

No. 9671

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
MADAGASCAR**

**Development Credit Agreement—*Second Highway Project*
(with annexed Credit Regulations No. 1, as amended).
Signed at Washington on 12 November 1968**

Authentic text: English.

Registered by the International Development Association on 26 June 1969.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
MADAGASCAR**

**Contrat de crédit de développement — *Deuxième projet
relatif au réseau routier* (avec, en annexe, le Règlement
n° 1 sur les crédits de développement, tel qu'il a été
modifié). Signé à Washington le 12 novembre 1968**

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 26 juin 1969.

DEVELOPMENT CREDIT AGREEMENT ¹

AGREEMENT, dated November 12, 1968, between the MALAGASY REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association and International Bank for Reconstruction and Development (hereinafter called the Bank) to assist in the financing of a highway project as described in Schedule 1 to this Agreement (hereinafter called the Project);

WHEREAS the Association and the Bank have agreed to make available to the Borrower eight million dollars (\$ 8,000,000) to assist in such financing in the form of a credit of four million five hundred thousand dollars (\$ 4,500,000) granted by the Association and a loan of three million five hundred thousand dollars (\$ 3,500,000) made by the Bank (hereinafter called the Loan), on the terms and conditions set forth hereinafter and in the loan agreement² between the Borrower and the Bank of even date herewith (hereinafter called the Loan Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

CREDIT REGULATIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961 as amended February 9, 1967³ (said Development Credit Regulations No. 1 being hereinafter called the Credit Regulations), with the same force and effect as if they were fully set forth herein.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to four million five hundred thousand dollars (\$ 4,500,000).

¹ Came into force on 1 April 1969, upon notification by the Association to the Government of Madagascar.

² See p. 19 of this volume.

³ See p. 60 of this volume.

Section 2.02. (a) 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.

(b) 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 Development Credit Agreement and the Credit Regulations and in accordance with the Allocation of Proceeds of the Credit and of the Loan set forth in Schedule 2 to this Development Credit Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods required for carrying out the Project and to be financed under this Development Credit Agreement the equivalent of seventy per cent (70 %) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for expenditures under Categories 1 and 2 of said Schedule 2, provided, however, that if there shall be an increase in the estimate of expenditures under either such Category, the Association may by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the expenditures remaining to be made under such Category.

(b) Except as shall be otherwise agreed between the Borrower and the Association, no withdrawals shall be made on account of:

- (i) expenditures made prior to the date of this Development Credit Agreement; or
- (ii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. The currency of the United States of America is hereby specified for the purposes of paragraph (a) of Section 3.02 of the Credit Regulations.

Section 2.05. 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 of the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annually installments payable on each April 15 and October 15 commencing October 15, 1978 and ending April 15, 2018, each installment to and including the installment payable on April 15, 1988 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 in accordance with the provisions of this Development Credit Agreement to expenditures required to carry out the Project, described in Schedule 1 to this Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and as shall be agreed between the Borrower and the Association.

Section 3.03. 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 the Project with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices, and shall make available, promptly as needed, all funds, facilities, services, and other resources required for the purpose.

(b) To assist in carrying out the Project, the Borrower shall employ or cause to be employed competent and experienced consultants acceptable to the Association, to an extent, and upon such terms and conditions as shall have been approved by the Association.

(c) The Borrower shall cause Parts I and II of the Project, as described in Schedule 1 to this Development Credit Agreement, to be carried out by

contractors acceptable to the Association, employed under contracts which shall have been approved by the Association.

(d) The supervision of the carrying out of Parts I (b) and II of the Project shall be performed by competent and experienced consultants employed in accordance with paragraph (b) of this Section and that of Part I (a) of the Project shall be performed by the Borrower's Ministry of Equipment (Service Central Technique), provided, however, that if the Association shall decide that this task exceeds the powers of said Ministry, such supervision shall be performed by consultants employed pursuant to paragraph (b) above.

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

(f) The general design standards to be applied to the Project shall be as determined from time to time by agreement between the Borrower and the Association.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting practices, the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditures of the proceeds of the Credit, the Project, the goods to be financed out of the proceeds of the Credit, and the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.03. (a) The Borrower shall at all times adequately maintain and repair or cause to be adequately maintained and repaired its highway system, in accordance with sound engineering standards and with due regard to financial and economic requirements.

