

CONFORMED COPY

CREDIT NUMBER 1967 MAG

(Economic Management and Social Action Project)

between

DEMOCRATIC REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 15, 1988

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 15, 1988, 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 African Development Bank an amount equivalent to about two million dollars (\$2,000,000), from African Development Bank Fund for Technical Assistance an amount equivalent to about two million dollars (\$2,000,000), from the Confederation of Switzerland an amount equivalent to about four million seven hundred fifty thousand dollars (\$4,750,000), from the United Nations Development Program an amount of three million eight hundred thousand dollars (\$3,800,000), and from other cofinanciers to assist in financing the Project on the terms and conditions set forth in the respective financing agreement entered into by the Borrower and any such cofinancier; 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) "Special Account A" and "Special Account B" mean the accounts referred to in Section 2.02 (b) of this Agreement (Special Account A and Special Account B hereinafter collectively referred to as the Special Accounts);

(b) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters, dated June 30, 1988, November 17, 1988, and November 28, 1988, between the Borrower and the Association;

(c) "DGP" means the Direction GEnErAle du Plan of the Borrower;

(d) "BDE" means Banque des DonnEes de l'Etat";

(e) "Executing Agencies" mean the ministries, departments and agencies of the Borrower, listed in paragraph 4 of Schedule 4 to this Agreement, which are responsible for the carrying out of the Project;

(f) "ComitE Ad Hoc" means the committee of the Borrower created by D'Ecret No. 88-148, dated April 13, 1988;

(g) "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 seventeen million one hundred thousand Special Drawing Rights (SDR 17,100,000).

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 its Central Bank two special accounts (Special Account A and Special Account B) on terms and conditions satisfactory to the Association. Special Account A shall be maintained in dollars and Special Account B in FMG. Deposits into, and payments out of, Special Account A and Special Account B 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, 1994 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 a 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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 15 and August 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 February 15 and August 15 commencing February 15, 1999 and ending August 15, 2028. Each installment to and including the installment payable on August 15, 2008 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 the Project, through the Executing Agencies, 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.

### 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 Executing 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 Special Account A and 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 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

##### Effective Date; Termination

Section 5.01. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minist`re aupr`s de la PrEsidence  
de la REpublique chargE des  
Finances et de l'Economie  
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  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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

DEMOCRATIC REPUBLIC OF MADAGASCAR

By /s/ Leon Rajaobelina  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Paul Isenman  
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) Part A.1 of the Project:		
(a) Training	200,000	100% of foreign expenditures and 85% of local expenditures
(b) Consultants' services and studies	120,000	100% of foreign expenditures and 85% of local expenditures
(c) Equipment and vehicles	280,000	100% of foreign expenditures and 85% of local expenditures
(d) Operating costs	250,000	85%
(2) Part A.3 of the Project:		
(a) Part A.3 (i)	815,000	100% of foreign expenditures and 85% of local expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) Part A.3 (ii)	75,000	100% of foreign expenditures and 85% of local expenditures
(c) Part A.3 (iii)	100,000	100% of foreign expenditures and 85% of local expenditures
(d) Part A.3 (iv)	90,000	100% of foreign expenditures and 85% of local expenditures
(e) Part A.3 (v)	115,000	100% of foreign expenditures and 85% of local expenditures
(f) Part A.3 (vi)	100,000	100% of foreign expenditures and 85% of local expenditures
(g) Part A.3 (vii)	155,000	100% of foreign expenditures and 85% of local expenditures
(3) Consultants' services and studies under Part A.4 of the Project	70,000	100% of foreign expenditures and 85% of local expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Part A.5 of the Project:		
(a) Training	55,000	100% of foreign expenditures and 85% of local expenditures
(b) Consultants' services and studies	130,000	100% of foreign expenditures and 85% of local expenditures
(c) Equipment and vehicles	780,000	100% of foreign expenditures and 85% of local expenditures
(d) Operating costs	90,000	85%
(e) Civil works	3,190,000	100% of foreign expenditures and 85% of local expenditures

