

CONFORMED COPY

CREDIT NUMBER 2125 MAG

(Environment Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 1, 1990

CREDIT NUMBER 2125 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 1, 1990, 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 United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, European Economic Community, US Agency for International Development, the Swiss Development Cooperations and Humanitarian Aide, the French Caisse Centrale and Fonds d'Aide et de Cooperation, the Kingdom of Norway, the German Kreditanstalt für Wiederaufbau and Gesellschaft für technische Zusammenarbeit, the Overseas Development Agency of the United Kingdom, the World Wildlife Fund, Conservation International, Association Internationale Contre la Faim, Resource Development Agency and other donors loans or grants to assist in financing the Project on the terms and conditions set forth in agreements to be entered into

between the Borrower and such cofinanciers; and

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

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) "MEP" means the Borrower's Ministry of Economy and Planning;

(b) "MINAGRI" means the Borrower's Ministry of Agriculture and Land Patrimony;

(c) "MPAEF" means the Borrower's Ministry of Livestock, Water and Forest;

(d) "MRSTD" means the Borrower's Ministry of Scientific and Technological Development Research;

(e) "DEF" means the Direction des Eaux et Forêts within the Borrower's Ministry of Livestock, Fisheries and Forestry;

(f) "ONE" means the Office National de l'Environnement, to be established pursuant to the provisions of Section 6.01 (a) of this Agreement;

(g) "DPRA" means the Direction du Patrimoine et de la R forme Agricole within MINAGRI;

(h) "ANGAP" means the Association Nationale pour la Gestion des Aires Protégées, to be established pursuant to the provisions of Section 6.01 (c) of this Agreement;

(i) "FTM" means the National Cartography Institute (Foiben-Taosarintanins Madagasikara), an établissement public caractérisé par son activité commerciale, established pursuant to Decree No. 74-001 dated January 4, 1974;

(j) "CNRE" means the Centre National de la Recherche Environnementale;

(k) "CNRO" means the Centre National de Recherche Océanographique;

(l) "ANAE" means the Association Nationale d'Actions Environnementales, an association d'intérêt public established under the laws of Madagascar;

(m) "Protected Areas" means the areas which were classified by Decree as aires protégées or which are to be classified in accordance with Section 3.03 of this Agreement;

(n) "Gazetted Forests" means the forests classées which have been classified by Decree as part of the domaine public;

(o) "Project Preparation Advance" means the project

preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated December 20, 1988 and January 31, 1989 between the Borrower and the Bank;

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

(q) "ANAE Implementation Agreement" means the agreement referred to in Section 3.01 (a)(ii) of this Agreement;

(r) "FTM Implementation Agreement" means the agreement referred to in Section 3.01 (a)(iii) of this Agreement;

(s) "ANGAP Implementation Agreement" means the agreement referred to in Section 3.01 (a)(iv) of this Agreement;

(t) "Steering Committee" means the Steering Committee referred to in paragraph 2 of Schedule 4 to this Agreement; and

(u) "Priority Zones" means the zones specified in Part B.1 of Schedule 2 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall cause its Central Bank, for the purposes of the Project, to open and maintain in dollars a special account in a commercial bank in the name of the 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 the Bank 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, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 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 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:

- (i) shall carry out Parts A.3 and A.5 of the Project through DEF, Part D of the Project through DPRA and, Parts E and F of the Project through ONE, with due diligence and efficiency and in conformity with appropriate administrative, research, agricultural, forestry and financial

practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project;

- (ii) shall cause ANAE to carry out Part B of the Project, with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices and in accordance with the ANAE Implementation Agreement to be entered into by the Borrower and ANAE whose terms and conditions shall have been approved by the Association;
- (iii) shall cause FTM to carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices and in accordance with the FTM Implementation Agreement to be entered into by the Borrower and FTM whose terms and conditions shall have been approved by the Association;
- (iv) shall cause ANGAP to carry out Parts A.1, A.2, A.4 and A.6 of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and in accordance with the ANGAP Implementation Agreement to be entered into by the Borrower and ANGAP, whose terms and conditions shall have been approved by the Association;
- (v) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ANGAP, ANAE and FTM to carry out the respective Parts of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the respective Parts of the Project by ANGAP, ANAE or FTM;
- (vi) and without limitation upon the provisions of this Section, the Borrower shall maintain (A) caisses d'avance in the name of ANGAP, ONE, DEF, DPRA, FTM and ANAE, and make funds available for such caisses d'avance in a timely fashion, and (B) separate accounts in the name of DEF, DPRA, ONE, deposit into such accounts its contribution to the Project on a regular basis, and ensure that the directors of such agencies are empowered to authorize payments out of such accounts.

