

No. 10103

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
MADAGASCAR**

**Loan Agreement—Beef Cattle Development Project (with annexed
Loan Regulations No. 3, as amended, and Project Agreement
between the Bank and the Ranch State Farm “OMBY”).
Signed at Washington on 14 February 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
19 December 1969.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DEVELOPPEMENT
et
MADAGASCAR**

**Contrat d'emprunt — *Projet relatif au développement de l'élevage
des bovins (avec, en annexe, le Règlement n° 3 sur les
emprunts, tel qu'il a été modifié, et le Contrat relatif au
Projet entre la Banque et la Ferme d'Etat «OMBY»).*
Signé à Washington le 14 février 1969**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 19 décembre 1969.*

LOAN AGREEMENT ¹

AGREEMENT, dated February 14, 1969, between MALAGASY REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank):

WHEREAS the Borrower has requested the Bank to assist in the financing of a beef cattle development project;

WHEREAS part of such project shall be carried out by the State Farm "OMBY" of the Borrower in accordance with the provisions set forth in the project agreement ² between the Bank and the State Farm "OMBY" of even date herewith;

WHEREAS the Borrower has expressed its firm intention to transfer five of the six Kijanas (ranches) of the State Farm "OMBY" to private owners as soon as such transfer is feasible under terms and conditions to be agreed between the Borrower and the Bank; and

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make a loan to the Borrower on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this 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 modifications thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations):

¹ Came into force on 28 October 1969 upon notification by the Bank to the Government of Madagascar.

² See p. 118 of this volume.

³ See p. 118 of this volume.

(a) Section 4.01 is deleted.

(b) The words “and the Project Agreement” are inserted after the words “the Loan Agreement” wherever they occur in Sections 5.06 and 7.02 of the Loan Regulations.

(c) The following sub-paragraph is added to Section 10.01 of the Loan Regulations:

18. The term “Project Agreement” shall have the meaning set forth in the Loan Agreement.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement have the following meanings:

(a) The term OMBY means the Ranch State Farm “OMBY”, a public industrial and commercial entity of the Borrower, established under the decree No. 69-017 dated January 16, 1969 of the Borrower.

(b) The term Project Agreement means the agreement of even date herewith between the Bank and OMBY, as the same may be amended or supplemented from time to time by agreement between the Bank and OMBY after the approval of the Borrower.

(c) The term Subsidiary Loan Agreement means the loan agreement between the Borrower and OMBY to be executed pursuant to Section 5.01 (b) of this Agreement, as the same may be amended or supplemented from time to time with the approval of the Bank.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to two million eight hundred thousand dollars (\$2,800,000).

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 Agreement and the Loan Regulations and in accordance with

the allocation of the proceeds of the Loan set forth in Schedule 1 to this 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) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for the Project and to be financed under this Loan Agreement the equivalent of eighty per cent (80 %) 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, 2 and 3 of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement provided, however, that if there shall be an increase in the estimate of expenditures under any 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 May 1, 1968, 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 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 ($\frac{3}{4}$ 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 Borrower and the Bank 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 ($\frac{1}{2}$ 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 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply and cause to be applied the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this 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 procedures and subject to the conditions set forth in the Project Agreement.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out 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 may designate by resolution notified in writing to the Bank additional or other representatives for such purposes.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause OMBY to carry out Part A of the Project in accordance with the Project Agreement and shall carry out Part B of the Project through its Ministry of Agriculture, Rural Development and Food, except as the Bank may otherwise agree, with due diligence and efficiency and in conformity with sound agricultural, administrative, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall make available the proceeds of the Loan allocated to Category 1 of Schedule 1 to this Agreement to OMBY on terms and conditions satisfactory to the Bank. To that effect, the Borrower shall enter into a Subsidiary Loan Agreement with OMBY satisfactory to the Bank, including provisions that: (i) the respective rates of interest and other charges to be paid by OMBY shall be the same as the rates set forth in this Agreement, and (ii) the subsidiary loan shall have a maturity of twenty-two years including a period of grace of nine years. Except as the Bank shall otherwise agree, the Borrower shall not take, or concur in, any action which would have the effect of amending, abrogating, assigning or waiving any provisions of the Subsidiary Loan Agreement.

(c) The Borrower shall provide OMBY promptly as needed, with all other funds including the working capital required for Part A of the Project in the form of a grant.

