and Agrarian Reform;

(j) "MPAEF" means the Borrower's Ministry of Livestock, Fisheries and Forestry; and

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 24, 1989 and May 26, 1989 between the Borrower and the Association.

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 eighteen million six hundred thousand Special Drawing Rights (SDR 18,600,000).

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 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 account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 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 December 31, 1996, 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 and 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 date in that year specified in Section 2.06 of this Agreement.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ 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 April and October 1 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 semiannual installments payable on each April 1 and October 1, commencing October 1, 1999, and ending April 1, 2029. Each installment to and including the installment payable on April 1, 2009, 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause FOFIFA to perform in accordance with the provisions of the Project Agreement all the obligations of FOFIFA therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable FOFIFA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit allocated and withdrawn from Categories (1) through (5) of the table set forth in paragraph 1 to Schedule 1 to this Agreement available to FOFIFA as a grant.

(c) For the purposes of carrying out Part F of the Project, the Borrower shall make the proceeds of the Credit allocated to Categories (6) through (9) of the table set forth in paragraph 1 of Schedule 1 to this Agreement available to ESSA as a grant under a subsidiary agreement (the ESSA Subsidiary Agreement) to be entered into between the Borrower and ESSA under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the ESSA Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the ESSA Subsidiary Agreement or any provision thereof.

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.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in

respect of Parts A through E of the Project shall be carried out by FOFIFA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. At all times during execution of the Project the Borrower shall take all measures necessary to ensure that:

- (i) all positions, which shall include three scientists of international repute with experience and qualifications acceptable to the Association, of the Steering Committee shall be filled;
- (ii) the Steering Committee shall carry out a mid-term review of the Project not later than November 30, 1993;
- (iii) the Steering Committee shall operate in accordance with operating procedures which shall be satisfactory to the Association;
- (iv) Cofinancing obtained by the Borrower and FOFIFA from Cofinanciers shall be coordinated and approved by the Steering Committee; and
- (v) other agencies financing agricultural research not carried out by FOFIFA shall be invited to attend the meetings of the Steering Committee as observers.

Section 3.05. Upon dissolution of the stabilization funds for export crops, the Borrower shall prepare a proposal, satisfactory to the Association, for the substitution of funding for agricultural research previously obtained by FOFIFA from such stabilization funds, and the Borrower shall promptly implement such new funding mechanism.

Section 3.06. The Borrower shall cause ESSA to recruit a professor of biometrics in accordance with the provisions of Section II of Schedule 3 to this Agreement no later than January 1, 1990.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause ESSA to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part F of the Project.

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

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made; and
- (iii) enable the Association's representatives to examine such records.

(c) The Borrower shall:

- (i) cause ESSA to have the records and accounts referred to in paragraph (a) of this Section and

have the records and accounts referred to in paragraphs (b) (i) of this Section and 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, and shall cause ESSA to furnish, to the Association as soon as available, but in any case not later than six months after the end of each year the report of such audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and
- (iii) furnish, and cause ESSA to furnish, to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) FOFIFA shall have failed to perform any of its obligations under the Project Agreement.

(b) ESSA shall have failed to perform any of its obligations under the ESSA Subsidiary Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that FOFIFA will be able to perform its obligations under the Project Agreement.

(d) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of FOFIFA to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of FOFIFA or ESSA or for the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) or (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (d) or (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are 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 ESSA Subsidiary Agreement has been signed on behalf of the Borrower and ESSA;

(b) the Statutes have been amended in a manner acceptable to the Association providing for a new organization structure, a redefinition of the responsibilities of the Borrower's Commissaire du Gouvernement and a definition of the role of the new general accounting service.

(c) the Borrower has: (i) nominated the chairman of the Steering Committee, employed three scientists of international repute in accordance with the provisions of Section II of Schedule 3 to this Agreement; (ii) defined the responsibilities and operating procedures of the Steering Committee, in a manner acceptable to the Association; (iii) informed all Cofinanciers of such responsibilities and procedures; and (iv) invited all Cofinanciers to participate in the meetings of the Steering Committee through a duly authorized representative;

(d) FOFIFA has reduced its number of lower level staff in a manner acceptable to the Association; and

(e) the Association has received from independent auditors, acceptable to the Association, a certification of: (i) acceptability of accounting policy; (ii) the adequacy of FOFIFA's revised accounting and internal control system; and (iii) all measures necessary to verify physically or by third party confirmation all balance sheet items (receivables and payables) and to value those balance sheet items correctly as of December 31, 1989, have been carried out.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by FOFIFA, and is legally binding upon FOFIFA in accordance with its terms.

Section 6.03. 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible at the time 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:

Ministere des Finances et du Budget
(101) 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:
INDEVAS
Washington, D.C.

Telex:
440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Jean Rene Tsiangalara
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 set 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
FOFIFA:		
(1) Works	3,870,000	90%
(2) Vehicles and Equipment	4,650,000	100%
(3) Consultants' services	1,820,000	100%
(4) Training	1,550,000	100%
(5) Operating Cost	3,480,000	100%
ESSA:		
(6) Works	40,000	90%
(7) Equipment	220,000	100%
(8) Consultants' services	260,000	100%

Amount of the
Credit Allocated
(Expressed in

% of
Expenditures

Category	SDR Equivalent)	to be Financed
(9) Operating cost for biometry training	310,000	100%
(10) Refunding of Project Preparation Advance	580,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(11) Unallocated	1,820,000	
TOTAL	18,600,000	

2. For the purposes of this Schedule the term "operating cost" means: (i) the items the Association accepted to finance in the context of the review of the annual work program of FOFIFA; and (ii) supplies and third party services of ESSA related to biometry training.