(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. The Borrower shall establish Protected Areas in accordance with the calendar set forth in Schedule 6 to this Agreement. Such list and calendar shall be examined periodically by the Borrower and the Association and, if necessary, shall be modified in agreement between the Borrower and the Association.

Section 3.04. By June 30, 1991, the Borrower shall complete the studies to be carried out under Parts D.3 (b) and (c) of the Project and review their recommendations with the Association.

Section 3.05. The Borrower shall not later than June 30, 1991, publish a regulation in order to transfer the execution of individual topographic surveys for private properties, for which land titles have been issued previously, to private, sworn-in surveyors.

Section 3.06. By December 31, 1990 the Borrower shall publish a decree specifying the Borrower's procedures to assess the environmental impact of investments in Madagascar.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.3, A.5, D, E and F of the Project of the departments or agencies of the Borrower responsible for carrying them out.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than 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 for the Project 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year,

together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause ANAE, ANGAP and FTM to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial conditions of ANAE under Part B, ANGAP under Parts A.1, A.2, A.4 and A.6, and FTM under Part C of the Project, respectively.

(b) The Borrower shall cause ANAE, ANGAP and FTM to:

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

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause ANAE, ANGAP and FTM:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

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) ONE has been established, with responsibilities acceptable to the Association, all its board members have been nominated and a Director General has been employed;

(b) all board members of ANAE have been nominated and a Director General has been employed;

(c) ANGAP has been established with responsibilities acceptable to the Association, all its board members have been nominated and a Director General has been employed;

(d) the ANAE Implementation Agreement, the ANGAP Implementation Agreement and the FTM Implementation Agreement have been signed by the Borrower, on the one hand, and ANAE, ANGAP and FTM, respectively, on the other;

(e) an audit firm, acceptable to the Association, has been selected to perform auditing services during the first two years of the Project; and

(f) the legislative text relating to the National Charter for the Environment has been published.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister responsible for 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 hereby specified for the purpose of Section 11.01 of the General Conditions:

For the Borrower:

Minist re des Finances et du Budget
B.P. 61
Antananarivo
Madagascar

Cable address:

Telex:

MINFIN
Antananarivo

22489 MG

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.

197688 (TRT),
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 Rajaonarivel
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|--|
| (1) Part C of the Project | | |
| (a) civil works | 190,000 | 90% |
| (b) goods and vehicles | 2,240,000 | 100% |
| (c) consultants' services, studies and training | 360,000 | 100% |
| (d) operating costs | 2,410,000 | 80% |
| (2) Part D of the Project | | |
| (a) goods and vehicles | 1,400,000 | 100% |
| (b) consultants' services, studies and training | 330,000 | 100% |
| | | |
| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
| (c) operating costs | 2,000,000 | 80% |
| (3) Part E of the Project | | |
| (a) civil works | 130,000 | 90% |
| (b) goods and vehicles | 130,000 | 100% |
| (c) consultants' services, studies and | 3,890,000 | 100% |

| | | | |
|-----|---|--|--|
| | training | | |
| | (d) operating costs | 410,000 | 80% |
| (4) | Part F of the Project | | |
| | (a) civil works | 10,000 | 90% |
| | (b) goods and vehicles | 200,000 | 100% |
| | (c) consultants' services, studies and training | 660,000 | 100% |
| | (d) operating costs | 370,000 | 80% |
| | | | |
| | Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
| (5) | Refunding of Project Preparation Advance | 1,140,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |
| (6) | Unallocated | 3,930,000 | |
| | | <hr/> | |
| | TOTAL | 19,800,000 | ===== |

2. For the purposes of this Schedule the term "operating cost" means incremental cost related to personnel and operation and maintenance of vehicles and equipment.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments made, or to be made, for expenditures under Category (2) above, unless the Borrower: (i) has amended its legislation relating to land registration to make mandatory the recording of any transfer of ownership of land; (ii) has exempted beneficiaries of collective cadastral surveys from all fees otherwise payable for registration and topographic services; (iii) has taken all measures to comply with Section 3.05 of this Agreement; (iv) has submitted the first work program acceptable to the Association in accordance with the provisions of paragraph 5 of Schedule 4 to this Agreement; and (v) has submitted, during each consecutive year of execution of the Project, the respective work program acceptable to the Association in accordance with the provisions of paragraph 5 of Schedule 4 to this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Malagasy population in protecting and improving its environment for a more sustainable development.

