

CONFORMED COPY

CREDIT NUMBER 2382 MAG

(Manpower Training Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 25, 1992

CREDIT NUMBER 2382 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 25, 1992, between DEMOCRATIC REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower has stated in a letter, dated May 7, 1992 its program of policies and objectives designed to improve the efficiency of the technical and vocational training activities (the Vocational and Technical Training Strategy);

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; 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) "MIP" means the Ministry responsible for Education of the Borrower;

(b) "MEF" means the Ministry responsible for Employment and Training of the Borrower;

(c) "CNFTP" means the National Technical and Vocational Training Council, established by Law No. 91-020, dated August 5, 1991 and Decree No. 92-279, dated February 28, 1992;

(d) "INPF" means the National Vocational Training Institute, established by Decree No. 74-088, dated March 8, 1974;

(e) "DET" means the Department responsible for Technical Education within MIP, and to be transferred within MEF in accordance with the provisions of Section 3.03 (b) of this Agreement;

(f) "ENFAR" means the National Civil Service Training School, an etablissement public  
caractcre administratif,  
established by Decree No. 88-295, dated July 26, 1988;

(g) "Comite de Coordination" means the Project's coordination committee to be established by the Borrower;

(h) "BPE" means the Bureau Projet Education, established pursuant to Decree No. 89-355, dated October 17, 1989;

(i) "ETFP" means technical and vocational education and training;

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated July 12, 1989, August 4, 1989, March 4, 1991 and March 27, 1991 between the Borrower and the Association;

(k) "Training Sub-Project" means a vocational or technical training activity to be supported by CNFTP, and proposed to be financed out of the proceeds of the Credit under Part A.3 of the Project;

(l) "CNFTP Implementation Agreement" means the agreement to be entered into by the Borrower and CNFTP in accordance with the provisions of Section 3.01 (a) (ii) of this Agreement;

(m) "INPF Implementation Agreement" means the agreement to be entered into by the Borrower and INPF in accordance with the provisions of Section 3.01 (a) (iii) of this Agreement;

(n) "ENFAR Implementation Agreement" means the agreement to be entered into by the Borrower and ENFAR in accordance with the provisions of Section 3.01 (a) (iv) of this Agreement;

(o) "Implementation Agreements" means, collectively, the CNFTP Implementation Agreement, the INPF Implementation Agreement

and the ENFAR Implementation Agreement; and

(p) "Special Accounts" means the accounts referred to in Section 2.02 (b) of 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 sixteen million seven hundred thousand Special Drawing Rights (SDR 16,700,000).

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 two special deposit accounts in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Special Account A, opened in the name of CNFTP, shall be used exclusively for Part A of the Project and Special Account B, opened in the name of BPE, shall be used exclusively for Parts B, C, D and E of the Project. Deposits into, and payments out of, the Special Accounts 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, 1998 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 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 March 15 and September 15 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 March 15 and September 15 commencing September 15, 2002 and ending March 15, 2032. Each installment to and including the installment payable on March 15, 2012 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, in accordance with the Vocational and Technical Training Strategy:

- (i) shall carry out Parts B.1 through B.6, C and D of the Project 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 such Parts of the Project;
- (ii) shall cause CNFTP to carry out Part A of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices and in accordance with the CNFTP Implementation Agreement to be entered into by the Borrower and CNFTP, whose terms and conditions shall have been approved by the Association and which shall include the Manuel de Procedure of CNFTP

specifying eligibility criteria and legal procurement and financial arrangements to be made in respect of the carrying out of Training Sub-Projects and adequate provisions as shall be consistent with paragraphs 7 to 9 of Schedule 4 to this Agreement;

- (iii) shall cause INPF to carry out Part B.7 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices and in accordance with the INPF Implementation Agreement to be entered into by the Borrower and INPF, whose terms and conditions shall have been approved by the Association;
- (iv) shall cause ENFAR to carry out Part E of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices and in accordance with the ENFAR Implementation Agreement to be entered into by the Borrower and ENFAR, 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 CNFTP, INPF and ENFAR 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 CNFTP, INPF or ENFAR; and
- (vi) without limitation upon the provisions of this Section, the Borrower shall for the purposes of making available its contribution to the Project: (A) open and maintain in the name of the Project a separate account, make an initial contribution of the equivalent of \$150,000 into such account and replenish such account at least on a quarterly basis or whenever its balance shall be less than the equivalent of \$30,000 up to the amount of the initial contribution; and (B) open and maintain two bank accounts (advance accounts), each in the name of BPE and in the name of CNFTP, in a commercial bank and make an initial deposit of the equivalent of \$75,000 and \$25,000, respectively, into such accounts; such accounts to be replenished out of the account referred to under sub-paragraph (vi) (A) above on the basis of adequate justifications for expenditures made.

