

CONFORMED

CREDIT NUMBER 4033 MLI

GRANT NUMBER H 145 MLI

Development Financing Agreement

(Growth Support Project)

between

THE REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 18, 2005

CONFORMED

CREDIT NUMBER 4033 MLI

GRANT NUMBER H 145 MLI

DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated April 18, 2005, between the REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated January 12, 2005, describing a program designed to promote investment and to develop private sector (the Program)

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project;

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed on account of expenditures in respect of Parts B and C of the Project before disbursements of the proceeds of the Credit are made; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit and the Grant 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 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

(b) Paragraph (c) of Section 9.06 of the General Conditions is amended to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”

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) “AZI-SA” means the *Agence pour l’Aménagement et la Gestion des Zones Industrielles*, established and operating under the laws of the Borrower;

(b) “BDS Beneficiary” means a business development provider, a small or medium enterprise, or a grouping thereof, eligible to receive a BDS Grant (as hereinafter defined) in accordance with eligibility criteria set forth in the BDS Grant Manual;

(c) “BDS Grant” means a grant to be made by the Borrower out of the proceeds of the Credit to a BDS Beneficiary to finance 50 percent of the cost of a BDS Sub-project in accordance with the provisions of Section II of Schedule 4 of this Agreement and the BDS Grant Manual;

(d) “BDS Grant Agreement” means an agreement to be entered into between the Borrower and a BDS Beneficiary for the provision of a BDS Grant in accordance with the provision of Section II of Schedule 4 to this Agreement;

(e) “BDS Grant Manual” means the manual referred to in Section II of Schedule 4 to this Agreement, as same may be amended from time to time subject to the Association’s approval, and such term includes any schedules to the CEF Manual;

(f) “BDS Sub-project” means a project determined to be eligible for a BDS Grant in accordance with eligibility criteria set forth in the BDS Grant Manual;

(g) “CEF” means the Credit Enhancement Facility to be established by the Borrower, pursuant to which the Borrower shall provide CEF Guarantees to facilitate the access of local commercial banks to medium or long-term resources;

(h) “CEF Beneficiary” means a commercial bank duly licensed in the territory of the Borrower, determined to be eligible for a CEF Guarantee (as hereinafter defined) in accordance with the eligibility criteria set forth in the CEF Manual;

(i) “CEF Guarantee” means a partial risk guarantee of the payment obligations of commercial banks in the territory of the Borrower provided, or to be provided, out of the proceeds of the Financing under the CEF, in accordance with Section III of Schedule 4 to this Agreement and the provisions of the CEF Manual (as hereinafter defined);

(j) “CEF Guarantee Agreement” means the agreement to be entered into between the Borrower and a CEF Beneficiary for the provision of a CEF Guarantee in accordance with the provisions of Section III of Schedule 4 to this Agreement;

(k) “CEF Manual” means the manual referred to in Section III of Schedule 4 to this Agreement, as same may be amended from time to time, subject to the Association’s approval, and such term includes any schedules to the CEF Manual;

(l) “CNPI” means the *Centre National de Promotion des Investissements* established and operating under the laws of the Borrower;

(m) “CRT” means the “*Comité de Régulation des Télécommunications*”, the Borrower’s telecommunications regulatory agency;

(n) “Eligible Categories” means Categories (1) to (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(o) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 (a) of this Agreement;

(p) “Environmental and Social Impact Assessment” or “ESIA” means an assessment referred to in Section I.3 of Schedule 4 to this Agreement;

(q) “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(r) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(s) “Initial Deposit” means the amount to be deposited in the Project Account as hereinafter defined pursuant to Section 3.03 (b) of this Agreement;

(t) “OMATHO” means the “*Office Malien du Tourisme et de l’Hôtellerie*”, the Borrower’s tourism and hospitality agency;

(u) “Procurement Plan” means the Borrower’s procurement plan, dated November 16, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(v) “Project Account” means the account to be opened pursuant to Section 3.03 of this Agreement;

(w) “Project Coordination Unit” or “PCU” means the unit referred to in Section I.1 of Schedule 4 to this Agreement;

