

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N009 MAG

Interim Fund  
Development Credit Agreement

(Second Environment Program Support Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund established with funds  
contributed by certain members of International Development  
Association pursuant to Resolution No. IDA 184 of the Board of  
Governors of International Development Association

Dated March 14, 1997

INTERIM FUND CREDIT NUMBER N009 MAG

INTERIM FUND  
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 14, 1997, between REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Administrator has received a letter of sector policy, dated October 23, 1996, from the Borrower, describing a program of actions, objectives and policies designed to promote and strengthen its environmental management strategy (hereinafter referred to as "the Program"), and declaring its commitment to the execution of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(D) the Borrower intends to contract from French Republic (France), Germany,

Japan, Switzerland, Kingdom of Norway (Norway), European Union (EU), United States Agency for International Development (USAID), United Nations Development Program (UNDP), International Fund for Agricultural Development (IFAD), International Bank for Reconstruction and Development and UNDP acting as implementing agencies of the Global Environment Facility (GEF) and World Wildlife Fund (WWF) (referred to collectively hereinafter as Co-financiers), loans or grants in an aggregate amount equivalent to \$94,000,000 to assist in financing the Project on the terms and conditions set forth in agreements (Co-financing Agreements) to be entered into between the Borrower and such other Co-financiers; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5(c) of said Resolution"; and "Participating Countries" means, collectively, all such countries";

(d) The last sentence of Section 3.02 is deleted.

(e) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Administrator. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will

not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time, the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth or referred to in the Interim Fund Development Credit Agreement and establishes the amount of the expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Interim Fund Credit, or (e) after the Closing Date, an amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Interim Fund Credit shall be cancelled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "ANAE" means Association Nationale d'Actions Environnementales, the Borrower's National Association for Environmental Actions;
- (b) "ANGAP" means Association Nationale pour la Gestion des Aires Protégées, the Borrower's National Association for the Management of Protected Areas;
- (c) "Beneficiary" means the beneficiary of a grant;
- (d) "CFSIGE" means Centre de Formation des Sciences de l'Information Géographique et Environnementale, the Borrower's Training Center for Geographical and Environmental Information Technology;
- (e) "CIME" means Comité Inter-Ministériel de l'Environnement, the Borrower's Inter-Ministerial Committee for the Environment referred to in paragraph 1 of Schedule 4 to this Agreement;
- (f) "CNE" means the Conseil National de l'Environnement, the Borrower's National Environment Council referred to in paragraph 1 of Schedule 4 to this Agreement;
- (g) "Co-financing Agreements" has the same meaning as in the Preamble to this Agreement;
- (h) "DD" means Direction des Domaines, the Borrower's Land Titling Directorate;
- (i) "DEF" means Direction des Eaux et Forêts, the Borrower's Water and Forest Directorate;
- (j) "FORAGE" means Fonds Régional d'Appui à la Gestion de l'Environnement, the Borrower's Regional Fund for Environmental Management;
- (k) "FORAGE Procedures Manual" means the FORAGE Procedures Manual referred to in paragraph 8 of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the FORAGE Procedures Manual;
- (l) "FTM" means Foiben-Taosarintanin'i Madagasikara, the Borrower's National Geographic and Hydrographic Institute;
- (m) "grant" means a grant made out of the proceeds of the Interim Fund Credit to finance a sub-project;

(n) "ONE" means Office National de l'Environnement, the Borrower's National Environment Office;

(o) "Project Account" means the project account referred to in section 3.04 of this Agreement;

(p) "Project Implementation Manual" means the Project Implementation Manual, referred to in paragraph 4 of Schedule 4 to this Agreement, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

(q) "region" means a political subdivision in the territory of the Borrower; "RPC" means the regional programming committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(r) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(s) "sub-project" means a sub-project under Part A.1.(a) or A.5 of the Project, as the case may be;

(t) "Urban Code" means Code de l'Urbanisme et de l'Habitat, the Borrower's Urban Code.