Section 5.02. (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 and the Bank shall from time to time exchange views through their representatives with regard to: the performance by the Bor-

rower of its obligations under the Loan Agreement, the administration, operations and financial condition in respect of the Project of OMBY and of any agency or political subdivision of the Borrower assisting the Borrower in the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan and the maintenance of the service thereof. 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 services thereof.

(c) 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 5.03. The Borrower shall maintain or cause to be maintained, records adequate to identify the allocation of the proceeds of the Loan and the goods financed therefrom, 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 any agency or political subdivision of the Borrower assisting the Borrower in the carrying out of the Project or any part thereof; shall transmit annually to the Bank certified copies of the financial statements in respect of the Project of any agency or political subdivision of the Borrower assisting the Borrower in 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 to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial conditions in respect of the Project of OMBY and of any agency or political subdivision of the Borrower assisting the Borrower in the carrying out of the Project or any part thereof and other matters relating to the purposes of the Loan.

Section 5.04. 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.

Section 5.05. 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 payments 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.

Section 5.06. The Loan Agreement, the Project 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 Borrower covenants that it will not take or permit any of its political subdivisions or any agency of the Borrower or of any such political subdivision to take any action which would prevent or interfere with the performance by OMBY of any of the covenants, agree-

ments and obligations of OMBY under the Project Agreement, and shall promptly take or cause to be taken all action which shall be necessary on the part of the Borrower in order to cause or enable OMBY to perform punctually such covenants, agreements and obligations.

Section 5.08. (a) The Borrower shall cause adequately qualified personnel to be recruited and maintained for all its agencies and departments involved in carrying out the Project.

(b) The Borrower shall cause OMBY to carry on its operations and conduct its affairs under an organization and management maintained in accordance with the principles set forth in Schedule 4 to this Agreement as such Schedule may be amended from time to time by agreement between the Borrower, the Bank and OMBY.

Section 5.09. The Borrower shall promptly make available or cause to be made available to OMBY short-term working capital whenever and to the extent required to cover any cash deficit of OMBY.

Section 5.10. The Borrower undertakes to have the imported goods to be financed under Categories 2 and 3 of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement 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 5.11. The Borrower shall issue promptly as needed to the Ranch Managers of OMBY and whenever necessary extend or renew free from any fees or duties licenses to transmit radio messages.

Section 5.12. The Borrower undertakes that the cadastral survey of the Kijanas (ranches) included in the Project shall proceed at a pace corresponding with the establishment of these Kijanas.

Section 5.13. By 1973 the Borrower shall have introduced effective regulations satisfactory to the Bank for the use of stock routes.

Section 5.14. Without the prior approval of the Bank, no Kijana

(ranch) included in the Project shall be sold, leased, transferred, or otherwise disposed of.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event as specified below shall occur and shall continue for the period, if any, specified below, 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 Loan Agreement or in the Bonds to the contrary notwithstanding:

- (i) any event specified in paragraphs (a) or (b) of Section 5.02 of the Loan Regulations or paragraph (d) of Section 6.02 of this Agreement, for a period of thirty days; or
- (ii) any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or paragraphs (a) or (b) of Section 6.02 of this Agreement, for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; or
- (iii) any event specified in paragraph (c) of Section 6.02 of this Agreement after notification of the Borrower.

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

(a) A default shall have occurred in the performance by OMBY of any covenant or agreement on the part of OMBY under the Project Agreement, insofar as the Borrower shall not have taken the measures required for the remedy of such default;

(b) The decree No. 66-490 dated November 29, 1966 of the Borrower, establishing, and determining the articles of, the State Farms, or any provision of said decree, shall have been amended, suspended or abrogated without the prior approval of the Bank insofar as such amendment, suspension or abrogation affects the organization or management of OMBY or the conduct of its affairs;

(c) The decree No. 69-017 dated January 16, 1969 of the Borrower, establishing OMBY, or any provision of said decree, shall have been

amended, suspended or abrogated without the prior approval of the Bank;

(d) OMBY shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by OMBY or by others whereby any of the property of OMBY shall be distributed among its creditors;

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of OMBY or for the suspension of its operations.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 9.01 (b) of the Loan Regulations:

(a) The execution and delivery of the Project Agreement on behalf of OMBY have been duly approved by the National Committee of State Farms of the Borrower and have been duly authorized or ratified by all necessary corporate and governmental action;

(b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and OMBY have been duly authorized or ratified by all necessary corporate and governmental action and the Subsidiary Loan Agreement has been accepted by the Bank; and

(c) A General Manager of OMBY has been duly appointed in accordance with the principles set forth in Schedule 4 to this Agreement.