(x) “Project Implementation Manual” or “PIM” means the manual referred to in Section I.2 of Schedule 4 to this Agreement;

(y) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on March 11, 2004 and on behalf of the Borrower on March 18, 2004;

(z) “Presidential Investors’ Council” means *le Conseil des Investisseurs du Président*, the council established by the Borrower to advise the President of the Republic of Mali on investment matters;

(aa) “SOTELMA” means *Société de Télécommunications du Mali*, a state enterprise established and operating under the laws of the Borrower, including its cellular phone division;

(bb) “Special Account” means the account referred to in Schedule 5 to this Agreement;

(cc) “Strategic Environmental and Social Assessment” or “SESA” means the assessment prepared by the Borrower, and dated August 2004, providing a framework to harmonize the Borrower’s environmental and social assessment mechanisms and increase transparency in the development of programs that may have a significant impact on the natural and socio-economic environment by assessing the environment and social impacts of present and future investment activities and proposing measures to mitigate, avoid or compensate for their negative impacts, including environmental, social, regulatory, technical, institutional and legal measures;

(dd) “TEF” means a trade enhancement facility involving a partial risk guarantee of the commercial risk of foreign banks confirming letters of credit issued by local banks for the financing of imported goods by small or medium enterprises; and

(ee) “The Agency” means the agency to be established pursuant to Section 6.01 (g) of this Agreement, and referred to in Part A.2 (a) (ii) of the Project;

ARTICLE II

The Financing

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

(a) an amount in various currencies equivalent to twelve million six hundred thousand Special Drawing Rights (SDR 12,600,000) (the Credit); and

(b) an amount in various currencies equivalent to twenty-three million Special Drawing Rights (SDR 23,000,000) (the Grant).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account, and the amount of the Grant, may be withdrawn from the Grant Account, in each case in accordance with the provisions of Schedule 1 to this Agreement: (i) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for carrying out the Project

and to be financed out of the proceeds of the Credit or the Grant, (ii) for amounts paid (or, if the Association shall so agree, amounts to be paid) on account of withdrawals made under a BDS Grant Agreement and to be financed out of the proceeds of the Credit, or the Grant, to meet 50 percent of the expenditures required for carrying out a BDS Sub-project, and (iii) for amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of a call under a CEF Guarantee and to be financed out of the proceeds of the Financing;

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Financing Accounts and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled; and

(c) the Borrower may, for the purposes of the Project, open and maintain in FCFA two special deposit accounts: the Grant Special Account, and the Credit Special Account, in commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2011 or such later date as the Association shall establish. The Association 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 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 Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 2015 and ending August 15, 2044. Each installment to and including the installment payable on August 15, 2024 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 Association 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 Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the 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 Association 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 Association 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 at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, 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 Association 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 French Republic 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, shall carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, social, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower, for the purposes of making available its counterpart contribution to the financing of the Project, shall:

(a) open and maintain, for the duration of the Project, an account (the Project Account) in FCFA, in a commercial bank, on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into the Project Account, in an amount equivalent to FCFA 150,000,000 to finance the Borrower's contribution to the Project;

(c) thereafter deposit by each March 1 and September 1 in each calendar year such amounts as shall have been agreed between the Borrower and the Association to finance the Borrower's contributions to expenditures under the Project; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet Eligible Expenditures in addition to those financed from the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives, and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year, commencing with the fiscal year

during which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the respective financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Financing 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 separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Financing Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts concerning the statements of expenditures are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit for each fiscal year or other period agreed upon by the Association contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such FY or other

period agreed upon by the Association, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section IV of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iv) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (v) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Additional Event of Suspension

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established a financial management and accounting system for the Project satisfactory to the Association;

(b) the Borrower has adopted the PIM in form and substance satisfactory to the Association;

(c) the Borrower has appointed a qualified and independent external auditor, acceptable to the Association in accordance with the provisions of Schedule 3 to this Agreement;

(d) the Borrower has established the Steering committee and a PCU and has appointed on a contractual basis and in accordance with the provisions of Schedule 3 to this Agreement, the Project Coordinator, the Procurement Specialist, the Financial Management specialist, an accountant and a civil engineer to provide technical assistance and expertise to the PCU;

(e) the Borrower has opened the Project Account and has deposited therein the Initial Deposit;

(f) the Borrower has put in place a legal framework, acceptable to the Association, on handling operations at the Bamako airport; and

(g) the Borrower has established, under terms of reference acceptable to the Association, an agency to be in charge of (i) investment promotion and facilitation, and (ii) planning and coordination of industrial zones.

