

CREDIT NUMBER 2117 MAG

Development Credit Agreement

(Antananarivo Plain Development Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 1, 1990

CREDIT NUMBER 2117 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 1, 1990, between the 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 Caisse Centrale de Cooperation Economique (CCCE) a loan (the CCCE Loan) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CCCE Loan Agreement) to be entered into between the Borrower and CCCE; 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;

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

(b) "Project Account" means the account referred to in Section 6.01 (a) of this Agreement;

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated February 24, 1988, May 26, 1988, December 19, 1989 and January 12, 1990 between the Borrower and the Association;

(d) "BPPA" means the Bureau du Projet de la Plaine d'Antananarivo, created pursuant to Arrete No. 547, dated September 2, 1988 under the authority of the President of the Faritany of Antananarivo;

(e) "BPU" means the Bureau des Projets Urbains, established within MTP by Decree No. 84071, dated February 15, 1984;

(f) "MTP" means the Borrower's Ministere des Travaux Publics;

(g) "MA" means the Borrower's Ministere de la Production Agricole et du Patrimoine Foncier;

(h) "Steering Committee" means the committee referred to in paragraphs (1) through (3) of Schedule 4 to this Agreement;

(i) "Meteorology Department" means the Direction de la Meteorologie Nationale within the Borrower's Ministere des Transports de la Meteorologie et du Tourisme; and

(j) "FIVREN" means the Fivondronana of Antanarivo Renivohitra; and

(h) "FMG" means the currency of the Borrower.

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 twenty three million Special Drawing Rights (SDR 23,000,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank in the name of 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 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, 1997 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.

(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 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 February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (@) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing August 1, 2000 and ending February 1, 2030. Each installment to and including the installment payable on February 1, 2010 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 through J.2 and J.4 of the Project through BPPA, and Part J.3 of the Project through MA, with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering 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.

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. By December 31, 1992, the Borrower shall establish an autonomous legal entity responsible for the operation and maintenance of the flood control and drainage facilities in the Plain of Antananarivo, whose manager shall be empowered to order, in case of flood warning, the closing of all gates at the entrance and at the outlet in the Plain of Antananarivo, whose budget shall be reviewed every three years by the Borrower, whose operational deficits shall be covered by the Borrower and whose surpluses, if any, shall be deposited into the Infrastructure Fund for Urban Housing, established pursuant to the Borrower's Decree No. 87-287, dated August 4, 1987.

Section 3.04. The Borrower shall, through MA, take all necessary measures to assure at all times adequate dilution discharges for the Andriantany and C3 Canals.

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, and the records and accounts of the Paritany of Antananarivo, FIVREN, and the entity referred to in Section 3.03 of this Agreement, upon its creation, 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 Association has received 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) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of the CCCE 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 CCCE Loan Agreement, or
 - (B) the CCCE Loan Agreement 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 event is specified, namely, that the event specified in paragraph (a) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section.

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 established the Project Account in its Central Bank and made an initial deposit of FMG 1 billion;
- (b) the Borrower has issued a decree protecting the irrigated areas of the Plain of Antananarivo against urbanization;
- (c) the Borrower has submitted to the Association a financing plan for operation and maintenance of the flood control and drainage system of the Plain of Antananarivo acceptable to the Association;
- (d) all conditions precedent to initial disbursement of the CCCE Loan Agreement, other than

effectiveness of this Agreement, have been met; and

(e) all the conventions de travail have been signed by the respective parties in accordance with the provisions of paragraph 9 of Schedule 4 to this Agreement.