(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 take all measures regarding the execution of the Project as shall be consistent with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under the Implementation Agreements in such a 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 Implementation Agreements or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit

shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall take all necessary legal and administrative action so that its ministry responsible for vocational training:

(a) by December 31, 1992, shall be responsible for public sector secondary technical schools with respect to investment expenditures, the contents of courses taught, the numbers of students enrolled and the opening and closing of said schools; and

(b) by July 31, 1993, shall be responsible for the full management of public sector technical education and vocational training schools and shall include DET.

The Borrower shall thereafter entrust the technical and administrative tutelle for technical education and vocational training to a single ministry.

#### 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 Parts B, C, D and E 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 B 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 report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are

included in the annual audit referred to in Section 4.01 (b) of this Article 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 CNFTP to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of CNFTP.

(b) The Borrower shall cause CNFTP to:

- (i) have its records, accounts including those for the Special Account A and financial statements (balance sheets, statements of income and expenses and related statements) 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

##### Remedies of the Association

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

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

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

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

(d) The Borrower or CNFTP shall have failed to perform any of their respective obligations under the CNFTP Implementation Agreement.

(e) The CNFTP Implementation Agreement or the Manuel de Procedure shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely Part A of the Project.

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 (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (b), (c) and (e) of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) a principal technical advisor for the CNFTP with experience and qualification acceptable to the Association and the members of the management committee of CNFTP and its chairman have been appointed;

(b) the Borrower has entered into the Implementation Agreements in conformity with the provisions of Section 3.01 (a) (ii) through (iv) of this Agreement;

(c) the Borrower has created the Comite de Coordination referred to under Schedule 4 to this Agreement;

(d) the Borrower has made the initial deposits into the three accounts referred to in Section 3.01 (a) (vi) of this Agreement in accordance with the provisions of such Section; and

(e) the Special Accounts have been established in accordance with Section 2.02 (b) of this Agreement.

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

##### 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 des Finances  
Antananarivo  
Madagascar

Cable address:

MINFIN  
Antananarivo

Telex:

22489

For the Association:

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

Cable address:

INDEVAS

Telex:

248423 (RCA)



Washington, D.C.

82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

DEMOCRATIC REPUBLIC OF MADAGASCAR

By /s/ Pierrot Rajaonarivelo  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa  
Acting 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) Goods and services for Training Sub-Projects under Part A.3 of the Project	3,200,000	100%
(2) Civil works	1,400,000	100%
(3) Equipment, vehicles, materials and supplies	4,800,000	100%
(4) Consultants' services	1,200,000	100%
(5) (a) Training under Parts B, C and E of the Project	1,100,000	100%
(b) Training under Part D.2 of the Project	700,000	100%

Amount of the  
Credit Allocated  
(Expressed in

% of  
Expenditures

Category	SDR Equivalent)	to be Financed
(6) Operating costs for BPE	400,000	100%
(7) Materials, equipment, vehicles, consultants' services, training and operating costs for CNFTP	1,400,000	100%
(8) Refunding of Project Preparation Advance	800,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Unallocated	1,700,000	
	<hr/>	
TOTAL	16,700,000	
	=====	

2. For the purposes of this Schedule, the term "Operating costs" means expenditures related to operation and maintenance of Project vehicles, travel within Madagascar and travel allowances of Project staff, office supplies, and salaries of local contractual staff within CNFTP and BPE for activities relating to 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; and (b) payments made, or to be made, in respect of expenditures to be withdrawn from Category (5) (b) of the table set forth in paragraph 1 of this Schedule, unless the Borrower has presented an agricultural training program and arrangements for its implementation, both acceptable to the Association.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to establish a technical and vocational education and training system encompassing private and public training institutions and responsive to actual training needs of the economy.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Support for the National Technical and Vocational Training Council (CNFTP)

1. Establishment and initial operation of CNFTP.
2. Rehabilitation of buildings needed by CNFTP and provision of vehicles, furniture and equipment.
3. Carrying out of Training Sub-Projects.
4. Training of, and seminars for, selected staff of CNFTP.
5. Studies including those relating to the future financing of CNFTP, the establishment of closer links between training and employment and an incentive system for private investment in training.

Part B: Technical Education

1. Reform of technical education provided by MIP and MEF, including introduction of modular short cycle courses linked to employment needs.
2. Installation of a personnel data management system for the directorate responsible for management of personnel of public sector technical education and vocational training establishments.
3. Establishment of maintenance units at central and provincial levels to assist in the maintenance and procurement programs of DET.
4. Strengthening the planning unit within MEFP for the planning of MIP and MEF's ETFP activities on the basis of the analysis of vocational training needs and establishment of a tracer system relating to TVET trainees in training institutions.
5. Rehabilitation of buildings, including workshops and laboratories of seven (7) technical lycees.
6. Setting up of an in-service teacher training center and retraining of at least 350 technical teachers and technical education administrative staff of public and private sector training institutions with an emphasis on teaching methods, curriculum development and workshop organization and provision of furniture, office equipment, audio-visual aids, printing equipment, vehicles and supplies.
7. (a) Provision for INPF of: (i) training equipment, particularly for electro-mechanic, plumbing and hydraulic workshops, and micro-computers and software packages for business training; and (ii) instructional kits, mobile training stations and vehicles needed by INPF for training and technical support for enterprises distant from Antananarivo; and (b) rehabilitation of INPF's boarding facilities.