Section 6.02. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance, or the representative thereof, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of Economy and Finance
BP. 234
Bamako
Republic of MALI

Facsimile: (223) 22 88 53

For the Association:

International Development Association

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477 6391

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 MALI

By /s/ Abdoulaye Diop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A.David Craig

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Financing

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDRs)</u>	<u>Amount of the Grant Allocated (Expressed in SDRs)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	65,000	13,000,000	80%
(2) Goods	4,100,000	1,000,000	80 % local expenditures and 100% of foreign expenditures
(3) Consultants' services, including audits	3,850,000	3,100,000	80%
(4) Training and Workshops	1,970,000	400,000	80%
(5) BDS Grants		1,350,000	100% of amounts disbursed

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDRs)</u>	<u>Amount of the Grant Allocated (Expressed in SDRs)</u>	<u>% of Expenditures to be Financed</u>
(6) CEF Guarantees		2,300,000	100% of amounts called and paid under a CEF Guarantee
(7) Operating Costs	1,530,000	250,000	80 %
(8) Refunding of Project Preparation Advance		1,600,000	Amount due to section 2.02 (c) of this Agreement
(9) Unallocated	1,085,000		
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TOTAL	<u>12,600,000</u>	<u>23,000,000</u>	

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; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) The term “operating costs” means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, administrative support, communication and utility services, travel and

supervision costs, salaries, benefits and training of contractual staff, but excluding salaries of officials of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments made under category (5), unless (i) the Borrower has prepared and adopted the BDS Grant Manual in form and substance satisfactory to the Association, and (ii) BDS Grants have been made in accordance with the provisions set forth or referred to in Schedule 4 to this Agreement, including the BDS Grant Manual, and; (c) payments made under category (6), unless (i) the Borrower has prepared and adopted the CEF Manual in form and substance satisfactory to the Association, (ii) a CEF Guarantee has been made in accordance with criteria, procedures, and on terms and conditions, set forth or referred to in Schedule 4 to this Agreement, and in the CEF Manual, and approved by the Association, and (iii) a payment by the Borrower has been called under such CEF Guarantee.

4. The Association may require withdrawals from the Financing Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants costing less than \$100,000 equivalent per contract; and (d) services of consulting firms costing less than \$50,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the investment climate, with a focus on reducing the cost of doing business and on fostering growth contribution from high potential sectors, including mining, tourism and crafts, and telecommunications.

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

Part A: Investment Climate and Institutional Strengthening

1. Improving the legal and regulatory framework for investments in the Borrower's territory through: (a) improvement of investment incentives; (b) support to public-private sector consultative process; (c) strengthening the capacities of the Presidential Investors' Council to promote investments; (d) facilitating business start up, promoting labor market flexibility, and strengthening contract enforcement, through the promotion of alternative commercial dispute resolution mechanisms; and (e) improvement of sector-specific legal and regulatory framework in mining, tourism and crafts, and telecommunications.