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:

1. Establishment and equipping of a network of about 50 Protected Areas, including rehabilitation and construction of minor facilities, coordination of development activities in buffer zones and training, including training abroad, of ANGAP's staff.
2. Organizational studies for ANGAP.
3. Strengthening of DEF's capacity, including training of its staff locally and abroad, to define biodiversity and forestry policy and to improve the protection and sustainable exploitation of about 300,000 ha of Gazetted Forests.
4. Studies to review and update the list of endangered species and to evaluate the economic utilization of the flora and fauna.
5. Preparation of the tropical forestry action plan.
6. Construction and equipping of ANGAP's headquarters.

Part B:

1. Mini-projects in environmental priority zones in Antananarivo, Lac Alaotra, Fianarantsoa, Mahajanga, Manakara and in buffer zones surrounding Protected Areas related to:
 - (a) watershed management, including soil conservation, agroforestry and reforestation;
 - (b) productive infrastructure, including creation and rehabilitation of small irrigation schemes;
 - (c) support to production, including storage facilities, feeder road rehabilitation and bridges; and
 - (d) social programs.
2. Studies to prepare mini-projects and to assess the ecological, economic and social impact of mini-projects, carried out under Part B.1 of the Project.
3. Organizational studies for ANAE and training of its staff, including training abroad.

Part C:

1. Improvement of the geodetic network over about 6 million ha.
2. Aerial surveys and production of base maps for Priority Zones and Protected Areas.
3. Production of orthophotomaps for watershed management and cadastral surveys.
4. Setting up a national laboratory for remote sensing and geographic data bank and studies therefor.
5. Strengthening of FTM and training of its staff, including training abroad.
6. Rehabilitation and expansion of FTM's facilities.

Part D:

1. Definition of boundaries between public domain constituted by the Protected Areas and the Gazetted Forests and private lands.
2. Pilot land-titling in Priority Zones and village lands around Protected Areas.

3. Studies:

- (a) to establish a computerized system of cadastral records;
- (b) to make an inventory of land which is held in common property in the buffer zones within Protected Areas and Priority Zones;
- (c) on the land tenure system in common property areas, including the preparation of proposals for the modification of cadastral and titling procedures and for the planning of the implementation of such procedures;
- (d) on rural land lease systems and for the preparation of proposals to improve land security of both, landlord and tenant;
- (e) to review the land taxation system and for the preparation of proposals to provide more incentives for soil conservation and sustainable development;
- (f) for the preparation of a land code and for the preparation of information material thereon.

4. Strengthening of DPRA and training of its staff; including training abroad.

Part E:

- 1. Strengthening of the capacity of ONE to coordinate the Project and to develop environmental policies and procedures for its implementation.
- 2. Rehabilitation of a building for ONE's headquarters.
- 3. Training, including training abroad, of staff of ONE.
- 4. Development of environmental curricula on the primary and secondary school level and university level, production and distribution of textbooks and provision of training, equipment and vehicles needed therefor.
- 5. Carrying out of information campaigns to build environmental awareness among the Malagasy population.
- 6. Establishment of an environmental data bank.
- 7. Studies:
 - (a) on the organization of ONE;
 - (b) to review the environmental legislation, to propose amendments, if necessary, and for the preparation of information material thereon;
 - (c) for the establishment of environmental assessment procedures;
 - (d) to evaluate the impact of land titling on land improvement;
 - (e) for the development of eco-tourism;
 - (f) to evaluate the impact of environmental education and awareness programs;
 - (g) to assess the feasibility of soil conservation and watershed management plans in the Antalaha and Toliary regions;
 - (h) to assess the feasibility of the watershed management plans for the Andekaleka and Mandraka hydropower dams;
 - (i) for the preparation of the next environment project.

(j) for the environmental assessment of future, selected projects.

(k) for the protection of infrastructure in coastal areas damaged by cyclones.

Part F:

1. Carrying out of a marine and coastal research program, including a feasibility study and on-site pilot project for extensive shrimp farming, a feasibility study on the use of secondary fish catches during shrimping, a study of inshore lobster stocks to work out guidelines for sustainable exploitation, a study on the characteristics and reproductive features of the mangrove crab for a sustainable exploitation and preparation of an inventory of marine bio-diversity and a development program for marine parks.

2. A management audit of CNRE.

3. Preparation of inventories of the flora and fauna in the Protected Areas to establish a national bio-diversity data system.

4. Vegetation mapping of range areas, in particular in the west, to define improved technologies for better management, including better control of bush fires.

5. Regeneration and propagation of endemic plant species and propagation of threatened animal species.

6. Construction and rehabilitation of minor facilities needed for environmental research.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

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

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. Items or groups of items for goods and works estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount equivalent to \$2,180,000, may be procured under

contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association 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 as a result of rejection of all bids and negotiations with the lowest bidder following paragraph 2.60 of the Guidelines;

(c) bids shall be opened in public, i.e., bidders in 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. Items or groups of items for goods estimated to cost less than the equivalent of \$30,000 per contract, up to an aggregate amount equivalent to \$2,450,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and works 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.