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 at the time 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 des Finances et du Budget
Antananarivo
Madagascar

Cable address: Telex:

MINFIN 22489
Antananarivo

For the Association:

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

Cable address: Telex:

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

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

DEMOCRATIC REPUBLIC OF MADAGASCAR

By /s/ Pierrot Rajaonarivela
Authorize Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

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) Civil works under: | | 100% of foreign expenditures and 90% of local expenditures |
| (a) Parts F.1 through F.3 of the Project; | 5,110,000 | |
| (b) Parts F.4 through F.7 of the Project; | 150,000 | |
| (c) Part G of the Project | 2,030,000 | |
| (d) Parts A.3 and C.1 of the Project | 750,000 | |
| (e) the Parts of the Project not included in (a) through (d) above | 3,160,000 | |
| (2) Goods for: | | 100% of foreign expenditures, |
| (a) Parts F.4 through F.7 of the Project | 80,000 | 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally |
| (b) Part H of the Project | 830,000 | |
| (c) the Parts of the Project not included in (a) and (b) above | 830,000 | |
| (3) Consultants' services and training | 2,110,000 | 100% |
| (4) Operating costs under: | | 90% |
| (a) Part H of the Project | 900,000 | |
| (b) Part I and of BPPA | 380,000 | |
| (5) Refunding of | 830,000 | Amount due pur- |

| | | |
|-----------------------------|------------|---|
| Project Preparation Advance | | suant to Section 2.02 (c) of this Agreement |
| (6) Unallocated | 5,840,000 | |
| TOTAL | 23,000,000 | |

2. For the purposes of this Schedule:

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

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

(c) the term "operating costs" means incremental operating costs relating to vehicles, personnel and offices, necessitated through execution of the Project.

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 for the execution of Parts F.1 through F.3 of the Project to be financed under Category (1) (a) unless (i) a contract, satisfactory to the Association, has been signed by FIVREN and a private entity for the operation and maintenance of the sewerage system, and (ii) FIVREN has introduced a water tax, at a rate acceptable to the Association.

(c) payments made for the purposes of Parts F.4 through F.7 to be financed under Category (1) (b) unless FIVREN has signed contracts with private firms for the collection and treatment of solid wastes satisfactory to the Association;

(d) payments made for the purposes of Part H of the Project to be financed under Categories (2) (b) and (4) (a) unless the Borrower has amended its legislation relating to land registration to make mandatory the recording of any transfer of ownership of land;

(e) payments made for the purposes of Part G of the Project to be financed under Category (1) (c) unless the Borrower has promulgated measures to control the urbanization of the southern part of the Plain of Antananarivo acceptable to the Association; and

(f) payments made for the purposes of Parts A.3, C.1 and G of the Project under Categories (1) (c) and (d) unless the Borrower has implemented the resettlement plan in a manner satisfactory to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve the living conditions of the low-income population residing in the low-lying areas of the Plain of Antananarivo and to increase the productivity of the industries and of the farms in the Plain of Antananarivo.

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: Ikopa and North Dikes

1. Levelling the dikes near Anosizato and raising the dike along the Sisaony River.
2. Raising the level and reinforcement of the existing dike on the right bank of the Ikopa River.
3. Raising the level and shaping the dike slopes of the existing north dikes along the Mamba River.
4. Construction of a new dike between the previous dike and Soavimasoandro.
5. Construction of platforms for resettlement of people to be relocated under the Project.

Part B: Flood Warning System

1. Construction of 4 automatic hydrometric stations with teletransmission stations and access roads.
2. Rehabilitation of the Antelomita station.
3. Equipping of 3 radio relay stations.
4. Provision of equipment, including electronic equipment, and vehicles for, and rehabilitation of the existing office of, the central station.

Part C: Drainage

1. Enlarging and dredging of the Andriantany canal.
2. Construction of a north retention pond, a downstream retention pond, a canal between the pond and the pumping station, and the northern part of the C3 Canal.

Part D: Pumping Station

Construction of a pumping station and installation of hydraulic, hydromechanic and electric equipment.

Part E: Rehabilitation of the Irrigation System

1. Construction of a new irrigation canal (15.7 Km).
2. Rehabilitation of existing irrigation canals.
3. Construction of secondary irrigation canals.
4. Rehabilitation and construction of intakes, outlets and installation of non-return check valves.

Part F: Urban Sanitation

Sewerage

1. Rehabilitation of the two existing pumping stations.
2. Rehabilitation of the existing primary and secondary sewerage network.
3. Construction of sewerage networks in Isotry, Tsaralalana, Analakely and Antanimena, including house connections and pumping stations.