## ARTICLE II

### The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement (other than Part A.1 (a) and A.5 thereof) and to be financed out of the proceeds of the Interim Fund Credit, and amounts paid (or, if the Administrator shall so agree, to be paid) in respect of grants to meet the reasonable costs of goods and services required under a sub-project and in respect of which the withdrawal from the Interim Fund Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Interim Fund Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Interim Fund Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the

Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c), and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semiannual installments payable on each May 1 and November 1, commencing May 1, 2007 and ending November 1, 2036. Each installment to and including the installment payable on November 1, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Administrator notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Administrator may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest rate at an annual rate agreed with the Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Administrator may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(i) shall carry out Parts A.1 (b) and A.2 of the Project through DEF, Parts A.3 (a), A.4, C and D (other than D.2 (b) and (c)) of the Project through ONE, and Part A.3 (b) of the Project through DD, with due diligence and efficiency, in conformity with appropriate financial, administrative and technical practices, and with due regard to ecological and environmental factors, and shall promptly provide, promptly as needed, the funds, facilities, services and other

resources required for such Parts of the Project; and

(ii) shall cause ANAE to carry out Parts A.1 (a) and A.5 of the Project, ANGAP to carry out Part B of the Project, CFSIGE to carry out Part D.2 (b) of the Project, and FTM to carry out Part D.2 (c) of the Project, with due diligence and efficiency, in conformity with appropriate financial, administrative and technical practices, and with due regard to ecological and environmental factors, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ANAE, ANGAP, CFSIGE and FTM, respectively, to carry out the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by ANAE, ANGAP, CFSIGE and FTM.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Administrator shall otherwise agree, the Borrower shall carry out Parts A.1 (b), A.2, A.3, A.4, C and D (other than D.2 (b) and (c)) of the Project, and shall cause ANAE, ANGAP, CFSIGE and FTM to carry out Parts A.1 (a) and A.5, Part B, Part D.2 (b), and Part D.2 (c), of the Project, respectively, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall open, in a commercial bank and on terms and conditions satisfactory to the Administrator, an account in the currency of the Borrower, to be operated and maintained by ONE, into which it shall deposit from time to time its local counterpart contribution to the cost of the Project.

(b) The Borrower shall:

(i) make an initial deposit of the equivalent of \$200,000 into the Project Account; and

(ii) replenish the Project Account on a monthly basis, or whenever the balance thereof equals not more than one third of the amount of the initial deposit, whichever occurs first.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A.1 (b), A.2, A.3, A.4, C and D (other than D.2 (b) and (c)) of the Project of the departments or agencies of the Borrower responsible for carrying out such parts thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each

fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Interim Fund Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause ANAE, ANGAP, CFSIGE and FTM to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of ANAE, ANGAP, CFSIGE and FTM, respectively.

(b) The Borrower shall cause ANAE, ANGAP, CFSIGE and FTM, respectively, to:

(i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of their financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

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

## Other Covenants

Section 5.01. The Borrower shall cause ANAE, ANGAP, CFSIGE and FTM, respectively:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Administrator for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on their operations and conduct their affairs in accordance with sound administrative, financial, technical and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain their plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 5.02. The Borrower shall:

(a) not later than January 31, 1997, appoint a person with qualifications and experience acceptable to the Administrator to the position of Deputy Director-General of ONE;

(b) ensure that the following positions shall continue to be filled at all times by persons having qualifications and experience acceptable to the Administrator:

(i) Directors General of ONE, ANAE, ANGAP, CFSIGE and FTM,

(ii) Deputy Director General of ONE, and

(iii) Directors of DEF and DD.

Section 5.03. (a) The Borrower shall, not later than December 31, 1997 or such later date as shall be agreed between the Borrower and the Administrator, conduct a review of all major donor-financed operations in rural areas, for which the Borrower is responsible, with a view to determining whether, and to what extent, such operations provide or allow for cost recovery and, if so, whether, and to what extent, cost recovery mechanisms can be introduced or strengthened, as the case may be, under such operations, and harmonized with one another.