Section 7.02. The following are specified as additional matters 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:

(a) That the Project Agreement has been duly approved by the National Committee of State Farms of the Borrower and has been duly authorized or ratified by, and executed and delivered on behalf of, OMBY and that such Agreement constitutes a valid and binding obligation of OMBY in accordance with its terms; and

(b) That the Subsidiary Loan Agreement has been duly authorized or rati-

fied by, and executed and delivered on behalf of, the Borrower and OMBY and constitutes valid and binding obligations of the Borrower and OMBY in accordance with their terms.

Section 7.03. The date of May 2, 1969 is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1975, or such other date as may from time to time 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:
MINIFICOMER
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

ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Ranch Development (Ranches and seed center)—	
Livestock, seeds, equipment, materials, construction, local salaries, and transportation expenses	2,150,000
2. Technical Assistance Services—	
Salaries and international transportation expenses	250,000
3. Infrastructure (Access roads and stock routes)—	
Equipment, materials and construction	125,000
4. Unallocated	275,000
TOTAL	<u><u>2,800,000</u></u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 3 shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category 4.

2. If the estimate of the cost of the items included in any of the Categories 1 to 3 shall increase, an amount equal to 80 % of such increase will be allocated by the Bank, at the request of the Borrower, to such Category from Category 4, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

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>
April 15, 1978	65,000	April 15, 1985	105,000
October 15, 1978	70,000	October 15, 1985	105,000
April 15, 1979	70,000	April 15, 1986	110,000
October 15, 1979	75,000	October 15, 1986	115,000
April 15, 1980	75,000	April 15, 1987	120,000
October 15, 1980	80,000	October 15, 1987	120,000
April 15, 1981	80,000	April 15, 1988	125,000
October 15, 1981	85,000	October 15, 1988	130,000
April 15, 1982	85,000	April 15, 1989	135,000
October 15, 1982	90,000	October 15, 1989	140,000
April 15, 1983	90,000	April 15, 1990	145,000
October 15, 1983	95,000	October 15, 1990	145,000
April 15, 1984	95,000	April 15, 1991	150,000
October 15, 1984	100,000		

* 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 three years before maturity	$\frac{3}{4}$ %
More than three years but not more than six years before maturity . . .	$1\frac{1}{4}$ %
More than six years but not more than eleven years before maturity . . .	$2\frac{3}{4}$ %
More than eleven years but not more than sixteen years before maturity .	$4\frac{1}{2}$ %
More than sixteen years but not more than twenty years before maturity .	$5\frac{1}{2}$ %
More than twenty years before maturity	$6\frac{1}{2}$ %

SCHEDULE 3

DESCRIPTION OF PROJECT

The Project consists of the following:

A. OMBY Ranch Development

- (i) The development of six 20-25,000 ha beef cattle ranches, four of which are of

the breeding/fattening type and two of the fattening type in the Midwest zone of Madagascar;

- (ii) The establishment of a stud ranch and seed center of about 1,200 ha for breeding and distribution of high grade herd bulls and production and distribution of seed for pasture improvement; and
- (iii) The provision of project administration and management services by an organization of administrative staff led by a General Manager which would engage in supervision and the introduction of modern cattle management techniques in Madagascar and which would assist the Borrower in the organization of a long-term program of livestock development.

B. Infrastructure

The improvement of the infrastructure consisting of the construction and upgrading of about 100 km of access trails to the ranches and the establishment of 250 km main stock route from the Project area to Tananarive by the provision of water points and feeding facilities.

The Project is expected to be completed by December 31, 1974.

SCHEDULE 4

ORGANIZATION AND MANAGEMENT OF OMBY

The organization and management of OMBY shall be carried out in accordance with the following principles:

1. OMBY shall conduct its business and operations as a private enterprise under the management of a General Manager and an Assistant General Manager and under the general supervision of the National Committee of State Farms of the Borrower, hereinafter called the NCSF, and the Minister of Agriculture, Rural Development and Food of the Borrower, hereinafter called the Minister. OMBY shall operate under General Regulations (*cahier des charges générales*) and Special Regulations (*cahier des charges spéciales*) satisfactory to the Bank.

2. The Minister shall be the chairman of the NCSF.

The NCSF shall approve the Special Regulations (*cahier des charges spéciales*) of OMBY and any amendments thereof and OMBY's audited annual accounts and financial statements.