(b) The Borrower shall take such steps as shall be reasonably required to ensure that the dimensions and axleloads of vehicles using its highway system shall be consistent with the structural and geometric design standards of the roads used.

(c) The Borrower shall collect and record in accordance with appropriate statistical methods and procedures such technical, economic and financial information as shall be reasonably required for proper planning of maintenance, improvements and extensions of its highway system.

Section 4.04. (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 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.

(c) 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.

(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 4.05. The Borrower undertakes to have the imported goods to be financed out of the proceeds of the Credit insured against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 4.06. (a) 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.

(b) This Development Credit 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 4.07. The decision whether the bridges in the Project will be single or dual lane shall be made on the basis of bid offers and by agreement of the Borrower and the Association.

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 Credit Regulations or Section 5.02 of this Agreement 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 Credit 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 during the continuance thereof, 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 Development Credit Agreement to the contrary notwithstanding.

Section 5.02. The following additional event is specified for the purposes of Section 5.02 (h) of the Credit Regulations:

A default shall have occurred in the performance by the Borrower of any covenant or agreement on its part under the Loan Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Development Credit Agreement within the meaning of Section 8.01 (b) of the Credit Regulations:

The execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 8.02 (b) of the Credit Regulations, to be included in the opinion or opinions to be furnished to the Association:

That the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and that such Agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 6.03. If this Development Credit Agreement shall not have come into force and effect by February 5, 1969, 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 the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1972 or such other date as may be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Credit Regulations:

For the Borrower:

Le Ministre des Finances et du Commerce
Tananarive
Malagasy Republic

Alternative address for cables:

Minfincom
Tananarive

For the Association:

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

Alternative address for cables:

Indevas
Washington, D.C.

Section 7.03. The Minister of Finance and Commerce of the Borrower is designated for the purposes of Section 7.03 of the Credit 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 1

DESCRIPTION OF PROJECT

The Project consists of :

- I. The construction and bituminous paving of the following roads :
 - (a) The Fanjakamandroso-Tsiroanomandidy road (about 55 km long) ; and
 - (b) The Ambilobe-Ambanja road (about 91 km long).
- II. The construction of major bridges with their approaches at :
 - (a) Onibe ;
 - (b) Fanandrana ; and
 - (c) Ambanja.
- III. Engineering services, mostly supplied by consultants, for the supervision of the execution of the above described Parts I and II of the Project.

The Project is expected to be completed by December 31, 1971.

SCHEDULE 2

ALLOCATION OF PROCEEDS OF THE CREDIT AND OF THE LOAN

| <i>Category</i> | <i>Amounts Expressed in Dollar Equivalent</i> |
|--------------------------------------|---|
| 1. Construction Works | \$6,600,000 |
| 2. Supervision of Construction | 320,000 |
| 3. Unallocated | 1,080,000 |
| TOTAL : | <u>\$8,000,000</u> |

ALLOCATION OF PROCEEDS OF THE CREDIT

1. The amount of the Credit shall be withdrawn from the Credit Account as provided under Article II of this Development Credit Agreement, and shall be applied to expenditures under any of the Categories of this Schedule, until the total of withdrawals shall have reached the equivalent of \$4,500,000.

ALLOCATION OF PROCEEDS OF THE LOAN

2. The amount of the Loan may be withdrawn from the Loan Account as provided under Article II of the Loan Agreement and shall be applied to expenditures under any of the Categories of this Schedule incurred after the amount of the Credit shall have been exhausted.

REALLOCATION UPON CHANGE IN COST ESTIMATES

3. If the estimates of the cost of the items included in Category 1 or 2 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated to Category 3 by the Association or by the Bank, as the case may be.

4. If the estimate of the cost of the items included in Category 1 or 2 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association or by the Bank, as the case may be, at the request of the Borrower, to such Category from Category 3, subject, however, to the requirements for contingencies, as determined by the Association and by the Bank, in respect of the cost of the items in the other Category.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 617, p. 60.*]