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

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program

Project Coordination and Monitoring

1. ONE shall be responsible for coordinating the overall implementation of the Project and, in particular, for:

- (i) developing environmental policy;
- (ii) monitoring environmental assessment procedures and studies;
- (iii) coordinating and consolidating accounting, procurement and disbursement procedures of the various implementing agencies listed in Section 3.01 of this Agreement;
- (iv) coordinating training, education and awareness;
- (v) coordinating and, if need be, managing environmental studies;
- (vi) managing environmental data; and
- (vii) coordinating the environmental research program.

2. The Steering Committee shall:

(a) consist of:

- (i) the Minister of Economy and Planning, who shall be its chairman;
- (ii) the Director General of ONE, who shall be its secretary;
- (iii) representatives of the various executing agencies listed in Section 3.01 above;
- (iv) representatives of donor agencies;
- (v) world reknown environment scientists; and

(b) be responsible for:

- (i) review and evaluation of past operations under the Project;
- (ii) review and comment upon the annual work programs to be prepared by each executing agency; and
- (iii) review the yearly funding plan of the Project and necessary adjustments thereof; and

(c) be convened by the Borrower during December of each year.

Part A of the Project

3. ANGAP shall be responsible, upon delegation from MPAAEF, for the coordination of the execution of Parts A.1, A.2, A.4 and A.6 of the Project. It will choose and contract operators (national or foreign) to prepare detailed conservation and development plans for the Protected Areas and to implement them. For that purpose the existing arrangements with operators active in Protected Areas would be amended, not later than June 30, 1991.

Part B of the Project

4. ANAE will select mini-projects to be financed under Part B of the Project in accordance with eligibility criteria acceptable to the Association, as such criteria may be reviewed and amended from time to time.

Part D.2 of the Project

5. One month before the meeting of the Steering Committee referred to in paragraph 2 (c) of this Schedule, the Borrower shall

prepare and submit to the Association for approval a specific work program for the land-titling activities to be carried out under Part D.2 of the Project, which shall designate the proposed areas and any common property rights, that exist in such areas.

Studies

6. Before commencement of any study to be carried out under the Project, the Borrower shall furnish to the Association for approval the terms of reference, cost estimates and the arrangements to be made for the carrying out of any such study.

Mid-Term Review

7. The Borrower shall: (a) not later than February 28, 1993, furnish to the Association for approval the draft terms of reference, for the mid-term review; (b) not later than June 30, 1993, furnish to the Association, for review and comments, a report on the progress of the Project, in such form and detail as may be required for purposes of the preparation of the mid-term review; and (c) not later than September 15, 1993 carry out, with the Association the mid-term review.

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 \$1.6 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 and the six caisses d'avance specified in Section 3.01 (a)(vi) have 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.

SCHEDULE 6

Protected Areas to be established under
Section 3.03 of this Agreement.

1. By June 30, 1991:

Level 1

1. Complexe de Montagne d'Ambre (Ambre, Analamera, Ankarana)
2. Masoala/Nosy Mangabe
3. Mananara
4. Marojejy/Anjanaharibe Sud
5. Ranomafana
6. Andasib /Mantadia
7. Andringitra/Pic d'Ivohibe
8. Andohahela
9. Ankarafantsika
10. Complexe Manombolo/Bemaraha/Tsimembo/Nosy Barren
11. Morondava/C te Ouest, For ts basse Tsiribihina
12. Beza-Mahafaly
13. Betampona
14. Zahamena

2. By June 30, 1992:

Level 2

1. Complexe Lac Ihotry/Morombe
2. Midongy
3. Kalambatritra
4. Sombitzy/Vohibasia
5. Isalo
6. Complexe Plateau Mahafaly
7. Complexe Karimbola (Cap Sainte Marie)
8. Kassigy/Causse du Kelifely
9. Tsingy de Namoroka
10. Complexe Lac Kinkony/Tsiombikibo
11. Tsaratanana/Mananongarivo
12. Lokobe/Nosy Tanikely/Nosy Mitsio
13. Anbohitantely
14. Bemarivo/Manangoza
15. Bora
16. Manombo
17. Betampona/Marotandrano
18. Anbatovaky/Marotandrano
19. Ambohijanahary
20. Complexe Toliary

3. By December 31, 1993:

Level 3

1. Tampoketsa d'Analamaitso
 2. Itremo
 3. Daraina/Lac Sahaka
 4. Marais de Didy
 5. Makay
 6. Isalo Sud
 7. Baie de Baly/Katsepy
 8. Complexe de Belo-sur-Mer
 9. Mangoky
 10. Cha'ne Anosyenne
 11. Mangroves
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