

CONFORMED COPY

CREDIT NUMBER 2911 MAG

Development Credit Agreement

(Public Management Capacity Building Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 26, 1996

CREDIT NUMBER 2911 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 26, 1996, between REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower has issued a statement of public sector policy, dated December 7, 1995, describing a program of actions, objectives and policies designed to strengthen its economic and public sector management capacity, (hereinafter referred to as "the Program"), and declared its commitment to the execution of the Program;

(B) 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;

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 modifications thereto set forth below (the General Conditions) con-

stitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted;
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "CSP" means the Comit de Suivi des Projets established by the Borrower to monitor the implementation of projects included in the PIP;
- (b) "DB" means Direction du Budget of MFB;
- (c) "DGP" means the Direction Gnrale du Plan of SEEP;
- (d) "DGT" means the Direction Gnrale du Trsor of MFB;
- (e) "DIP" means the Direction des Investissements Publics of SEEP;
- (f) "Implementation Plan" means the implementation plan referred to in paragraph 11 of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Implementation Plan;
- (g) "Implementing Agencies" means the agencies of the Borrower referred to in Section 3.01 of this Agreement;
- (h) "INSTAT" means the Borrower's Institut National de la Statistique;
- (i) "MFB" means the Borrower's Ministre des Finances et du Budget;
- (j) "MFOP" means the Borrower's Ministre de la Fonction Publique;
- (k) "MJ" means the Borrower's Ministre de la Justice;
- (l) "MID" means the Borrower's Ministre de l'Intrieur et de la Dcentralisation;
- (m) "PEP" means the Borrower's Public Expenditure Program;
- (n) "PIP" means the Borrower's Public Investment Program;
- (o) "Project Account" means the project account referred to in section 3.04 (a) of this Agreement;
- (p) "Project Coordinator" means the Project Coordinator referred to in paragraph 10 (b) of Schedule 4 to this Agreement;
- (q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to letters of agreement between the Borrower and the Association, dated April 14, 1995, and August 8, 1996, respectively;
- (r) "SEEP" means the Borrower's Sectariat d'Etat l'Economie et au Plan;
- (s) "Special Account" means the account referred to in Section

2.02 (b) of this Agreement;

(t) "STA" means Secretariat Technique de l'Ajustement established by the Borrower by Decree No.95-214, dated March 7, 1995, for the purpose of coordinating the preparation and implementation of the program referred to in Part A.1 of the Project.

## 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 nine million six hundred thousand Special Drawing Rights (SDR 9,600,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial 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, 2001 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 April 1 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 semi-annual installments payable on each April 1 and October 1 commencing October 1, 2006 and ending April 1, 2036. Each installment to and including the installment payable on April 1, 2016 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, shall carry out Parts A, B, C, D, E, F and G of the Project through STA, INSTAT, SEEP, MFB, MFOP, MID and MJ, respectively (hereinafter referred to as Implementing Agencies), with due diligence and efficiency and in conformity with appropriate technical, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) 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, and the Implementation Plan.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall open, in a commercial bank and on terms and conditions satisfactory to the Association, a project account in the currency of the Borrower, to be operated and maintained by the Project Manager, into which it shall deposit from time to time its local counterpart contribution to the cost of the Project.

(b) The Borrower shall:

- (i) make an initial deposit of the equivalent of \$100,000 into the Project Account; and
- (ii) thereafter have the Project Account replenished on a quarterly basis, or whenever the balance thereof equals not more than one third of the amount of the initial deposit, whichever occurs first.

#### ARTICLE IV

##### Financial 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 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 quarter and 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 two (2) months after the end of each quarter or six (6) months after the end of each such year, as the case may be, 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) 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 each quarterly and 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 quarter or fiscal year, as the case may be, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### 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 situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### 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 Borrower has submitted an Implementation Plan, acceptable to the Association, pursuant to paragraph 11 of Schedule 4 to this Agreement;

(b) the Project Account has been duly opened, and the initial amount of \$100,000 equivalent deposited therein; and

(c) the Borrower has established an adequate financial management and accounting system for the Project, and selected auditors to audit the accounts in accordance with Section 4.01 of this Agreement and Section II of Schedule 3 thereto, respectively.

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.

