

No. 9670

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
MADAGASCAR

Loan Agreement—*Second Highway Project* (with annexed
Loan Regulations No. 3, as amended). Signed at
Washington on 12 November 1968.

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development
on 26 June 1969.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
MADAGASCAR

Contrat d'emprunt — *Deuxième projet relatif au réseau
routier* (avec, en annexe, le Règlement n° 3 sur les
emprunts, tel qu'il a été modifié). Signé à Washington
le 12 novembre 1968

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le dévelop-
pement le 26 juin 1969.*

LOAN AGREEMENT ¹

AGREEMENT, dated November 12, 1968, between the MALAGASY REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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

WHEREAS the Bank and the Association have agreed to make available to the Borrower eight million dollars (\$ 8,000,000) to assist in such financing in the form of a loan of three million five hundred thousand dollars (\$ 3,500,000) made by the Bank and a development credit of four million five hundred thousand dollars (\$ 4,500,000) granted by the Association (hereinafter called the Credit), on the terms and conditions set forth hereinafter and in the development credit agreement ² between the Borrower and the Association of even date herewith (hereinafter called the Development Credit Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 as amended February 9, 1967, ³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations):

Section 4.01 of the Loan Regulations is deleted.

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

² See p. 44 of this volume.

³ See p. 40 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to three million five hundred thousand dollars (\$ 3,500,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and the Loan Regulations and in accordance with the Allocation of Proceeds of the Loan and of the Credit set forth in Schedule 2 to this Loan 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 Bank.

Section 2.03. (a) Provided that all proceeds of the Credit shall have been withdrawn or committed, the Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for carrying out the Project and to be financed under this Loan Agreement the equivalent of seventy per cent (70 %) of such amounts as shall have been paid (or, if the Bank 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 Bank may by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Loan 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 Bank, no withdrawals shall be made on account of:

- (i) expenditures made prior to the date of this Loan 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. Withdrawals from the Loan Account pursuant to Section 2.03 (a) of this Agreement shall be in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($1/2$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Loan Agreement to expenditures required to carry out the Project, described in Schedule 1 to this Loan Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the goods to be financed out of the proceeds of the Loan 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 Bank.

Section 3.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal

amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Minister of Finance and Commerce of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister of Finance and Commerce of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (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 Bank, to an extent, and upon such terms and conditions as shall have been approved by the Bank.

(c) The Borrower shall cause Parts I and II of the Project, as described in Schedule 1 to this Loan Agreement, to be carried out by contractors acceptable to the Bank, employed under contracts which shall have been approved by the Bank.

(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 Bank 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 Bank, 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 Bank 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 Bank.

Section 5.02. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the

Loan, 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 Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods to be financed out of the proceeds of the Loan, 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 5.03. (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 axle-loads 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 5.04. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan 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 Loan. 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 Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

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

Section 5.05. The Borrower undertakes to have the imported goods to be financed out of the proceeds of the Loan 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 5.06. (a) The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payment under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

(b) This Loan Agreement and the Bonds 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, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.07. 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 Bank.

Section 5.08. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes: (i) assets of the Borrower or any of its political subdivisions, (ii) assets

of any agency of the Borrower or of any such political subdivision, (iii) any participation, right or other financial interest of the Borrower in the *Institut d'Émission Malgache* and (iv) assets of any other institution which may be established by the Borrower to perform the functions of a central bank for the Borrower.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraphs (a) or (b) of Section 5.02 of the Loan Regulations or Section 6.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then, at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds 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 or in the Bonds to the contrary notwithstanding.

Section 6.02. The following additional event is specified for the purposes of Section 5.02 (i) of the Loan Regulations:

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

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations:

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

Section 7.02. The following is specified as an additional matter within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

That the Development Credit 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 7.03. If this Agreement shall not have come into force and effect by February 5, 1969, this Agreement and all obligations of the

parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1972, or such later date as may be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Le Ministre des Finances et du Commerce
Tananarive
Malagasy Republic

Alternative address for cables:

Minfincom
Tananarive

For the Bank

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

Intbafrad
Washington, D.C.

Section 8.03. The Minister of Finance and Commerce of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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 Bank for Reconstruction and Development:

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 LOAN AND OF THE CREDIT

<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 the Development Credit Agreement and shall be applied to expenditures under any of the Categories of this Schedule, until the total of withdrawals and commitments in respect of such expenditures 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 this 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 Loan then allocated to, and no longer required for, such Category will be reallocated to Category 3 by the Bank or by the Association, 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 Loan will be allocated by the Bank or the Association, 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 Bank and by the Association, in respect of the cost of the items in the other Category.

SCHEDULE 3

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 15, 1978	\$40,000	April 15, 1989	\$80,000
April 15, 1979	45,000	October 15, 1989	85,000
October 15, 1979	45,000	April 15, 1990	90,000
April 15, 1980	45,000	October 15, 1990	90,000
October 15, 1980	50,000	April 15, 1991	95,000
April 15, 1981	50,000	October 15, 1991	95,000
October 15, 1981	50,000	April 15, 1992	100,000
April 15, 1982	50,000	October 15, 1992	105,000
October 15, 1982	55,000	April 15, 1993	105,000
April 15, 1983	55,000	October 15, 1993	110,000
October 15, 1983	60,000	April 15, 1994	115,000
April 15, 1984	60,000	October 15, 1994	115,000
October 15, 1984	60,000	April 15, 1995	120,000
April 15, 1985	65,000	October 15, 1995	125,000
October 15, 1985	65,000	April 15, 1996	130,000
April 15, 1986	70,000	October 15, 1996	135,000
October 15, 1986	70,000	April 15, 1997	135,000
April 15, 1987	70,000	October 15, 1997	140,000
October 15, 1987	75,000	April 15, 1998	145,000
April 15, 1988	75,000	October 15, 1998	150,000
October 15, 1988	80,000		
			<u>3,500,000</u>

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than four years before maturity	$\frac{1}{3}$ %
More than four years but not more than eight years before maturity	$1\frac{1}{4}$ %
More than eight years but not more than fourteen years before maturity	$2\frac{1}{4}$ %
More than fourteen years but not more than twenty years before maturity	$3\frac{3}{4}$ %
More than twenty years but not more than twenty-six years before maturity	5 %
More than twenty-six years but not more than twenty-eight years before maturity	6 %
More than twenty-eight years before maturity	$6\frac{1}{2}$ %

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 615, p. 98.*]