

CONFORMED COPY

CREDIT NUMBER 1787 MAG

Development Credit Agreement

(Energy Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 20, 1987

CREDIT NUMBER 1787 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 20, 1987, 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 intends to contract from European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to fourteen million four hundred thousand dollars (\$14,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement);

(C) the Borrower intends to contract for Banque Arabe pour le Developpement Economique en Afrique (BADEA) a loan (the BADEA Loan) in an amount equivalent to five million four hundred thousand dollars (\$5,400,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the BADEA Loan Agreement) to be entered into between the Borrower and BADEA;

(D) by agreement, dated December 20, 1985, the Borrower has received from the Government of Switzerland a grant to assist in financing Part A of the Project;

(E) part of the Project will be carried out by Jiro Sy Rano Malagasy (JIRAMA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to JIRAMA part of the proceeds of the Credit as provided in this Agreement; 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 JIRAMA;

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 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 JIRAMA 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) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and JIRAMA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(c) "Special Account" means any of the special accounts referred to in Section 2.02 (b) of this Agreement;

(d) "Project Preparation Advance" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated July 1, 1986, and October 15, 1986, and an exchange of letters dated November 8, 1986, and January 7, 1987, between the Borrower and the Association;

(e) "MIEM" means the Borrower's Ministry of Industry, Energy and Mines;

(f) "JIRAMA" means Jiro Sy Rano Malagasy, the Malagasy Electricity and Water Corporation, created by ordonnance No. 75-024 of the Borrower, dated October 17, 1975;

(g) "BNI" means Bankin'ny Indostria, established pursuant to Ordonnance No. 76 047 of the Borrower, dated December 27, 1976;

(h) "Intermediary Agreement" means the agreement to be entered into by the Borrower and BNI in accordance with the provisions of Section 3.01 (d) of this Agreement; and

(i) "FANALAMANGA" means Fambolen-Kazon' Analabe-Moramanga, a Societe d'Economie Mixte, established pursuant to Arrete No. 1731 of the Borrower, dated May 16, 1975.

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 nineteen million eight hundred thousand Special Drawing Rights (SDR 19,800,000).

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 two special accounts (Special Account A and Special Account B) in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, Special Account A and Special Account B 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, 1992, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 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 May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing May 15, 1997, and ending November 15, 2036. Each installment to and including the installment payable on November 15, 2006, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

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 Part II of the Project through MIEM 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.

(b) The Borrower shall cause JIRAMA to perform, in accordance with the provisions of the Project Agreement, all the obligations of JIRAMA 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 JIRAMA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall relend part of the proceeds of the Credit allocated to and withdrawn under Categories (1) and (2) of the table in paragraph 1 of Schedule 1 to this Agreement to JIRAMA under a subsidiary loan agreement to be entered into between the Borrower and JIRAMA, under terms and conditions which shall have been approved by the Association which shall include a final maturity of 25 years, including five years of grace, an interest rate of 8.7% per annum and the foreign exchange risk to be borne by JIRAMA.

(d) For the purpose of carrying out Parts II.G (b) and III of the Project, the Borrower shall enter into an intermediary agreement with BNI under terms and conditions which shall have been approved by the Association for the purpose of making available the proceeds of the Credit allocated to and withdrawn under Categories (4) and (5) of the table in paragraph 1 of Schedule 1 to this Agreement to private charcoal companies involved in the carrying out of Part II.G (b) of the Project, if applicable, and the beneficiaries referred to in Part III of the Project; such agreement to provide for a commission payable to BNI of 0.5% of any amount passed on by BNI to any such beneficiary and the applicable lending terms of BNI.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Intermediary 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 Subsidiary Loan Agreement or Intermediary Agreement or any provision thereof.

(f) Without limitation on the generating of paragraph (b) of this Section, the Borrower shall take all measures necessary, including the authorization of the adjustments of JIRAMA's tariffs or increase of JIRAMA's capital, if necessary, to enable JIRAMA to comply with the provisions of Sections 4.02 and 4.03 of the Project 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.