2. Strengthening the capacities of the Borrower's ministries, departments and agencies to:

- (a) promote investment, through:
 - (i) strengthening the capacities of the Ministry in charge of investment promotion and small and medium enterprises in the areas of formulation and implementation of private sector development policies;
 - (ii) establishment and capacity building of the Agency to be established pursuant to Section 6.01 (g) of this Agreement to carry out the missions currently carried out by CNPI and AZI-SA;
 - (iii) carrying out of investors' forums and other outreach activities, and pre-feasibility studies in high potential for growth sectors; and

- (iv) carrying out of training and dissemination activities.
- (b) develop the mining sector, through:
- (i) support to the departments and agencies in charge of mining and petroleum, including training of staff;
 - (ii) acquisition of equipment for the department in charge of geology; and
 - (iii) support in the areas of documentation and research.
- (c) develop the telecommunications sector through:
- (i) support for the preparation of the privatization of SOTELMA;
 - (ii) acquisition of frequency spectrum management and control equipment, computer equipment and software;
 - (iii) setting up CRT's information system;
 - (iv) strengthening CRT's operational and management capacities, through the provision of services of selected experts until the end of calendar year 2007;
 - (v) development of regulatory tools, including financial models for tariff setting; and
 - (vi) carrying out of training and dissemination activities.
- (d) develop the tourism and crafts sector through:
- (i) development of a tourism and crafts development master plan;
 - (ii) strengthening the consultative process amongst stakeholders;
 - (iii) production of tourism maps, publications and other promotional material;

- (iv) carrying out of tourism promotion activities;
 - (v) strengthening OMATHO's capacities in collection, compilation, analysis and dissemination of tourism statistics, strategy formulation, planning, image building and marketing;
 - (vi) training and certification of tourism professionals; and
 - (vii) establishment of linkages with external markets for tourism and crafts.
- (e) strengthen environment protection capacities through:
- (i) carrying environmental and social impact studies; and
 - (ii) carrying out of training, information and awareness activities within the Borrower's institutions, department and agencies in charge of environmental and social protection issues in relation with the implementation of the Project, including without limitation, the Borrower's ministry in charge of the environment and other relevant technical ministries.

Part B: Infrastructure Support for Growth

1. Support for the establishment of an industrial park to be located in the area of the airport of Bamako, through:

- (a) preparation of detailed layout plans, engineering design, bidding documents and master plans, and development of supporting infrastructure and services;
- (b) development of primary external or off-site infrastructure such as access roads, water supply, sanitation, sewerage, external drainage, telecommunications and electricity supply facilities; and
- (c) development of shared on-site services in partnership with private sector operators.

2. carrying out of feasibility studies for the establishment of an industrial park in Dialakorobougou.

3. Support for the expansion of the telecommunications network in rural areas through financial subsidies to private operators who provide services for the expansion of the Borrower's ICT network.

4. Support for the improvement of the Borrower's airports, through:

(a) provision of technical advisory services to assist in exploring management and financing options for the Borrower's secondary airports;

(b) provision of technical advisory services to assist in the preparation, negotiations and conclusion of a concession contract with a private operator to develop, operate and manage Bamako airport; and

(c) design and construction, through a concession contract, of priority improvement to the passenger and freight terminal and ancillary infrastructure of the Bamako airport.

5. Improving the quality of basic infrastructure in the tourism sector, through:

(a) rehabilitation of selected historic monuments in Mopti and Tumbuktu;

(b) setting up basic tourism accommodations in Mopti and Djenne;

(c) enhancement of selected tourist trails; and

(d) rehabilitation and equipping of selected traditional clothing centers.

6. Support to small-scale mining and building activities through:

(a) setting up and operation of pilot demonstration units for gold and precious stones production; and

(b) supporting diversification efforts in the mining sector.

Part C: Financial and Non-Financial Services for Innovation and Development

1. Strengthening the capacities of commercial banks to provide medium- and long-term financing to small and medium enterprises, through:

(a) support to the CEF through the provision of financial resources to backstop the CEF; and

(b) the provision of technical assistance on the TEF and other facilities in support of increasing SME lending.

2. Strengthening business development services, through provision of BDS Grants and technical assistance, including training, advisory services, and business advisory services, to:

(a) small and medium enterprises, with a particular focus on sectors with high potential for growth such as tourism, craft, leather and textile products, mining and telecom, in order to improve their competitiveness; and

(b) business development service providers to improve their services to small and medium enterprises, including:

(i) support for the preparation and implementation of an accreditation program for consultants, and

(ii) carrying out of activities designed to improve the targeting of business development services to micro-enterprises.