Section 6.03. The obligations of the Borrower under Article IV of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower 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:

Ministry of Finance and Budget  
Antananarivo 101  
Madagascar

Cable address:

MINFIN  
Antananarivo

Telex:

22489

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:

248423 (RCA)  
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.

REPUBLIC OF MADAGASCAR

By /s/ Pierrot Rajaonarivelo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

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) Vehicles and office equipment	970,000	100% of foreign expenditures and 75% of local expenditures
(2) Books and publications	830,000	100% of foreign expenditures and 75% of local expenditures
(3) Consultants' services and studies:	4,300,000	100%
(4) Pilot activities under Part E.3	740,000	100% of foreign expenditures and

of the Project		75% of local expenditures
(5) Training and workshops	1,340,000	100% of foreign expenditures and 75% of local expenditures
(6) Public information campaigns and surveys	390,000	75% of local expenditures
(7) Operating costs	330,000	100% of foreign expenditures and 75% of local expenditures
(8) Refunding of Project Preparation Advance	680,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	20,000	
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TOTAL	9,600,000	=====

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 "operating costs" means the incremental operating costs incurred by the Implementing Agencies under the Project on account of (i) travel costs and allowances, (ii) maintenance of vehicles and equipment, (iii) banking charges, and (iv) office rent, supplies and utilities, and rent of other physical facilities.

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) expenditures under Category (2) of the table in paragraph 1 of this Schedule, unless the Borrower has furnished evidence satisfactory to the Association to show that it has established adequate rules to control access to law library facilities, and has taken all other measures necessary to ensure the safe keeping of books and periodicals procured under the Project; and (c) expenditures under Category (4) of the table in paragraph 1 of this Schedule, unless details of the proposed activity under Part E.3 of the Project have been submitted to the Association for its prior review and approval, and such approval has been duly obtained.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for consultants' services (firms) under contracts not exceeding \$100,000 equivalent, goods, equipment and consultants' services (individuals) under contracts not exceeding \$50,000 equivalent, operating costs, training and workshops under Part E.1 of the Project, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project



The objectives of the Project are to improve the Borrower's economic management capacity, and to assist in enhancing the effectiveness of the decentralization process, and civil service, and legal and judicial, reforms.

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: Support for STA

1. Provision of technical advisory services and training, and acquisition of equipment, to strengthen the capacity of STA to monitor and coordinate the economic and social reform program, and motivate and sensitize other technical Ministries involved in the adjustment process.

2. Design and implementation of a communication and information campaign aimed at explaining the adjustment process to the public.

Part B: Strengthening of INSTAT

1. Strengthening of the institutional capacity of INSTAT to ensure consolidation of national base accounts, the production of light annual accounts and the projection of national accounts over three outer years.

2. Development and implementation of a household-welfare monitoring and analysis scheme, including permanent surveys and studies, priority surveys and development of capacity to carry out such surveys.

3. Establishment of a permanent unit of INSTAT to carry out business cycle surveys, including preparation of a users' manual to carry out such surveys.

Part C: Support for SEEP

1. Carrying out of a series of studies related to economic development strategy, and to strengthen the analytical capacity of the Borrower to determine the economic viability of new projects, to review the status of on-going projects and programs and, in particular, their consistency with overall economic strategy, and to conduct the ex-post evaluation of completed projects.

2. Strengthening of the capacity of DIP to prepare, in conjunction with other sectoral ministries of the Borrower, sectoral strategy documents designed to serve as background for yearly expenditure reviews, and the adoption of the budget and the PIP; including finalization of a PEP consolidation manual, training of personnel of sectoral ministries and revision of budgetary procedures to integrate PEPs fully into budget and PIP preparation, and rationalization of financial and physical monitoring of the execution of the PIP.

3. Provision of training, materials and equipment to strengthen the capacity of CSP to monitor the implementation of projects and identify obstacles to their timely execution, and propose solutions accordingly.

4. Design and preparation of a quarterly publication, containing economic information and an investment project rundown, for public circulation.

5. Carrying out of an organizational audit to develop proposals for the reorganization of SEEP, having regard to the need to rationalize the allocation of human resources of DGP, and improve coordination within MFB and SEEP.

Part D: Support for MFB

1. Continuation of the budget reform process with a view to increasing the effectiveness of the budget as an instrument to support the Borrower's economic policies, including reorganization of DB and training

of staff.