3. The Minister shall arrange with the Borrower's Minister of Finance and Commerce that a special Project account in the name of OMBY is opened on the books of the Treasury Department of the Ministry of Finance and Commerce into which account all payments by the Borrower to OMBY would be made and all income of OMBY, including the funds to be provided pursuant to

Section 5.01 (c) of the Loan Agreement, would flow, the General Manager, or by to all funds kept in this account within the limits of the particular approved delegation the Assistant General Manager, shall have immediate and direct access annual budget of OMBY.

The Minister shall approve the investment programs and the annual operating budgets of OMBY. The Minister may amend such programs and budgets to meet the requirements of the prevailing annual budget of his Ministry, however, without limiting the provisions of Section 5.01 of the Loan Agreement.

The Minister shall appoint a General Manager and an Assistant General Manager of OMBY, both experienced and acceptable to the Borrower and the Bank, with qualifications and upon terms and conditions satisfactory to the Borrower and the Bank. The Minister may terminate the employment of the General Manager and the Assistant General Manager of OMBY after consultation with the Bank. In special circumstances such consultation is not required.

4. The General Manager shall appoint a qualified and experienced Ranch Manager for each of the Kijanas (ranches), acceptable to the Borrower and the Bank with qualifications and upon terms and conditions satisfactory to the Borrower and the Bank. The General Manager may terminate the appointment of the Ranch Manager.

The General Manager, and in his absence or incapacity the Assistant General Manager, shall have the following duties and responsibilities:

- (a) the preparation in cooperation with the Minister and the Bank of the Special Regulations (*cahier des charges spéciales*) specifying the technical and financial terms of reference for the organization and management of OMBY.
- (b) the day-to-day management of OMBY including, but not limited to, the supervision of all aspects of the development and operation of OMBY, the authority to make independently all payments within the framework of the approved annual budget, to market the products of the Kijanas and the management of the specialized services of bull breeding and seed production;
- (c) the preparation of investment programs and annual budgets for the ranching, bull breeding and seed production; and
- (d) the preparation of separate accounts and financial statements for each of the Kijanas, the introduction, maintenance and operation of a system of budget control and cost accounting in respect of the Kijanas, and the annual submission of the audited accounts and financial statements of the Kijanas to the NCSF.

The General Manager shall have power to delegate to any Ranch Manager any of his authorities in respect of the day-to-day management of the Kijana of that Ranch Manager.

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.*]

PROJECT AGREEMENT

AGREEMENT, dated February 14, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and Ranch State Farm "OMBY" (hereinafter called OMBY):

WHEREAS by a loan agreement of even date herewith (hereinafter called the Loan Agreement¹) between Malagasy Republic (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower a loan of an amount in various currencies equivalent to two million eight hundred thousand dollars (\$2,800,000) (hereinafter called the Loan), on the terms and conditions set forth in the Loan Agreement;

WHEREAS the Borrower has agreed to make available to OMBY part of the proceeds of the Loan; and

WHEREAS OMBY in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations² (as defined in the Loan Agreement) shall have the respective meanings therein set forth.

¹ See p. 88 of this volume.

² See above.

Section 1.02. Unless the context shall otherwise require, the term Kijana means any one of the ranches included in the Project.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) OMBY shall carry out Part A of the Project described in Schedule 3 to the Loan Agreement with due diligence and efficiency and in conformity with sound agricultural, administrative, economic and financial practices.

(b) 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 in accordance with such other procedures supplementary thereto as are set forth in Schedule 1 to this Project Agreement.

(c) Except as the Bank shall otherwise agree, OMBY shall cause all goods financed out of the proceeds of the Loan relented to OMBY under the Subsidiary Loan Agreement to be used exclusively in carrying out the Project.

(d) The operating policies and procedures in respect of the carrying out of Part A of the Project shall be as agreed upon from time to time between the Borrower, the Bank and OMBY.

Section 2.02. (a) The Bank and OMBY 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 Project.

(b) The Bank and OMBY shall from time to time exchange views through their representatives with regard to the performance by OMBY of its obligations under this Project Agreement, the expenditure of the proceeds of the Loan relented to OMBY under the Subsidiary Loan Agreement, Part A of the Project and the administration, operations and financial condition of OMBY and other matters relating to the purposes of the Loan. OMBY 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 performance by OMBY of its obligations under this Project Agreement.