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, for expenditures to be financed out of the proceeds of the Credit allocated to Categories (2) through (5) unless: (i) the annual work program for the respective FY of FOFIFA submitted to the Association in accordance with the provisions of paragraph 7 of the Schedule to the Project Agreement has been judged acceptable to the Association; and (ii) the Borrower's budget for the following year provides for an adequate allocation to meet the Borrower's share of financing of any such annual work program;

(c) payments made, or to be made, for expenditures to be financed out of the proceeds of the Credit allocated to Category (1) unless the Association has been furnished with evidence satisfactory to the Association that: (i) FOFIFA has ceased operations at sites other than those referred to under Part A of the Project; and (ii) the land title has been issued for the respective site referred to in Part A of the Project in the name of FOFIFA or the institution of the Borrower responsible for agricultural research;

(d) payments made, or to be made, for expenditures to be financed out of the proceeds of the Credit allocated to Categories (6) through (9) unless FOFIFA and ESSA have signed an agreement, acceptable to the Association, specifying the training programs to be carried out under Part F of the Project; such programs to include course contents and a time schedule.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen national agricultural research and make it more responsive to the needs and constraints of producers in Madagascar.

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: Priority Research Programs

Carrying out of nationally coordinated, multi-disciplinary

research programs, on- and off-station, on crop production (including rice, maize, cassava, groundnuts, cotton, sugar cane, coffee, vanilla and pepper), animal production (including milk production and beef-, mutton-, pork-, poultry- and rabbit-production), forestry and fisheries (including fuel wood, industrial wood, natural forests, soil conservation and inland fisheries), agricultural technology (including post-harvest technology, agricultural mechanization, and on-farm irrigation efficiency) and farming system research. These programs will be carried out at FOFIFA's headquarters and central facilities in Antananarivo, the research centers of Mahitsy, Lac Alaotra, Kianjasoa, Fianarantsoa, Tulear, Miadana, Ivoloina and Antalaha, the stations of Antsirabe, Bealanana, Kianjavato and Moramanga, and the sub-stations of Beforona, Manankazo, Tanandava, Bezaha and Marovoay.

Part B: Institutional Strengthening of FOFIFA

1. Strengthening of FOFIFA's research management, station management, and administrative and financial management through provision of staff training, and equipment.
2. Improvement of FOFIFA's linkages with other research organizations through attendance of research staff in national and international seminars, workshops and scientific congresses and strengthening of information resource management through provision of scientific publications.
3. Improvement of FOFIFA's capacity for donor coordination through the Steering Committee.
4. Strengthening of FOFIFA's research programming, priority setting capacity, and monitoring and evaluation function through the introduction of a research data resource management system, training and equipment.

Part C: Improvement of FOFIFA's Research Quality and Adaptability

1. Improvement of research design and biometrical analysis through the provision of computer hardware and software and training.
2. Integrating animal production, soil conservation and agro-forestry research into farming systems research and strengthening of research capabilities on economics of agricultural production, produce marketing, human resources, and the evaluation and application of new technologies through provision of training.
3. Improvement of research extension linkages and farmer constraints diagnosis capability through increase of on-farm research and training of extension staff.
4. Introduction of an internal and external research program evaluation system.

Part D: FOFIFA's Human Resource Development

1. Improvement of personnel management and recruitment policies and procedures through training.
2. Provision of post-graduate education and training of scientific, technical and administrative staff.

Part E: Rehabilitation of Physical Plant and Equipment of FOFIFA

1. Construction and rehabilitation of housing (outside of Antananarivo), operational buildings, and related facilities, land improvement, and rehabilitation of access roads, and irrigation and drainage systems.
2. Provision of office furniture and equipment, housing

furniture and equipment, irrigation equipment, laboratory equipment, vehicles, including tractors, agricultural equipment, micro computers and publishing equipment.

Part F: Support to ESSA

1. Training of existing and future research staff of FOFIFA and strengthening of training capability in biometry, data analysis and research design through provision of micro computers, and software.

2. Construction of training facilities at the site of ESSA in Antananarivo.

* * * *

The Project is expected to be completed by July 1, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part D hereof, goods and works 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Civil works estimated to cost less than the equivalent of \$250,000 and goods estimated to cost less than the equivalent of \$100,000 per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided that:

(a) registration of bidders in the Borrower's Registry of Commerce shall not be required for the acceptance of their bids;

(b) no procurement shall be made on the basis of selected tendering or direct contracting except in the case of rejection of all bids;

(c) bids shall be opened in public, i.e., bidders or their representatives shall be allowed to be present; and

(d) no special preference shall be given to local bidders in the evaluation of bids.

2. Works estimated to cost the equivalent of \$50,000 or less, equipment estimated to cost the equivalent of \$30,000 or less, and

special equipment including scientific equipment, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, except for equipment available only from a sole source, which may be contracted directly from any such source after prior approval of any such contract by the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for works estimated to cost the equivalent of \$250,000 or more and with respect to each contract for equipment 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 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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 FOFIFA and ESSA in carrying out the Project, consultants shall be employed 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) 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 equivalent to \$400,000 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 made 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 withdrawn 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.