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 Part I of the Project shall be carried out by JIRAMA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. (a) By December 31, 1987, the Borrower shall furnish to the Association for comment a draft contrat plan to be entered into by the Borrower and JIRAMA, establishing performance criteria and objectives for JIRAMA for the next five years, in the context of the Borrower's overall objectives regarding electricity, and specifying the mutual obligations to achieve JIRAMA's financial autonomy and a high standard of JIRAMA's services at least cost.

(b) By June 30, 1988, the Borrower shall furnish to the Association the final contrat plan, entered into by the Borrower and JIRAMA.

Section 3.05. By January 1, 1988, the Borrower shall make effective an adequate increase of electricity tariffs for JIRAMA and make an adequate capital contribution to JIRAMA to ensure that: (i) during FY 1988, JIRAMA will generate from internal sources not less than 1% of its investment program for FY 1988; and (ii) JIRAMA will have at its disposal adequate funds to cover the local expenditure requirement of such investment program.

Section 3.06. By September 30, 1987, the Borrower shall pay to JIRAMA the remainder of all arrears of the Government and the collectivites decentralisees relating to water and electricity sales.

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 Parts II and III of 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 Special Account A 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 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 completion of the audit for the fiscal year in which the last withdrawal from the Credit 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.

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) JIRAMA shall have failed to perform any of its obligations under the Project Agreement.

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

(c) Ordonnance No. 75-024 of October 17, 1975 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of JIRAMA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of JIRAMA or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of the BADEA Loan or the EIB Loan 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 BADEA Loan Agreement or the EIB Loan Agreement; or

(B) the BADEA Loan or the EIB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

(A) 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

(B) 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 events are specified:

(a) the event specified in paragraph (a) 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;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) any event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and JIRAMA in accordance with the provisions of Section 3.01 (c) of this Agreement;

(b) the agreements referred to in Section 2.01 (b) of the Project Agreement have been entered into by JIRAMA and the beneficiaries referred to in Part III of Schedule 2 to this Agreement in accordance with the provisions of Section 2.01 (b) of the Project Agreement;

(c) the Borrower has made a capital contribution to JIRAMA of at least FMG 4 billion, and has furnished evidence to the Association of its decision to make the tariff increase and capital contribution referred to in Section 3.05 of this Agreement;

(d) the Borrower has established and staffed a project management unit in MIEM and has appointed a project manager with adequate qualifications and experience;

(e) JIRAMA has established and staffed a project management unit and has appointed a project manager with adequate qualifications and experience;

(f) an amount equivalent to 50% of the aggregate arrears of the Government and the collectivites decentralisees, relating to water and electricity sales, shall have been paid to JIRAMA, and the Borrower has made effective electricity payment modalities to be followed by the Borrower and the collectivites decentralisees such modalities to be acceptable to the Association; and

(g) all conditions precedent to effectiveness of the BADEA Loan and the EIB Loan, other than effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following are specified as additional matters 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:

(a) that the Project Agreement has been duly authorized or ratified by JIRAMA, and is legally binding upon JIRAMA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and JIRAMA, and is legally binding upon the Borrower and JIRAMA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under the provisions of paragraphs (b) and (c) of Section 5.02 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative 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:

Ministere aupres de la Presidence
de la Republique charge des Finances
et de l'Economie
Antananarivo, Madagascar

Cable address:	Telex:
MINFIN Antananarivo	224889

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	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/ Leon Rajaobelina