(b) Based on the review under paragraph (a) of this Section, the Borrower shall establish, in respect of operations of DEF and DD, and cause ANAE, ANGAP and FTM to establish, in respect of their own respective operations, adequate cost recovery mechanisms, which shall be acceptable to the Administrator, and designed to ensure as far as practicable the sustainability of such operations.

Section 5.04. The Borrower shall: (a) not later than June 30, 1997, conduct a review of the institutional capacity of ONE, DEF and DD, and cause ANAE and ANGAP to conduct a review of their own respective institutional capacity, with a view to determining whether, and to what extent, such institutions have the capacity to carry out the corresponding parts of the Project, as specified in Section 3.01 of this Agreement; and (b) based on the results of such review, take, and cause ANAE and ANGAP to take, such measures as may be needed to strengthen the institutional capacity of such institutions.

## ARTICLE VI

### Remedies of the Association and the Administrator

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

(b) ANAE, ANGAP, CFSIGE or FTM shall have failed to perform any of its obligations arising under this Agreement;

(c) as a result of events which have occurred after the date of the Interim Fund Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ANAE, ANGAP, CFSIGE or FTM will be able to perform its obligations arising under this Agreement;

(d) the statutes of ANAE, ANGAP, CFSIGE or FTM shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ANAE, ANGAP, CFSIGE or FTM, as the case may be, to perform any of its obligations arising under this Agreement;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ANAE, ANGAP, CFSIGE or FTM, or for the suspension of the operations of ANAE, ANGAP, CFSIGE or FTM;

(f) the Co-financing Agreements shall have failed to become effective by December 31, 1997, or such later date as the Administrator may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes that adequate funds for the Project are available to the Borrower from other sources;

(g) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreements, or

(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Administrator to the Borrower;

(b) any event specified in paragraph (d) or (e) of Section 6.01 of this Agreement shall occur;

(c) any event specified in paragraph (g) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

#### ARTICLE VII

Effective Date; Termination;  
Designation of Administrator

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Interim Fund Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the CNE and the CIME have been duly established;

(b) a FORAGE Procedures Manual, acceptable to the Administrator, has been adopted by the Borrower;

(c) a Project Implementation Manual, acceptable to the Administrator, has been adopted by the Borrower;

(d) the Project Account has been duly opened, and the initial amount of \$200,000 equivalent deposited therein.

Section 7.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.03. The obligations of the Borrower under Article IV of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

Section 7.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

#### ARTICLE VIII

##### Representatives of the Borrower; Addresses

Section 8.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Budget  
Antananarivo 101  
Madagascar

Cable address: Telex:

MINFIN 22489  
Antananarivo

For the Association and the Administrator:

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

Cable address: Telex:

INDEVAS 248423 (RCA)  
Washington, D.C. 82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF MADAGASCAR

By /s/ Tantely Andrianarivo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund established with  
funds contributed by certain members of  
International Development Association pursuant to  
Resolution No. IDA 184 of the Board of Governors of  
International Development Association

By /s/ Callisto Madavo

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Interim Fund Credit, the allocation of the amounts of the Interim Fund Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
1. Civil works	1,000,000	85%
2. Goods	1,700,000	100% of foreign expenditures and 85% of local expenditures
3. Consultants' services, training and audits	3,100,000	100%
4. Grants		
(a) under Part A.1 (a) of the Project	6,200,000	100% of amount of grants disbursed
(b) under Part A.5 of the Project	1,400,000	100% of amount of grants disbursed
5. Operating costs	4,600,000	90% for expenditures incurred up to December 31, 1998,