(5) Part A.6 of the Project:

(a) Training	30,000	100% of foreign expenditures and 85% of local expenditures
--------------	--------	--

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) Consultants' services and studies	15,000	100% of foreign expenditures and 85% of local expenditures
(c) Equipment and vehicles	7,000	100% of foreign expenditures and 85% of local expenditures
(d) Operating costs	55,000	85%

(6) Part A.7 of the Project:

(a) Training	2,190,000	100% of foreign expenditures and 85% of local expenditures
--------------	-----------	--

(b) Consultants' services and studies	300,000	100% of foreign expenditures and 85% of local expenditures
---------------------------------------	---------	--

(c) Equipment and vehicles	200,000	100% of foreign expenditures and 85% of local expenditures
----------------------------	---------	--

(d) Operating costs	45,000	85%
---------------------	--------	-----

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
----------	--	----------------------------------

(7) Part B.2 of the Project:

(a) Equipment and vehicles	250,000	100% of foreign expenditures and 85% of local expenditures
----------------------------	---------	--

(b) Operating costs	350,000	85%
---------------------	---------	-----

(8) Part C.1 of the Project:

(a) Training	60,000	100% of foreign expenditures and 85% of local expenditures
--------------	--------	--



(b)	Consultants' services and studies	940,000	100% of foreign expenditures and 85% of local expenditures
(c)	Equipment and vehicles	680,000	100% of foreign expenditures and 85% of local expenditures
(d)	Operating costs	165,000	85%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(9)	Part C.2 (i) of the Project:		
(a)	Training	35,000	100% of foreign expenditures and 85% of local expenditures
(b)	Consultants' services and studies	685,000	100% of foreign expenditures and 85% of local expenditures
(c)	Equipment and vehicles	45,000	100% of foreign expenditures and 85% of local expenditures
(d)	Operating costs	65,000	85%
(10)	Part C.2 (ii) of the Project:		
(a)	Training	100,000	100% of foreign expenditures and 85% of local expenditures
(b)	Consultants' services and studies	480,000	100% of foreign expenditures and 85% of local expenditures
(c)	Equipment and vehicles	90,000	100% of foreign expenditures and 85% of local expenditures
(d)	Operating costs	60,000	85%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(11)	Consultants' services and studies under Part C.3 of the Project	860,000	100% of foreign expenditures and 85% of local expenditures

(12) Refunding of Project Prepara- tion Advance	1,165,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(13) Unallocated	1,613,000	
TOTAL	17,100,000	

2. For the purpose of this Schedule:

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

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

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

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,600,000, may be made in respect of Categories (1) through (11) on account of payments made for expenditures before that date but after July 1, 1988;

(b) payments made for expenditures under Category (1) (c) before the Borrower has furnished the Association an epidemiological survey acceptable to the Association;

(c) payments made for expenditures under Category (6) before the Borrower has: (i) made an initial deposit of FMG 1 billion into a separate Treasury Account for the purposes of Part A.7 of the Project; and (ii) has created the center for the purposes of carrying out Part A.7 (ii) of the Project;

(d) payments made for expenditures under Categories (8) through (11) before the Borrower has complied with all the conditions precedent to the effectiveness of the Development Credit Agreement, dated July 18, 1988 between the Borrower and the Association (Public Sector Adjustment Credit);

(e) without any limitation upon the provisions of subparagraph (d) above, payments made for expenditures under Category (10) before the Borrower has established a unit which shall be responsible for performance review, rehabilitation and restructuring of public enterprises, with a full-time staff adequate for the carrying out of the unit's responsibilities; and

(f) payments made for expenditures regarding Phase II of each of Parts A.3 (i) through A.3 (vii) under Categories 2 (a) through 2 (g) before the Association has approved the respective detailed program for the carrying out of Phase II in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) initiate a program of emergency actions for disadvantaged groups; (ii) reinforce the capacity of the Borrower to monitor social conditions and design appropriate social policies and programs; and (iii) facilitate the implementation of the adjustment program by strengthening key institutions responsible for its execution.