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
JIRAMA		
(1) Part I of the Project, Phase I:		
(a) Equipment, materials, vehicles and spare parts	3,180,000	100% of foreign expenditures and 80% of local expenditures
(b) Civil works	560,000	100% of foreign expenditures and 80% of local expenditures
(c) Consultants' services and training	1,600,000	100%
(2) Part I of the Project, Phase II:		
Equipment, materials, vehicles and spare parts	6,710,000	100% of foreign expenditures and 80% of local expenditures
Borrower		
(3) (a) Equipment, materials,	590,000	100% of foreign expenditures and

vehicles and spare parts for Parts II G (a), H and I of the Project		80% of local expenditures
(b) Consultants' services for Parts II G (a), H and I of the Project and training	2,390,000	100%
FANALAMANGA and/or private charcoal companies		
(4) Equipment, materials, vehicles and spare parts for Part II G (b) of the Project	340,000	100% of foreign expenditures and 80% of local expenditures
Beneficiaries under Part III of the Project		
(5) Civil works for Part III of the Project	860,000	100% of foreign expenditures
(6) Refunding of Project Preparation Advance	690,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,880,000	
TOTAL	19,800,000	

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; and

(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.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 400,000 may be made in respect of Category (1) (a) on account of payments made for expenditures before that date but after June 30, 1986.

(b) payments made for expenditures in respect of Category 2 unless:

(i) the issue of ownership of all water and electricity networks and installations operated by JIRAMA shall have been resolved in a definitive manner;

(ii) JIRAMA shall have established to the satisfaction of the

Association and on the basis of reasonable forecasts for FY 1989 that:

(A) JIRAMA's tariffs are adequate to achieve, during FY 1989, an internal cash generation as stipulated in Section 4.02 (b) of the Project Agreement; and

(B) JIRAMA shall, during FY 1989, generate from internal sources not less than 15% of its investment program for 1989;

(c) payments made for expenditures in respect of Category (4) unless the Association has been satisfied that adequate arrangements, including financing arrangements, have been made for the exploitation of charcoal production of FANALAMANGA's small pine wood waste resources; and

(d) payments made for expenditures in respect of Category (5) unless the Intermediary Agreement has been executed by the Borrower and BNI in accordance with the provisions of Section 3.01 (d) of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen energy planning and investment programming of the Borrower, to improve the soundness of financial management of JIRAMA to expand the access to electricity by the population, to stimulate the efficient use of locally available and economically accessible energy resources, and to maximize productive use of existing infrastructure in the energy sector.

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 I: Power Component

A. Generation Rehabilitation and Expansion:

Rehabilitation and expansion of the diesel generating station of Nosy-Be; repairs to the diesel plant in Mahajanga, Nosy-Be and some smaller stations, rehabilitation of the hydropower generating stations of Manandona, Mandraka, Antelomita, and some smaller hydropower generating stations, and provision of spare parts.

B. Transmission and Substations:

Provision of equipment, including lightening arrestors, transformers, switch gear and spare parts, and completion of the rehabilitation of the 63-kV line between Antsirabe and Antananarivo.

C. Distribution:

Provision of materials and spare parts for all major centers.

D. General Plant and Services:

Provision of about 100 vehicles, communication systems, monitoring equipment for diesel plants, new facilities for the meter laboratory, computers for reorganization of computerized consumer billing and carrying out of an asset revaluation analysis.

E. Power Sector Institution Building:

Provision of technical assistance for planning and manpower training and development and for hydropower resource assessment and development.

F. Power Sector Studies:

Carrying out of least-cost-expansion-planning studies and tariff studies for the entire public power supply system and a hydropower feasibility study.

Part II: Energy Component

G. Household and Industrial Fuels:

(a) Provision of technical assistance and equipment to improve the charcoal production and rice husk briquetting.

(b) Provision of equipment to private charcoal companies and/or FANALAMANGA for the production of charcoal from pine thinnings at the Haut Mangoro pine plantation.

H. Energy Planning Support:

Provision of technical assistance, equipment, including computer equipment, and materials to strengthen the energy planning and administrative capacity of MIEM and to support the development of household energy supply and demand management.

I. Energy Sector Studies:

Carrying out of energy audits, preparation of energy efficiency investment programs, and a regional energy planning study for the Lac Alaotra region.