70% thereafter

6. Unallocated	2,600,000
	<hr/>
TOTAL	20,600,000
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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means the incremental operating costs incurred under the Project on account of (i) local contractual staff salaries, travel costs and allowances, (ii) maintenance of vehicles and equipment, and (iii) office rent, supplies and utilities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for civil works under contracts not exceeding \$200,000 equivalent, goods and consultants' services (firms) under contracts not exceeding \$100,000 equivalent, consultants' services (individuals) under contracts not exceeding \$50,000 equivalent, operating costs and training, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to reverse current environmental degradation trends and to promote sustainable use of natural resources, including soil, water, forest cover and biodiversity, and to create conditions for environmental considerations to become an integral part of macroeconomic and sectoral management in Madagascar.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Generation and Dissemination of Environmentally-Sound Agricultural and Forest Management Practices

1. Sustainable soil and water management. Implementation of (a) about 4,000 sub-projects designed to improve natural resource management and promote sustainable agricultural practices, on a demand-driven basis, for the benefit of local communities; and (b) specific watershed management schemes on a small-scale pilot basis or to protect large-scale infrastructure investments.

2. Multiple use forest ecosystem management. Transfer of responsibility for the management of natural resources to local communities or local governments, including (a) completion of national ecological forestry inventory, and reconnaissance surveys, in order to establish a full list of forest blocks, and identify possible new protected areas, (b) completion of on-going pilot forest management schemes, (c) formulation of management plans on a participatory basis, and (d) implementation of forest management plans.

3. Support to local natural resource management and land tenure security. Provision of institutional support for local natural resource management, including: (a) establishment of an appropriate legal and regulatory framework, and training of

environmental mediators; and (b) provision of training, technical advisory services and equipment to improve the Borrower's capacity for land tenure administration.

4. Support to regional planning and spatial analysis. Establishment of small regional technical units to provide support to RPCs, through provision of advisory services and a full-time secretariat for program management and technical work, and for the formulation of local environmental strategies and sub-projects to be financed under Part A.5 of the Project.

5. Regional fund for environmental management. Establishment of a fund to provide grants to finance environment management sub-projects.

Part B: Protected Areas and Ecotourism

Establishment of a network of protected areas, through (a) surveys and delimitation of affected areas, and implementation of appropriate legal and regulatory measures, (b) construction of infrastructure, and provision of equipment and staff to ensure effective conservation, (c) carrying out of applied conservation research programs to provide the basis for effective monitoring of environmental indicators, (d) promotion of environmental awareness and strengthening environmental education, and (e) promotion of ecotourism.

Part C: Marine and Urban Environment

1. Marine and coastal environment. Formulation of national and multi-local coastal resource management plans to ensure sustainable management of coastal resources, formulation of proposals for a new generation of marine parks, and implementation of multi-local coastal resource management plans.

2. Urban environment. Integration of environmental concerns in urban development policies, through revision of the Urban Code, and support to urban management activities by communities and local governments.

Part D: Environmental Management Tools

1. Strategic activities. (a) Formulation and transfer of environmental policies, strategies and instruments, and (b) making environmental impact assessment operational by setting up environment units at the level of key sector Ministries.

2. Support activities. (a) Execution of an environmental research program, including establishment of a research unit, (b) improvement of environmental content of general education and vocational training, (c) production of key geographic information, (d) establishment of an environmental information system to provide key indicators on the status of environmental resources and the impact of the Project, and (e) support for the coordination and management of the Project, including execution of communication programs and establishment of a consolidated monitoring and evaluation system

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The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

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

(a) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(b) Grouping of contracts

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

(c) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, and civil works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Community Participation

Goods and works required for Parts A.1 (a) and A.5 of the Project shall be procured in accordance with procedures acceptable to the Administrator.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, and works estimated to cost the equivalent of \$200,000 or more, the

procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

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

## Section II. Employment of Consultants

1. Subject to the eligibility restrictions set forth in Section III of this Schedule, consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

## SCHEDULE 4

### Implementation Program

1. (a) The Borrower shall establish:

(i) a Conseil National de l'Environnement (CNE), whose functions, composition and terms of reference shall be acceptable to the Administrator, to be responsible for providing high level policy and strategic guidance for the Project; and

(ii) a Comité Inter-Ministériel de l'Environnement (CIME), to be chaired by the Minister of Environment, on behalf of the Prime Minister, and whose functions, composition and terms of reference shall be acceptable to the Administrator, to be responsible for overall coordination of the activities of the Project.

