

No. 8492

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
MADAGASCAR**

Development Credit Agreement—*Road Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 2 August 1966

Official text: English.

Registered by the International Development Association on 28 December 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
MADAGASCAR**

Contrat de crédit de développement — *Projet relatif à la construction de routes* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 2 août 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 28 décembre 1966.

No. 8492. DEVELOPMENT CREDIT AGREEMENT¹ (*ROAD PROJECT*) BETWEEN THE MALAGASY REPUBLIC AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 2 AUGUST 1966

AGREEMENT, dated August 2, 1966 between the MALAGASY REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum".

(b) Section 3.01 is deleted and the following new Section is substituted therefor :

"SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

"(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

"(i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select ;

¹ Came into force on 11 October 1966, upon notification by the Association to the Government of the Malagasy Republic.

² See p. 282 of this volume.

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(c) A new Section 3.04 is inserted immediately after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

Section 2.03. Except as the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and of the Regulations, to withdraw from the Credit Account :

- (a) such amounts as shall be the equivalent of seventy-eight per cent (or such other percentage as may from time to time be established by agreement between the Borrower and the Association) of such amounts as shall have been expended for the reasonable cost of goods required to carry out the Project ; and
- (b) if the Association shall so agree, the equivalent of a like percentage of such amounts as shall be required to meet payments to be made for the reasonable cost of such goods ;

provided, however, that no withdrawals shall be made on account of expenditures prior to June 1, 1965.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 1976, and ending April 15, 2016 each installment to and including the installment payable on April 15, 1986 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out or cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Except as the Association shall otherwise agree, the roads included in the Project shall be constructed by contractors satisfactory to the Borrower and the Association, employed under contracts satisfactory to the Borrower and the Association.

(c) Except as the Association shall otherwise agree, the Borrower shall, in the carrying out of the Project, employ or cause to be employed engineering consultants acceptable to, and to an extent and upon terms and conditions satisfactory to, the Association.

(d) The general design standards to be used for the roads included in the Project shall be as determined from time to time by agreement between the Borrower and the Association.

(e) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(f) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditures of the proceeds of the Credit, the Project and the goods.

(g) The Borrower shall furnish to the Association all such information as the Association shall reasonably request with regard to the Borrower's highway development plans and the implementation thereof.

Section 4.02. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof.

(c) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.04. This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.05. The Borrower shall, at all times, adequately maintain or cause to be adequately maintained the main roads in its highway system in accordance with sound engineering practices and with due regard to economic requirements.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Article VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be December 31, 1970 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by October 31, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Section 6.03. The obligations of the Borrower under Sections 4.01, 4.02 and 4.05 of this Agreement shall terminate on the date on which this Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

Section 6.04. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministre des Finances et du Commerce
Tananarive
Malagasy Republic

Alternative address for cablegrams and radiograms :

Ministre Finances
Tananarive
Malagasy Republic

For the Association :

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

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 6.05. The Minister of Finance and Commerce of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

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

Malagasy Republic :
By R. G. RALISON
Authorized Representative

International Development Association :
By J. Burke KNAPP
Vice President

SCHEDULE

DESCRIPTION OF PROJECT

The Project consists of :

(a) The engineering, reconstruction, asphalt paving, and supervision of construction of two sections between Km 165 and Andramy, presently totalling 160 kms, of the National Road No. 4 linking Tananarive to Majunga.

(b) The final design, including a review of the economic justification, of a section of 13 kms of the National Road No. 4 between Andramy and Boinakely and of the bridge over the Betsiboka River at Boinakely.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 415, p. 68.*]

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF MADAGASCAR
WASHINGTON, D.C.

August 2, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Credit No. 90 MAG (Road Project)*
Consultants

Dear Sirs :

Please refer to Section 4.01 (c) of the Development Credit Agreement (*Road Project*) of even date between us.

This is to confirm that we shall retain the services of a firm or firms of competent consulting engineers to :

- (a) carry out the supervision of the construction of the Project in the event that this task cannot be performed satisfactorily by our Highway Administration ;
- (b) prepare the final design and tender documents, including a review of the economic justification, of a section of 13 kms of the National Road No. 4 between Andramy and Boinakely and of the bridge over the Betsiboka River at Boinakely.

We shall submit to the Association for comment :

- (a) before inviting proposals for consultants, the list of the firms to be invited to submit proposals for the studies ;
- (b) before entering into any contract, the consultant's draft contract.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Malagasy Republic :

By R. G. RALISON
Authorized Representative

Confirmed :

International Development
Association :

By J. Burke KNAPP

EMBASSY OF MADAGASCAR
WASHINGTON, D.C.

August 2, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Credit No. 90 MAG (Road Project)*
Highway Maintenance

Dear Sirs :

Please refer to Section 4.05 of the Development Credit Agreement (*Road Project*) of even date between us.

This is to confirm our agreement that budget allocations for highway maintenance will be increased in proportion to the extension of our highway system and the increase of traffic. The amount of such allocations will be determined by our Highway Administration in the light of the recommendations of the highway maintenance study currently being carried out by our consultants, the Bureau Central d'Études pour les Équipements d'Outre-Mer.

In accordance with the foregoing, we intend to exchange views with you from time to time regarding the amount of maintenance allocations for our national system for the year 1967 and subsequent years, including day to day maintenance, periodic and emergency maintenance, renewal of equipment and administration.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Malagasy Republic :

By R. G. RALISON
Authorized Representative

Confirmed :

International Development
Association :

By J. Burke KNAPP

EMBASSY OF MADAGASCAR
WASHINGTON, D.C.

August 2, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Credit No. 90 MAG (Road Project)
Currency of Payment

Dear Sirs :

We refer to the Development Credit Agreement (*Road Project*) of even date herewith between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charge shall be payable in an eligible currency other than that specified in (i), or than one designated under this clause (ii), or selected pursuant to clause (iv), we shall deliver to the Association, not less than 3 nor more than 4 months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty-day period, be payable in the currency so selected.
- (v) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely

convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Malagasy Republic :

By R. G. RALISON
Authorized Representative

Confirmed :

International Development
Association :

By J. Burke KNAPP