Part III: Electric Boilers Component:

Installation of electric boilers for PAPMAD, SOMOCO, Savonnerie Tropicale, and the Hilton Hotel.

* * *

The Project is expected to be completed by June 30, 1992.

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. Goods estimated to cost the equivalent of \$100,000 or less 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.

2. Proprietary spare parts may be purchased directly from suppliers of such spare parts.

3. Minor civil works shall be procured under contracts awarded on the basis of the Borrower's Decree 70-089 of January 28, 1970, provided, however, that:

(a) registration of bidders in the 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 should be allowed to be present; and

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

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 each contract 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 the Borrower or JIRAMA in carrying out the Project, the Borrower or JIRAMA 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

Special Accounts

1. Definitions for the purposes of this Schedule:

(a) The term "Category" means a category of items to be financed out of the proceeds of the Credit as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) For the purposes of Part A of this Schedule:

(i) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts II and III of the Project, and to be financed out of the proceeds of the Credit allocated from time to time to Categories (3), (4) and (5), in accordance with the provisions of Schedule 1 to

this Agreement, provided, however, that disbursements out of Categories (4) and (5) are subject to fulfillment of conditions of disbursement set forth in subparagraphs 3 (c) and (d) of Schedule 1; and

(ii) the term "Authorized Allocation A" means an amount of \$300,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3 (a) of this Schedule.

(c) For the purposes of Part B of this Schedule:

(i) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part I of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1) and (2), in accordance with the provisions of Schedule 1 to this Agreement, provided, however, that disbursements out of Category (2) are subject to fulfillment of the condition of disbursement set forth in subparagraph 3 (b) of Schedule 1; and

(ii) the term "Authorized Allocation B" means an amount of \$1,000,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to subparagraph 8 (a) of this Schedule.

PART A

2. Except as the Association shall otherwise agree, payments out of Special Account A shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of Authorized Allocation A, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into Special Account A such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account A at such intervals as the Association shall specify. on the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account A such amounts as shall be required to replenish Special Account A with amounts not exceeding the amount of payments made out of Special Account A for Eligible Expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account under respective Categories (3), (4) and (5), and in respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of Special Account A for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into Special Account A shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to Categories (3), (4) and (5) for Parts II and III of the Project, minus the amount of any outstanding qualified agreement to reimburse

made by the Association, and of any outstanding special commitment entered into by the Association, pursuant to Section 5.02 of the General Conditions with respect to Parts II and III of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to Categories (3), (4) and (5) for Parts II and III of the Project 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 Special Account A as of the date of such notice have been or 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 Special Account A: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into Special Account A (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. No further deposit by the Association into Special Account A shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in Special Account A 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 for crediting to the Credit Account.

PART B

7. Except as the Association shall otherwise agree, payments out of Special Account B shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) on the basis of a request, or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of Authorized Allocation B, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into Special Account B such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of Special Account B at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into Special Account B such amounts as shall be required to replenish Special Account B with amounts not exceeding the amount of payments made out of Special Account B for Eligible Expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account under respective Categories (1) and (2) and in respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 8 of this Schedule.

9. For each payment made by the Borrower out of Special Account B for which the Borrower requests replenishment pursuant to paragraph 8 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request showing that such payment was made for Eligible Expenditures.

10. (a) Notwithstanding the provisions of paragraph 8 of this Schedule, no further deposit into Special Account B shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals

should be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to Categories (1) through (2) for Part I of the Project, minus the amount of any outstanding qualified agreement to reimburse made by the Association, and of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Part I of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to Categories (1) through (2) for Part I of the Project 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 Special Account B as of the date of such notice have been or will be utilized in making payments for Eligible Expenditures.

11. (a) If the Association shall have determined at any time that any payment out of Special Account B: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 8 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into Special Account B (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. No further deposit by the Association into Special Account B shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in Special Account B 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 for crediting to the Credit Account.