(b) The Borrower shall, not later than June 30, 1997, designate the individual members of CNE and CIME.

2. The Borrower shall designate:

(a) ONE to have overall responsibility for the operational management and coordination of the Project, and to review and clear proposed work plans and budgets, review the progress of the Project, and address day-to-day issues arising in the course of the implementation of the Project; and

(b) the Director General of ONE to be the Project Coordinator and, as such, to be responsible for the day-to-day management of the Project, including coordination of procurement, disbursement and accounting activities, consolidation of annual work plans and budgets, and progress reports, and supervision of the recruitment and performance of consultants.

3. Pending completion of the decentralization process and the installation of regional governments in the territory of the Borrower, the Borrower shall establish in each of the regions a regional programming committee to be responsible for the prioritization of activities to be financed under the Project and included in the work program for that region.

4. The Borrower shall:

(a) prepare and submit to the Administrator a Project Implementation Manual, acceptable to the Administrator, giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as agreed with the Administrator for purposes of the Project; and

(b) carry out the Project in accordance with procedures set out in the Project Implementation Manual and, except as the Administrator shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Administrator, materially or adversely affect the implementation of the Project.

5. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators referred to in paragraph 4 (a) of this Schedule, the carrying out of the Project and the achievement of the objectives thereof;

(b) not later than June 30 of each year, undertake, in conjunction with the Administrator, ANAE, ANGAP, CFSIGE and FTM, a joint annual review of the Project, (or, in the case of the annual review to be undertaken not later than November 30, 1999, a mid-term review), during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its respective obligations under this Agreement, including:

(i) the progress achieved by the Borrower in the implementation of the Project, having regard to the performance indicators referred to in sub-paragraph (a) of this paragraph;

(ii) a review of the proposed work plans and budget for the forthcoming fiscal year; and

(iii) in the case of the mid-term review, (A) the progress achieved in the implementation of Part A.5 of the Project, and in the establishment and implementation of cost recovery mechanisms under Section 5.03 (b) of this Agreement, and (B) proposals for such strategic adjustments to the Project as may be deemed necessary or appropriate in furtherance of the objectives of the Project;

(c) not later than one month prior to each annual review, furnish to the Administrator, for its comments, a report, in such detail as the Administrator shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the various matters to be discussed at such review; and

(d) following each annual review, undertake to act promptly and diligently in

order to take, or cause ANAE, ANGAP, CFSIGE or FTM to take, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or cause ANAE, ANGAP, CFSIGE or FTM to implement, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

6. (a) The Borrower shall, not later than November 30 of each year, submit to the Administrator, for approval, proposed annual work plans and budget for the forthcoming fiscal year, giving details of proposed budgetary allocations and disbursement estimates, proposed procurement and training activities, and such other particulars as the Administrator may require, including, where applicable, an evaluation of the results of the training program for the current fiscal year.

(b) The Borrower shall submit to the Administrator for review:

(i) semi-annual progress reports on the status of the Project to be submitted not later than May 31 and November 30 of each year, including semi-annual procurement reports, giving details of:

(A) revised cost estimates for individual contracts and for the Project, including best estimates of allowances for price contingencies;

(B) revised timing of procurement actions, including advertizing, bidding, contract award and completion time for individual contracts; and

(C) status of compliance with aggregate limits prescribed for specific procurement procedures; and

(ii) reports as needed on the award of contracts under the Project.