Part D: Project Implementation, Monitoring and Evaluation

Support to Project management, coordination, administration, monitoring and evaluation, including financial and technical audits, and environmental impact assessment.

* * *

The Project is expected to be completed by March 30, 2011.

SCHEDULE 3

Procurement and Consultants' Services

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines, and the following provisions: (i) bids are advertised in national newspapers with wide circulation; (ii) bid evaluation, bidder qualification and award criteria are specified clearly; (iii) bidders are given adequate response time

(minimum two weeks) to prepare and submit bids; (iv) bids are awarded to the lowest evaluated bidders; eligible bidders, including foreign bidders, are not precluded from participating; and (v) no preference margin is granted to domestic contractors.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract which cannot be grouped into packages of at least \$50,000, and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines. Such contracts for small work may be procured under lump sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method, as referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines.

4. Procurement from UN Agencies. Goods estimated to cost less than \$50,000 equivalent by contract and vehicles may be procured directly from United Nations agencies (IAPSO, the Inter-Agency Procurement Services Agency) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Commercial Practices. Items estimated to cost less than \$500,000 equivalent per contract and to be financed under BDS Grants made for BDS Subprojects under Part C.2 of the Project, may be procured in accordance with commercial practices acceptable to the Bank as referred to in paragraph 3.12 of the Procurement Guidelines

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US\$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments, which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a fixed budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments, which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances, which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Commercial Practices. Services estimated to cost less than \$100,000 equivalent per contract and to be financed under BDS Grants made for BDS Subprojects under Part C.2 of the Project may be procured in accordance with commercial practices acceptable to the Bank.

7. Procurement Agents. Services to be provided by Procurement Agents under the Project may be procured in accordance with the provisions of paragraph 3.17 of the Consultant Guidelines on the basis of procedures acceptable to the Bank.

8. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded

to individual consultants on a sole-source basis subject to prior approval of the Association.

9. Workshops and Training. Workshops and training shall be carried out on the basis of annual work programs which shall have been approved by the Association, and which shall identify: (a) the workshops or training envisaged; (b) the personnel to attend the workshop or to be trained; (c) the selection methods of institutions or individuals participating in the workshop or conducting the training; (d) the institutions which will facilitate the workshop or conduct the training, if already selected; (e) the duration of the proposed workshop or training; and (f) the cost estimate of the workshop or training.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) (i) each contract for works estimated to cost the equivalent of \$500,000 or more, or (ii) each of the first three (3) contracts to be awarded through National competitive bidding irrespective of the estimate value, or (iii) each contract procured on the basis of Direct Contracting, (b) each contract for goods and services (other than consultants' services), (i) estimated to cost the equivalent of \$200,000 or more, or (ii) procured on the basis of Direct Contracting; and (c) (i) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more, or (ii) each contract for consultants' services provided by an individual, estimated to cost the equivalent of \$50,000 or more, or (iii) each contract for consultants' services procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association, except for terms of references (TOR) for each service, which will be subject to prior review.

SCHEDULE 4

Implementation Program

Section I. Project Coordination, Implementation and Management

1. The Borrower shall establish, and maintain for the duration of the Project implementation:

(a) a Steering Committee, with composition and terms of reference acceptable to the Association, to: (i) provide general strategic direction and oversight of the Project implementation, (ii) ensure overall coordination of Project implementation, (iii) approve annual work programs and budgets, and (iv) review progress reports, and audit reports.

(b) a technical committee, with terms of reference and composition acceptable to the Association, to be in charge of the coordination and supervision of the implementation of airport and industrial zones components.

(c) a PCU, which shall be responsible for the implementation, coordination, monitoring, and evaluation of the Project, provided, however, that PCU shall hire specialized operators, under terms and conditions acceptable to the Association, to provide the required technical assistance and expertise for the implementation of Part B of the Project.

2. The Borrower shall: (a) prepare and furnish to the Association a Project Implementation Manual, including a Project implementation plan and a manual for administrative, financial and accounting procedures, in form and substance satisfactory to the Association, said PIM being subject from time to time to modification by agreement between the Borrower and the Association; and (b) except as the Association shall otherwise agree, not amend, abrogate or waive any provision of the PIM which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objectives thereof.