Solid Wastes, Composting Plant

4. Construction of a reception pit of 300 M3.
5. Installation of a weighing station.
6. Construction of a concrete pavement on the existing fermentation area.
7. Construction of a control station and improvements of existing buildings.

Part G: Drainage South

Construction of 2 retention ponds, an overflow on the Andriantany Canal of the southern part of the C3 Canal, and a primary road network.

Part H: Land Registry

Provision of equipment, including topographic equipment, office equipment and vehicles.

Part I: Land Tax Office

Strengthening of the land tax office and provision of equipment, mini computers and vehicles.

Part J: Studies

1. Studies relating to drainage, sanitation and solid waste.
2. Urbanization studies for the southern part of the Plain of Antananarivo.
3. A watershed management study.
4. A tax burden study.
5. Studies on the agriculture development possibilities of the Antananarivo area.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. 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).
2. Bidders for the works included in Parts A through G of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 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.1 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. Goods estimated to cost less than the equivalent of \$100,000 up to an aggregate of the equivalent of \$2,000,000 and civil works estimated to cost less than the equivalent of \$500,000 up to an aggregate of the equivalent of \$10,000,000 may be procured under contracts awarded on the basis of competitive bidding advertised locally; provided however 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 of 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. Goods estimated to cost less than the equivalent of \$20,000 per contract up to an aggregate of the equivalent of \$200,000 may be procured on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for civil works estimated to cost the equivalent of \$300,000 or more and for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall

apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

3. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

Steering Committee

1. By December 31, 1990 the Borrower shall establish and, thereafter, maintain a Steering Committee for the purpose of overseeing implementation of the Project.
2. The Steering Committee shall be composed of high level representatives of the Ministry of Economy and Planning, Ministry of Public Works, Ministry of Interior, MA, Ministry of Finance and Budget, the Faritany of Antananarivo and FIVREN.
3. The Steering Committee shall convene each quarter and be chaired by the representative of the Ministry of Economy and Planning.

Project Account

4. During execution of the Project, and without any limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall maintain a Project Account in its central bank for the purpose of making available the Borrower's contribution for the Project.
5. At the beginning of each year the Borrower shall replenish the Project Account with an adequate amount to reestablish a balance of 2 billion FMG.
6. The Borrower shall implement the resettlements in accordance with the resettlement plan, as approved by the Association, shall make adequate budgetary allocations therefor, and shall commence works under Parts A.3, C.1 and G of the Project only upon implementation of such resettlement plan, satisfactory to the Association.

Coordination, Reporting

7. BPPA shall be responsible for overall Project coordination and shall prepare quarterly progress reports, which shall be furnished to the Association not later than two months after the end of each quarter.
8. BPPA shall prepare the Project Completion Report in

accordance with Section 9.06 (c) of the General Conditions.

Conventions de Travail

9. In order to define the respective obligations of the parties concerned regarding the execution of the Project and the maintenance of the facilities constructed or rehabilitated under the Project, the Borrower shall cause BPPA to enter into a convention de travail with each of: (i) MTP, (ii) MA, (iii) Ministry of Finance and Budget, (iv) FIVREN, (v) Meteorology Department, and (vi) BPU.

All such conventions de travail shall be acceptable to the Association.

Operation and Maintenance

10. The Borrower shall take all measures necessary to cause all the irrigation user associations concerned to collect adequate water charges to cover the operating and administrative expenses of the federation of irrigation user associations of the Plain of Antananarivo.

11. During each year of execution of the Project, the Borrower shall include in its budget adequate funds to cover the cost relating to the operation and maintenance of the Tanjombato Dam and the main irrigation Canal.

Urban Sector Investment

12. By October 31 of each year the Borrower shall furnish to the Association for review and comment the three-year program of investments and expenditures to be undertaken by the Borrower in the urban sector in Madagascar.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

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

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed

the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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

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

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

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

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

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

6. (a) If the Association shall have determined at any

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

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

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

(d) Refunds to the Association made pursuant to 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.