7. For the purposes of Part A.1 (a) of the Project, the Borrower shall make available to ANAE such proceeds of the Interim Fund Credit as may be allocated from time to time to Category 4 (a) of the table in paragraph 1 of Schedule 1 to this Agreement to be used to finance sub-projects thereunder on a grant basis, and on such other terms and conditions as shall be acceptable to the Administrator; including, but without being limited to, provisions to the following effect:

(a) the amount so allocated to sub-projects shall be used exclusively to finance natural resource management activities for the benefit of local communities;

(b) no sub-project shall be considered for financing under the Project except in accordance with criteria, and terms and conditions, set forth in the ANAE Procedures' Manual dated January 1991 and approved by the Borrower and the Administrator, as such ANAE Procedures' Manual may be amended from time to time;

(c) goods and services required for the purposes of financing sub-projects shall be procured in accordance with procedures acceptable to the Administrator, and set forth in the ANAE Procedures' Manual;

(d) no sub-project shall be considered for financing under the Project, except to the extent that: (A) it has been duly evaluated and subjected to a cost-benefit analysis, and, on the basis thereof, the projected rate of return has been determined to be acceptable to the Borrower and the Administrator; (B) adequate arrangements have been made by the Beneficiary for the financing of maintenance and other incremental recurrent costs, if any; and (C) in the case of income generating activities, adequate cost recovery mechanisms have been agreed upon between the Beneficiary and ANAE;

(e) the amount of each grant shall not exceed: (i) 80 percent of the total investment cost of the sub-project; or (ii) except as the Administrator may otherwise agree, \$5,000 or, in the case of infrastructure sub-projects, \$30,000; and

(f) no sub-project shall be executed under the Project, unless a contract has been concluded between the Beneficiary and ANAE, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and

procurement procedures, and the amount of the relevant counterpart contribution.

8. (a) For the purposes of Part A.5 of the Project, the Borrower shall make available to ANAE such proceeds of the Interim Fund Credit as may be allocated from time to time to Category 4 (b) of the table in paragraph 1 of Schedule 1 to this Agreement to be used to finance sub-projects thereunder on a grant basis, and on such other terms and conditions as shall be acceptable to the Administrator; including, but without being limited to, provisions to the following effect:

(i) the amount so allocated shall be used exclusively to finance sub-projects for the benefit of village communities, and other public and private organizations;

(ii) no sub-project shall be considered for financing under the Project except in accordance with criteria, and terms and conditions, set forth in a FORAGE Procedures' Manual approved by the Borrower and the Administrator;

(iii) goods and services required for the purposes of financing sub-projects shall be procured in accordance with procedures acceptable to the Administrator, and set forth in the FORAGE Procedures' Manual;

(iv) no sub-project shall be considered for financing under the Project, except to the extent that: (A) it has been duly evaluated and subjected to an economic analysis, and, on the basis thereof, determined to be economically viable; (B) adequate arrangements have been made by the Beneficiary for the financing of maintenance and other incremental recurrent costs, if any; and (C) in the case of income generating activities, as defined in the Procedures Manual, adequate cost recovery mechanisms have been agreed upon between the Beneficiary and ANAE;

(v) the amount of each grant shall not exceed: (A) 80 percent of the total investment cost of the sub-project; or (B) except as the Administrator may otherwise agree, \$20,000 or, in the case of infrastructure sub-projects, \$100,000; and

(vi) no sub-project shall be executed under the Project, unless a contract has been concluded between the Beneficiary and ANAE, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, and the amount of the relevant counterpart contribution.

(b) The Borrower shall exercise its rights under the FORAGE Procedures Manual in such manner as to protect the interests of the Borrower and the Administrator and to accomplish the purposes of the Interim Fund Credit, and, except as the Administrator shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Administrator, materially or adversely affect the implementation of the Project.

#### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$2,000,000 to be withdrawn from the Interim Fund Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR5,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Administrator a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Interim Fund Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that

the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Borrower may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Interim Fund Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

