

CONFORMED COPY

CREDIT NUMBER 3180 MAG

Project Agreement

(Third Social Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FONDS D'INTERVENTION POUR LE DEVELOPPEMENT

Dated April 6, 1999

CREDIT NUMBER 3180 MAG

PROJECT AGREEMENT

AGREEMENT, dated April 6, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and FONDS D'INTERVENTION POUR LE DEVELOPPEMENT (FID).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Madagascar (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ten million seven hundred thousand Special Drawing Rights (SDR10,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that FID agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Convention to be entered into between the Borrower and FID, the proceeds of the credit provided for under the Development Credit Agreement will be made available to FID on the terms and conditions set forth in said Convention; and

WHEREAS FID, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) FID declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, 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 Association and FID shall otherwise agree, FID shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. FID shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. FID shall duly perform all its obligations under the Convention and the Procedures' Manual. Except as the Borrower and the Association shall otherwise agree, FID shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Convention or the Procedures' Manual, or any provision thereof.

Section 2.05. (a) FID shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, the Convention and the Procedures' Manual, and other matters relating to the purposes of the Credit.

(b) FID shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by FID of its obligations under this Agreement, the Convention and the Procedures' Manual.

(c) Without prejudice to the generality of the foregoing, FID shall participate fully in the reviews referred to in paragraph 3 (a) of Schedule 3 to the Development Credit Agreement and, to this end, shall: (a) furnish to the Borrower and the Association such reports as may be required for that purpose, and in such detail as the Borrower or the Association shall reasonably request, on the progress and status of the Project; and (b) following each such review, act promptly and diligently in order to take, or assist the Borrower in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist the Borrower in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

ARTICLE III

Management and Operations of FID

Section 3.01. (a) FID shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(b) FID shall ensure that the position of Director General as well as the six

positions of Regional Directors, shall be kept filled at all times by persons, whose qualifications and experience shall have been communicated to the Association and found to be acceptable.

Section 3.02. FID shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. FID shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) FID shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) FID shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), 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) have its administrative, technical and managerial performance for each fiscal year audited by said auditors, having regard to the provisions of its statutes and by-laws, and of this Agreement, the Convention and the Procedures' Manual;

(iii) furnish to the Association as soon as available, but in any case not later than six (6) 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

(iv) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of FID thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify FID of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General

Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For FID:

Fonds d'Intervention pour le Développement
B.P. 8231
Lot: II J 164
Ambodivoanjo
Antananarivo 101
Madagascar

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of FID, or by FID on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Chairman of the Board of Directors or such other person or persons as the Chairman of the Board of Directors shall designate in writing, and FID shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

FONDS D'INTERVENTION POUR LE DEVELOPPEMENT

By /s/ Zina Andrianarivelo

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the Guidelines) and the following provisions of this Section, as applicable.

2. In paragraph 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost more than \$30,000 but less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Office supplies and furniture estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement Small Works

Works (other than rural roads) for sub-projects estimated to cost \$50,000 equivalent or less per contract and works for rural road sub-projects estimated to cost \$120,000 equivalent or less per contract up to an aggregate amount not to exceed

\$5,000,000, may be procured under contracts awarded in accordance with the provisions of paragraph 3.

4. Works estimated to cost \$7,500 equivalent or less per contract, and not to exceed \$2,500,000 million equivalent in the aggregate, shall be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

5. Community Participation

Goods and works up to an aggregate amount equivalent to \$5,000,000 required for Sub-projects may be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and modalities and procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$75,000 more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$50,000 equivalent per contract may comprise entirely national consultants in accordance with

the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least Cost Selection

Services for financial audits estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of least cost selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single Source Selection

Services for training and technical audits estimated to cost less than \$50,000 equivalent per contract, may be procured, with the Association's prior agreement, in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultants' Guidelines.

3. Individual Consultants

Services for tasks meeting the requirements of Section V of the consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for financial and technical audits and for each contract estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$30,000 or more, and for all contracts for the employment of FID directors and heads of units, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. FID shall operate under the overall control of a Board of Directors consisting

of one representative of the Prime Minister's Office, who shall be the Chairman of the Board of Directors, three other representatives appointed by NGOs, the donor community and civic organizations, respectively, as well as two other representatives elected by members of FID.

2. (a) The Board of Directors shall appoint an Director General, who shall, subject to the overall control of the Board of Directors, be responsible for the day-to-day management of activities under the Project.

(b) Regional Directors shall be responsible for the promotion, appraisal and supervision of Sub-projects in their respective provinces.

3. (a) Applications for Grants to finance Sub-projects shall be prepared by potential beneficiaries, and submitted to the respective Regional Directors, who shall refer them to a Regional Advisory Committee, for its recommendations in accordance with the provisions of the Procedures' Manual.

(b) Subject to the recommendations of the Regional Advisory Committee, and to approval guidelines prescribed in the Procedures' Manual, applications for Grants shall be approved by the Board of Directors or, in appropriate cases, by the Director General or the Regional Directors, as the case may be.