2. Carrying out of an audit of autonomous agencies of the Borrower, with a view to promoting transparency in the treatment of their related expenditures in the budget.

3. Carrying out of an organizational audit of the DGT to provide guidance for the reorganization of the DGT, having regard to the need to review outdated administrative procedures, personnel training needs, and the need to ensure that there are available adequate human resources to perform the tasks involved.

4. Provision of technical advisory services to establish an efficient debt management system and, accordingly, to review the respective roles of the Central Bank and the DGT, including a diagnostic study to define appropriate solutions in terms of procedures, logistics and qualifications.

5. Rehabilitation and modernization of payroll management, including a preliminary study to review procedures, training of personnel and introduction of a new computerized payroll system.

6. Provision of advisory services for the establishment of a Department of Economic Forecast and Analysis within MFB.

#### Part E: Civil Service Reform

1. Preparation and organization of a series of workshops on civil service reform, covering all departments of the civil service, with a view to development of a detailed action plan for civil service reform.

2. Carrying out of a diagnostic study of four pilot Ministries -- agriculture, public works, health and education -- to establish a test case for civil service reform, and make proposals for restructuring, redeployment of functions and personnel management, and modification of operating practices and procedures, including proposals for redeployment of staff resulting from the process of decentralization and deconcentration, and the divestiture process in the relevant sectors.

3. Financing of activities to support reforms arising from recommendations of workshops on civil service reform, including specific studies, training, reorganization of administrative services and computerization.

#### Part F: Decentralization

1. Carrying out of a series of studies designed to assist in the design and implementation of the decentralization and deconcentration process.

2. Training of officials and higher level staff of the decentralized governments, and central government representatives, and design of a training program to support decentralization.

3. Provision of training and technical assistance, and acquisition of computer equipment, or other specialized services, to support pilot implementation of decentralization in selected urban centers, and thus provide useful examples and lessons for the pursuit of the decentralization process in other urban centers.

#### Part G: Legal and Judicial Reform

1. Compilation and publication of existing commercial and business laws, and publication of a legal periodical, including a law review section, a law reporting section and a section on legislative developments.

2. Reform of existing commercial and business laws, including the Commercial Code, the provisions governing the commercial registry, company legislation, land tenure legislation, and banking legislation.

3. Training and retraining of judges, magistrates, and paralegal

staff, and establishment of a school for that purpose.

4. Carrying out of measures to streamline the litigation process, particularly in the lower courts.

5. Carrying out of measures to strengthen the effectiveness of MJ and the courts.

6. Commissioning of a study on the establishment of an adequate arbitration mechanism capable of disposing of commercial disputes.

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The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines), and the following provisions of this Section, as applicable.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

###### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more each.

###### (b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost \$100,000 equivalent or less per contract and \$550,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; provided, however, that (a) bids are opened in public, and the amounts of bids are read out aloud, (b) contracts are awarded to the lowest evaluated responsive bidder, (c) a minimum of 30 days is provided between availability of bid documents and bid submission deadline, (d) a minimum of three bids are received, and (e) foreign bidders are allowed to participate.

###### 2. International Shopping

Textbooks, equipment and teaching materials estimated to cost \$30,000 equivalent or less per contract, and \$60,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

### 3. National Shopping

Goods estimated to cost \$30,000 equivalent or less in the aggregate may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

### 4. Direct Contracting

Law books and other specific legal materials estimated to cost \$810,000 equivalent or less in the aggregate may be procured directly from the publisher or the publisher's agent.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

### 2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## SCHEDULE 4

### Implementation Program

#### Part A of the Project

1. The Borrower shall, not later than December 31, 1996, issue brochures on the adjustment process for the benefit of the general population.

Part B of the Project

2. For purposes of Part B of the Project, the Borrower shall:

(a) not later than December 31, 1996, disseminate for public use all data collected by the household survey;

(b) organize a workshop to devise appropriate methodology for preparing business cycle surveys, and provide, not later than December 31, 1996, a detailed work program and outline of such methodology; and

(c) not later than March 31, 1998,

(i) produce final accounts for 1993, 1994 and 1995, and

(ii) develop the final version of methodology for aggregated light accounts.

Part E of the Project

3. The Borrower shall, not later than December 31, 1996, define and submit for consideration by the first national workshop to be organized pursuant to Part E.1 of the Project its proposed framework for civil service reform.