3. The Borrower (a) shall carry out the Project in accordance with the provisions of the SESA, and (b) shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

4. The Borrower shall: (a) before starting the implementation of any activity listed in Schedule 2 to this Agreement with respect to which the SESA provides that the completion of an Environmental and Social Impact Assessment is necessary, advisable or desirable, prepare and furnish to the Association an ESIA, including an Environmental and Social Management Plan, specific to such activity, in form and substance satisfactory to the Association, describing (i) the potential adverse environmental and social impact of such activity, (ii) the measures for the offsetting, reducing, or mitigating of such impact, and (iii) the arrangement for monitoring and implementing such measures; and (b) carry out such activity in accordance with the provisions of the ESIA and the ESMP, and (c) shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of such activity or the Project.

Section II. Procedures and Eligibility Criteria for BDS Grants

5. The Borrower shall prepare and transmit to the Association the BDS Manual acceptable to the Association, giving details of: (a) BDS Grants, activities to be financed by BDS Grants, beneficiaries and eligibility criteria; (b) arrangements and procedures for preparation, appraisal, approval, implementation and supervision of activities to be financed by BDS Grants; (c) procurement, financial management and disbursement arrangements; (d) performance indicators; (e) standard formats for BDS Grant Agreements; and (f) such other legal, administrative, financial and organizational arrangements as shall be required for providing BDS Grants.

6. The Borrower shall extend the BDS Grants under Part C.2 of the Project in accordance with the BDS Manual, and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of Part C.2 of the Project.

7. BDS Grant Agreements shall include, but not be limited to the following:

(a) The obligation of the BDS Beneficiary to carry out the activities to be financed by the BDS Grant in accordance with the BDS Manual, with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the BDS Grant;

(b) the requirement that: (i) services to be financed from the proceeds of the BDS Grant shall be procured in accordance with the procedures set forth in BDS Manual, and (ii) such services shall be used exclusively in the carrying out of the eligible activities in accordance with the BDS Manual.

Section III. Credit Enhancement Facility

8. The Borrower shall prepare and transmit to the Association the CEF Manual acceptable to the Association, giving details of operational guidelines governing the CEF, including:

(a) eligibility criteria for the provision of CEF Guarantees, including criteria related to the CEF Beneficiaries, the type, maturity, terms and conditions of the resource to be raised, and the purpose of such resource,

(b) procedures for submission and processing CEF Guarantee applications,

(c) criteria for the determination of applicable CEF Guarantee fees and risk-sharing arrangements,

(d) model forms of CEF Guarantee Agreements, and

(e) procedures for the processing of claims and for the resolution of claim-related disputes, and the allocation and use of funds recovered by the Borrower after any payment made by the Borrower under any CEF Guarantee.

9. The Borrower shall carry out the CEF under Part C.1 of the Project in accordance with the CEF Manual, and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision thereof.

10. CEF Guarantees shall be subject to the following terms and conditions:

(a) CEF Guarantees shall be provided exclusively to facilitate access to medium- or long-term resource by CEF Beneficiaries;

(b) No CEF Guarantee shall be issued except in accordance with criteria, terms and conditions set forth in the CEF Manual;

(c) CEF Guarantees shall be issued according to the model forms of CEF Guarantee Agreement provided in the CEF Manual;

(d) CEF Guarantees shall be subject to an annual fee, which shall be determined according to a market-based formula acceptable to the Association, and shall be provided on a risk-sharing basis, acceptable to the Association; and

(e) Except as the Association may otherwise agree, no CEF Guarantee shall be provided after September 30, 2010.