(c) OMBY shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of OMBY and OMBY shall maintain or cause

to be maintained similar records for each of the Kijanas; shall enable the Bank's representatives to inspect any relevant records and documents in respect of the Project; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the performance of OMBY of its obligations under this Project Agreement and the Subsidiary Loan Agreement, the expenditure of the proceeds of the Loan relented to OMBY under the Subsidiary Loan Agreement, Part A of the Project, and the administration, operations and financial condition of OMBY and of each of the Kijanas.

Section 2.03. Except as the Bank shall otherwise agree, OMBY shall cause its financial statements and the financial statements of each of the Kijanas to be audited and certified annually by an independent accountant acceptable to the Borrower and the Bank and shall, promptly after their audit and not later than four months after the close of the fiscal year of OMBY, transmit to the Bank certified copies of such statements.

Section 2.04. OMBY shall carry on its operations and conduct its affairs in accordance with sound agricultural, administrative, economic and financial practices, under the supervision of experienced and competent management, all in accordance with the principles set forth in Schedule 4 to the Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower, the Bank and OMBY.

Section 2.05. Except as the Bank shall otherwise agree, OMBY shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving any provision of the Subsidiary Loan Agreement. OMBY shall exercise its rights and fulfill its obligations under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower, the Bank and OMBY.

Section 2.06. (a) OMBY shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amount as shall be consistent with sound agricultural and business practices.

(b) Without limiting the generality of the foregoing, OMBY undertakes that the imported goods financed out of the proceeds of the Loan relented to OMBY under the Subsidiary Loan Agreement shall be insured against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the Kijana in question and for such insurance any indemnity shall be payable in a currency freely usable by OMBY to replace or repair such goods.

Article III

EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 3.01. This Project Agreement shall enter into force and effect on the Effective Date.

Section 3.02. This Project Agreement and the obligations of the parties hereunder shall terminate when the Loan Agreement shall terminate in accordance with its terms.

Section 3.03. Notwithstanding any cancellation or suspension under the Loan Agreement, all the provisions of this Project Agreement shall continue in full force and effect.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, cablegram or radiogram to the party to which it is required or permitted to be given or made at its 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 Bank:

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

INTBAFRAD
Washington, D.C.

For OMBY:

Ferme d'Etat « OMBY »

Ministère de l'Agriculture, de l'Expansion Rurale et du Ravitaillement

Tananarive

Malagasy Republic

Cable address:

MINAGRI-OMBY

Tananarive

Section 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed on behalf of OMBY under this Project Agreement or for the purpose of modifying or amplifying this Project Agreement may be taken or executed by the Managing Director of OMBY or such other person or persons as he shall designate in writing.

Section 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.

International Bank for Reconstruction and Development:

By J. Burke KNAPP

Vice President

Ranch State Farm "OMBY":

By R. G. RALISON

Authorized Representative

SCHEDULE 1

SUPPLEMENTARY PROCEDURE FOR PROCUREMENT

1. International competitive bidding is required for the procurement of imported steel fencing posts and wire. In respect of these items:

(a) One copy of the draft invitation to bid and the draft bid advertisements to be published, the draft forms of contract, the draft specifications, and all other bid documents together with a list of the publications in which the advertisement will appear and the time to be allowed for bid preparation will be submitted to the Bank for its review and approval before bids are invited. If pre-qualification is used, the proposed pre-qualification procedure will be submitted to the Bank for approval before invitations for pre-qualification are issued.

(b) After bids have been received and analyzed, one copy of the analysis of bids and recommendation for award of the contract, together with the reasons for such recommendation and supporting documentation, will be furnished to the Bank for its review and approval of the proposed award prior to the award of the contract or the issuance of a letter of intent.

(c) If the proposed final contract differs materially from the terms and conditions contained in the respective documents approved by the Bank under subparagraph (a), or there is any material change in the factors taken into consideration when making the recommendation under (b) above, then the proposed changes will be submitted to the Bank for its review and approval prior to the execution of the contract.

(d) The Bank will be furnished with a signed copy of the final contract promptly after execution.

2. Livestock required for the Project and imported seeds may be procured directly without international competitive bidding. In respect of the procurement of imported pedigree stock and imported seeds, copies of the executed contracts will be sent to the Bank for approval as soon as such contracts are signed.

3. All imported goods not mentioned under 1 or 2 above will be procured, and contracts for building construction, building of fences and improvement of water supplies will be awarded, after local competitive bidding. In respect of these procurements, copies of all bidding documents including evaluation of bids and copies of the executed contracts will be sent to the Bank for approval as soon as such contracts are signed.