Part F of the Project

4. The Borrower shall: (a) not later than September 30, 1996, (i) revise the terms of reference of the committee of experts established pursuant to Decree No. 93-952, dated December 8, 1993, to include measures related to the deconcentration of services and responsibilities, (ii) ensure that no such measures shall be implemented except after the committee's views shall have been duly obtained, and (iii) adjust the composition of the committee to take account of its increased responsibilities; and (b) not later than December 31, 1996, establish a Local Government Finance Commission, consisting of representatives of central and local governments, to resolve conflicts arising from the transfer of resources and functions amongst the various levels of government.

Part G of the Project

5. The Borrower shall, not later than December 31, 1996, submit to the National Assembly appropriate draft legislation authorizing the process of compilation and publication of existing commercial and business laws.

6. Without limitation on its obligations under Section 3.01 (a) of this Agreement, the Borrower shall provide adequate budgetary resources to meet the recurrent costs of law reform activities under Part G.2 of the Project, and the proposed school under Part G.3 of the Project, and to ensure the proper administration of the courts, taking into account any proposed increase in the amount of the housing allowance, and any performance-based incentive payments, that may be agreed.

7. The Borrower shall (a) not later than September 30, 1996, provide adequate physical facilities for the proposed school under Part G.3 of the Project, and (b) recruit adequate numbers of trainee magistrates and court registrars (greffiers) annually to be admitted to the school.

8. For purposes of Part G.4 of the Project, the Borrower shall (a) not later than June 30, 1997, commission a study to investigate all outstanding causes of delay in the judicial process, (b) communicate the findings and recommendations thereof to the Association for review and comments, and (c) proceed thereafter to implement such recommendations, taking into account any comments that may have been thereon

by the Association.

9. For purposes of Part G.5 of the Project, the Borrower shall, not later than June 30, 1997, appoint a commission to review all aspects of the remuneration of magistrates, including related benefits, and to make recommendations accordingly.

#### General

10. The Borrower shall designate:

(a) an overall coordinator to be responsible for the overall coordination of the Project;

(b) a Project Coordinator to be responsible for the supervision and coordination of the day-to-day management of the Project, including development of an accounting system for implementation of the Project, coordination of procurement and disbursement activities pertaining to each of the executing agencies, coordination of annual activity reports and work plans, and quarterly and annual audits under Section 4.01 of the Project; and

(c) a coordinator to be responsible for each of the other components of the Project.

11. The Borrower shall:

(a) prepare and submit to the Association an implementation plan for the Project, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements agreed upon with the Association for purposes of implementation and monitoring of the Project; and

(b) carry out the Project in accordance with the Implementation Plan and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

12. The Borrower shall submit to the Association, for its review or approval, as the case may be:

(a) prior to the beginning of each fiscal year, and in any event not later than September 30 of each year, commencing September 30, 1996, a proposed annual work program for such fiscal year, including an annual program of studies under Part C.1 of the Project, a work program for the compilation and publication of laws under Part G.1 of the Project, a proposed legislative reform program under Part G.2 of the Project, annual training and study tour programs for each component of the Project, and, where applicable, an evaluation of the results of the training program for the current fiscal year;

(b) quarterly progress reports on the status of the Project;

(c) reports as needed on the award of individual contracts under the Project; and

(d) six-monthly procurement reports giving details of:

(i) revised cost estimates for individual contracts and for the Project, including best estimates of allowances for price contingencies;

(ii) revised timing of procurement actions, including advertizing, bidding, contract award and completion time for individual contracts; and

(iii) status of compliance with aggregate limits prescribed for specific procurement procedures.

13. (a) The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance

with performance indicators referred to in paragraph 11 (a) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof.

(b) The Borrower shall, not later than December 31, 1998, undertake, in conjunction with the Association and all Implementing Agencies, a joint mid-term review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower and all Implementing Agencies of their respective obligations under this Agreement and, in particular:

- (i) the progress achieved by the Borrower and all Implementing Agencies, having regard to indicators referred to in paragraphs 11 (a) and 13 (a) of this Schedule; and
- (ii) the performance of consultants under the Project.

(c) Not later than one month prior to the review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at such review.

(d) Following the review, the Borrower undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 \$500,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 2,000,000.

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 in 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;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) 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; or (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 paragraphs 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.