Part C: Labor Market Information

Establishment of an office ("observatory") within the Ministry responsible for employment to gather and analyze statistics and other information on employment and unemployment, training needs, wages and other employment related data and setting up of regional observatories to obtain statistics and such other information at the local level.

Part D: Agricultural Education and Training

1. Evaluation of the priorities for, and quality and cost effectiveness of, agricultural education and training, and preparation of an action plan to reform such sub-sector including the identification and preparation of priority training activities.
2. Carrying out of an agricultural training program.

Part E: Training for Civil Servants

1. Strengthening of the ENFAR unit responsible for assessment of priority training needs for senior level civil servants and preparation of a medium-term training program and carrying out of such training program.
2. Implementation of initial and in-service training programs for civil servants.
3. Construction of boarding and other facilities for ENFAR and provision of materials, equipment, furniture and vehicles.

\* \* \*

The Project is expected to be completed by December 31, 1997.

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. Contracts for works and items or groups of items for goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$1.2 million, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided that the technical and financial bids are simultaneously opened in public.
2. Items or groups of items for goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$500,000, 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 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 for civil works estimated to cost the equivalent of \$200,000 or more and with respect to each contract 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 a 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 a 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.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

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

1. The Borrower shall provide overall coordination of the Project through the Comite de Coordination with support from BPE.

##### Annual Work Programs

2. By September 30 of each year of the execution of the Project, the Borrower shall, through the Comite de Coordination, prepare an annual work program for Parts B.1 through B.6, C and D, shall cause CNFTP, INPF and ENFAR to prepare, for their respective Parts of the Project, annual work programs, and submit to the Association for review and comments such annual work programs specifying the activities to be carried out under the Project during the next following year and establishing that at least 25% of the envisaged disbursements from the Credit Account during the next year would be made for Training Sub-Projects and that at least 10% of the aggregate disbursements of CNFTP during the following year would support training activities carried out by non-governmental organizations; such annual work programs to include a report on the activities carried out during the preceding year.

3. By December 15 of each year, the Borrower shall submit to the Association the final annual work program, which shall take into consideration the comments made by the Association.

##### Mid-term Review

4. By June 30, 1995, the Borrower shall undertake an in-depth review of the Project and its implementation arrangements and submit a report thereon to the Association, in such scope and detail, as the Association shall reasonably request. Without limitation upon the generality of the foregoing, said report shall contain a detailed examination of: (a) the implementation of the Vocational and Technical Training Strategy; (b) the implementation and results of the Training Sub-Projects financed under Part A.3 of the Project; (c) the financing arrangements made therefor; (d) the participation of non-governmental organizations in the execution of Training Sub-Projects; (e) adherence of CNFTP to the provisions of its Manuel de Procedure; and (f) review of the adequacy of the Statutes and the Manuel de Procedure of CNFTP to accomplish its purposes.

5. By October 31, 1995, the Borrower shall review with the Association the report prepared pursuant to paragraph 4 above and, thereafter, shall take all necessary measures to remedy any problem identified during such review.

##### ETFP Activities of DET

6. By February 15 of each year of the execution of the Project, the Borrower shall furnish to the Association a report on the enrollments in each technical or vocational training institution under the supervision of MIP/MEF in such detail and scope as the Association shall reasonably request.

##### CNFTP

7. Before execution of any Training Sub-Project estimated to cost the equivalent of \$20,000 or more, the Borrower shall cause CNFTP to submit to the Association for approval a detailed report on the proposed financing, procurement and implementation arrangements for any such Training Sub-Project and its justification in accordance with the Manuel de Procedure.

8. By June 30, 1995, the Borrower shall cause CNFTP to complete a study for a funding mechanism to support EFTP activities and the operation of CNFTP and review the findings of such study with the Association.

9. Beginning September 30, 1993 and, thereafter, by September 30 of each year of the execution of the Project, the Borrower shall in association with CNFTP prepare a public expenditure and investment program for technical and vocational training activities in Madagascar for the next year which shall be consistent with the Vocational and Technical Training Strategy and review such program with the Association.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) and (7) for Special Account A and Categories (2) through (6) for Special Account B set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 for Special Account A and \$1,000,000 for Special Account B to be withdrawn from the Credit Account and deposited into the appropriate Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such 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 a Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower shall furnish to the Association requests for deposits into such 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 a 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 a 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 a 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 a 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 a 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (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 a 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 a 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 a 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 a Special Account.

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit

Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