Section IV: Monitoring and Evaluation

11. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31 and July 31 each year a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) carry out, jointly with the Association not later than November 15 of every year, beginning on November 15, 2006, an annual progress review of the implementation of the Project, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

7. No later than thirty-six months after the Effective Date, the Borrower shall carry out, jointly with the Association, a midterm review of the progress made in carrying out the Project (the Midterm Review). The Midterm Review shall cover among other things an assessment of: (i) work programs prepared as of the date of the Midterm Review and the progress made in carrying out the said programs, (ii) training provided under the Project, (iii) procurement under the Project, (iv) the extent to which actions described in the agreed indicators have been carried out, and (v) plans made or proposed for updating said indicators.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a)
 - (i) the term “eligible Categories” means, for the purpose of the Grant Special Account, Categories (1), (2), (3), (4), (5), (6) and (7) set forth in the table in Schedule 1 to this Agreement;
 - (ii) the term “eligible Categories” means, for the purpose of the Credit Special Account, Categories (1), (2), (3), (4), and (7) set forth in the table in Schedule 1 to this Agreement; and
 - (b)
 - (i) the term “eligible expenditures” means, for the purpose of the Grant Special Account, expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Crant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;
 - (ii) the term “eligible expenditures” means, for the purpose of the Credit Special Account, expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c)
 - (i) the term “Authorized Allocation” means, for the Grant Special Account, an amount equivalent to FCFA 1,600,000,000 to be withdrawn from the Financing Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 800,000,000 until the aggregate amount of withdrawals from the Financing Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,000,000; and

- (ii) the term “Authorized Allocation” means, for the Credit Special Account, an amount equivalent to FCFA 980,000,000 to be withdrawn from the Financing Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to FCFA 490,000,000 until the aggregate amount of withdrawals from the Financing Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 4,000,000.

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 Association 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 Association a request or requests for deposit into the Special Account of an amount or amounts, which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Financing Account and deposit into 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Financing 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 Association from the Financing 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Financing 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association 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 Financing Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Financing allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association 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 Financing Account of the remaining unwithdrawn amount of the Financing allocated to the eligible Categories shall follow such procedures, as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association as a development credit and development grant to its members. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement.”

2. Paragraph 8 of Section 2.01 is amended to read as follows:

“8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.”

3. The following new paragraphs are added to Section 2.01:

“15. “Grant” means the development grant provided for in the Development Financing Agreement.”

“16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”

“17. “Financing” means, collectively, the Credit and the Grant.”

“18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).”

4. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01 (3), 2.01 (12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01 (d), Article VIII, and Article IX.

5. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Sections 2.01 (6), 4.01, Article V, Article VI, and Section 12.03.

6. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

7. Section 3.01 is modified to read as follows:

“Section 3.01. *Financing Accounts.* The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

8. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02 (a) (ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”, to Section 6.02 (c) (i) after the words “any development credit agreement” and before the words “with the Association”, and to Section 7.01 (b) (i) after the words “any other development credit agreement” and before the words “between the Borrower and the Association”.

9. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”

SCHEDULE 7

Performance Indicators

For the purpose of this Agreement, the Project performance will be measured by the indicators set forth below, unless otherwise agreed by the Association:

1. Number of formal enterprises increased by 10 percent by project end.
2. At least 4,300 jobs created by the completion of the Project, in the formal private sector, including created in the sectors of new technologies, small mining, industrial zones, telecommunications, and tourism and crafts.
3. Number of procedures required to register a business reduced from 13 to 6 and number of days reduced from 42 to 8 by the Midterm Review.
4. Cost of setting up a business reduced US\$ 557 to US\$100 by the Midterm Review.
5. Tele-density (fixed and mobile) increased by 7 percent by the completion of the Project.
6. Export taxes on artisanal products eliminated by 2007 and volume of artisanal exports increased by 15 percent by the completion of the Project.
7. Number of tourists increased by 50 percent by the completion of the Project.
8. Investment levels in the mining sector increased by 10 percent and small mining production increased from 5 tons to 6 tons by the completion of the Project.
9. At least 20 investors settled in the industrial zone by the completion of the Project.
10. Average time to clear arriving passengers reduced from 70 minutes to 30 minutes by the completion of the Project.

11. Volume of term credit to small and medium enterprises has increased by 20 percent by the completion of the Project.
12. At least 5 percent average turnover increase in number of small and medium enterprises using business development services.