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: Priority Social Action Program

- (1) (i) Development, implementation and supervision of a community-based system for diagnosis and treatment of malaria attacks.
- (ii) Development and operation of a chloroquine distribution network for the purposes of Part A.1 (i) above.
- (iii) Distribution through the public health system of drugs required for the treatment of complicated or chloroquine-resistant malaria cases, as well as other essential drugs.
- (iv) An emergency program of intra-domiciliary pesticide spraying against malaria vectors in selected areas of the Hautes Terres.
- (v) Reinforcement of the epidemiological surveillance system and carrying out of an operational research program to adjust malaria control and treatment strategies to changing conditions.
- (vi) An information and education campaign to mobilize the public in favour of the malaria control program.
- (2) (i) An information program on family planning including information meetings, home visits, and mass media campaigns.
- (ii) Improvement of clinical family planning services through provision of dwellings for four clinics in Antsiranana, Fianaratsoa, Mahajanga and Toamasina, and reinforcement of staffing and equipping thereof.
- (iii) A training program for about 250 staff members of technical ministries and local governments, responsible for family planning services, and a clinical training program for about 750 health professionals, medical students and nurses.
- (3) Pilot operations to improve food security:
  - (i) Establishment of cereal banks.
  - (ii) Establishment of rural savers groups.
  - (iii) Raising of small livestock by urban poor.
  - (iv) Marketing of subsidized food through canteens.
  - (v) Nutritional interventions for pre-school age children.
  - (vi) Promotion of new cropping opportunities.
  - (vii) Promotion of new nutritional foods using largely local ingredients.
- (4) (i) A study on development of irrigation.
- (ii) A study on development of smallholder livestock.
- (iii) A survey on targeted food distribution.
- (5) (i) Rehabilitation of about 700 km of rural roads by labor intensive techniques.

- (ii) Carrying out of a training program to assist small-scale domestic contractors in road works, including labor intensive methods, management, quality control and equipment operation in the areas targeted under Part A.5 (i) above.
- (6) Improvement of the data base on non-governmental organizations active in Madagascar, creation and operation of a coordination and information system on non-governmental organizations.
- (7) (i) Setting up and operation of a redeployment fund for employees of public enterprises who have lost their job in the course of the rationalization of the parapublic sector.
- (ii) Setting up and operation of a center responsible for orientation, placement and provision of information about training options for the employees referred to under Part A.7 (i) above.
  - (iii) Training, including on-the-job training, for employees referred to under Part A.7 (i) above.

Part B: Actions Related to the Social Dimensions of Adjustment

- (1) Establishment and operation of an analysis unit at the Department of Social Planning within DGP in order to assist the respective ministries in the design and follow-up of social programs.
- (2) Implementation of a permanent survey in order to monitor living conditions in households, to identify target groups for whom interventions are needed, and to evaluate the effects of such interventions.

Part C: Economic Management

- (1) (i) Preparation of sectoral strategies, three-year public investment programs (1989-1991, 1990-1992) and overall public expenditure programs (1989, 1990-1992).
- (ii) Revision of the budgeting procedures.
  - (iii) Carrying out of a comprehensive census of the permanent and non-permanent employees of the central government and updating of payroll.
  - (iv) Preparation of a program to improve the management and administration of the permanent employees of the central government.
  - (v) Strengthening of the unit responsible for the implementation of the public expenditure reform and the unit in charge of disbursement, both within the Borrower's Ministry of Finance.
- (2) (i) Reinforcement of the Comit  Ad Hoc for the implementation of the Borrower's action plan for public enterprises to be liquidated or from which the Borrower intends to divest, including training and studies.
- (ii) Reinforcement of the unit of the Borrower responsible for performance review, rehabilitation and restructuring of public enterprises and for the implementation of the Borrower's action plan for public enterprises.
- (3) Studies for the preparation, analysis and supervision of programs and projects aiming at the improvement of the economic and social data base, the implementation of the economic adjustment policies, the implementation of social policies and economic growth.

\* \* \*

The Project is expected to be completed by December 31, 1993.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

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

###### Part B: Preference for Domestic Manufacturers

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

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

1. Goods estimated to cost less than the equivalent of \$100,000 but more than \$30,000 per contract and civil works shall be procured under contracts awarded on the basis of the Borrower's Decree 70-089 dated January 28, 1970, 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 or 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. In case of minor civil works, estimated to cost the equivalent of \$100,000 or less up to an aggregate amount not to exceed the equivalent of \$2,000,000 the bidding procedures referred to in paragraph 1 above may be restricted to participants of the training program under Part A.5 (ii) of the Project.

3. Goods estimated to cost less than the equivalent of \$30,000 per contract up to an aggregate of the equivalent of \$1,000,000, may be procured on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, 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 estimated to cost the equivalent of \$35,000 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 Accounts, 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.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

## Section II. Employment of Consultants

In order to assist the Borrower in the carrying out of 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. The Borrower shall assure the coordination and monitoring of the execution of the Project through DGP and, for that purpose, DGP shall designate a duly qualified and experienced manager.

2. By March 31, 1989, the Borrower shall designate a duly qualified and experienced manager responsible for the execution of the respective Parts of the Project in each Executing Agency.

3. By August 31 of each year of execution of the Project, the Borrower shall, through DGP, furnish to the Association for approval an annual work program for all activities to be carried out under the Project during the following year. Each Executing Agency shall be responsible, under the overall coordination of DGP, for preparing of that part of the annual work program, which it will execute.

4. By June 30 of each year of execution of the Project, the Borrower shall, through DGP, furnish to the Association a progress report on the activities carried out during the preceding year of such scope as the Association shall reasonably request, such progress reports to include information on the application of funds obtained from the cofinanciers referred to in the Preamble to this Agreement and the funds received for the sale of chloroquine under Part A.1 of the Project.

##### Executing Agencies:

5. The following ministries, departments and agencies of the Borrower shall be responsible for the carrying out of the

respective parts of the Project:

- Ministry of Health: Part A.1;
- Ministry of Agriculture and Agrarian Reform: Parts A.3 and A.4;
- Ministry of Public Works: Part A.5;
- Ministry responsible for population: Parts A.2 and A.6;
- Ministry responsible for labor: Part A.7;
- Ministry responsible for finance: Parts C.1 and C.2 (ii);
- Prime Ministry: Part C.2 (i);
- DGP: Parts B.1 and C.3; and
- BDE: Part B.2;

Part A.3 of the Project:

6. Pilot operations under Part A.3 (i) through A.3 (vii) shall be carried out in two phases:

Phase I: Rapid technical assessment, short-term trials and experiments for the preparation of the respective pilot operation.

Phase II: Implementation of the pilot operation.

Upon completion of Phase I of each of Part A.3 (i) through A.3 (vii), the Borrower shall furnish the Association for approval a detailed program for the activities to be carried out in Phase II of any of Part A.3 (i) through Part A.3 (vii), including the arrangements to be made for their implementation.

Part C.3 of the Project:

7. Before commencement of any study to be carried out under Part C.3 of the Project, the Borrower shall furnish the Association for approval the terms of reference, cost estimates and the arrangements to be made for the carrying out of any such study.

## SCHEDULE 5

### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 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:

(i) an amount of one million dollars in the case of Special Account A; and

(ii) an amount of one billion Francs Malagasy in the case of Special Account B.

Such amounts are to be withdrawn from the Credit Account

and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 Accounts have been duly opened, withdrawals of the respective Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the respective Authorized Allocations, 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 respective Authorized Allocations. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the respective Special Accounts 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 Accounts such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Accounts 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 Accounts, 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 Allocations.

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 Accounts 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 Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Accounts (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 Accounts 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 Accounts 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 Accounts.

(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.

