

CONFORMED COPY

CREDIT NUMBER 3394-MLI

Development Credit Agreement

(Financial Sector Development Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 18, 2000

CREDIT NUMBER 3394-MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 18, 2000, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated May 3, 2000, from the Borrower describing a program of actions, objectives and policies designed to strengthen financial sector development in its territory through a privatization and regulatory reform program (the Program), and declaring the Borrower's commitment to the execution of the Program;

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

WHEREAS the Association has agreed, on the basis, inter alia, of

the foregoing, to extend the 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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

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

"Except as the Borrower and the Association 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 Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "ANB" means Antenne Nationale de la Bourse Régionale des Valeurs Mobilières;

(b) "APBEF" means Association Professionnelle des Banques et Etablissements Financiers, the Professional Bankers' Association in the territory of the Borrower;

(c) "APIM" means Association Professionnelle des Institutions de Microfinance, a Professional Association of Microfinance Institutions, established pursuant to Récipissé de déclaration d'Association No. 00518/MATS-DNI of October 14, 1999;

(d) "BCEAO" means Banque Centrale des Etats de l'Afrique de l'Ouest, the Regional Central Bank for West African States;

(e) "BCS" means Banque Commerciale du Sahel, the Commercial Bank of the Sahel, established pursuant to Arrêté No. 3429/MEEP of October 6, 1982;

(f) "BDM" means Banque de Développement du Mali, the Development Bank of Mali, the Borrower's development bank, established pursuant to Loi No. 68-24 AN/RM of March 22, 1968 as amended in 1989 to become BDM-SA;

(g) "BEP" means Banque des Entreprises Publiques, a financial institute dedicated to public enterprises, established and operating under the laws of the Borrower;

(h) "BIM" means Banque Internationale pour le Mali, the Mali International Bank, established pursuant to Arrêté No. 3952/MFC of October 8, 1980 (renamed in 1995 as BIM);

(i) "BMCD" means Banque Malienne de Crédit et de Dépôts, the Mali Bank for Credits and Deposits, one of the Borrower's commercial banks, established pursuant to Letter No. 1065/GM-AD of June 8, 1979;

(j) "CAS-SFD" means Cellulle d'Appui et de Suivi des Systèmes Financiers Décentralisés, an operational unit in MEF (as hereinafter defined);

(k) "CDC" means Caisse de Dépôts et Consignations, Collateral Deposit Company, a public finance institution, established pursuant to Loi No. 63-77/AN-RM of December 27, 1963;

(l) "CFAF" means "Franc de la Communauté Financière Africaine, the currency of the Borrower;

(m) "CIMA" means Conférence Inter-africaine du Marché des Assurances, the Inter-African Conference for Trade and Insurance;

(n) "CNAR" means Caisse Nouvelle d'Assurances et Réassurances, the National Insurance and Reinsurance Company, established and operating pursuant to the laws of the Borrower and licensed under the CIMA code;

(o) "COLINA" means COLINA SA, a private insurance company established pursuant to the laws of the Borrower, subsidiary of an Ivorian company of the same name;

(p) "CRM" means Caisse de Retraite du Mali, a pension fund for civil servants of the Borrower, established and operating pursuant to the laws of the Borrower;

(q) "Eligible Expenditures" means 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;

(r) "Five Insurers" means all of the following five private insurance companies established in the territory of the Borrower, namely: (i) CNAR; (ii) Sabunyuman; (iii) LAFIA; (iv) COLINA; and (v) SONA-VIE (as hereinafter defined);

(s) "Four Banks" means the four commercial banking institutions to be privatized under the Project, namely: (i) BDM; (ii) BIM; (iii) BCS; and (iv) BMCD (as hereinafter defined);

(t) "GCSSF" means Groupement consultatif et stratégique pour le Secteur Financier, the Project implementation unit in MEF (as hereinafter defined);

(u) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations Development Program;

(v) "INPS" means Institut National de Prévoyance Sociale, a social security fund for private sector employees in the territory of the Borrower, established and operating pursuant to the laws of the Borrower;

(w) "LAFIA" means Compagnie d'Assurances LAFIA SA, a private insurance company, established and operating pursuant to the laws of the

Borrower;

(x) "MEF" means Ministère de l'Economie et des Finances, the Borrower's Ministry of Economy and Finance;

(y) "MFI" means Micro Finance Institutions, entities providing credit and savings services to microenterprises and low-income population (as hereinafter defined) in the territory of the Borrower;

(z) "Midterm Review" means the midterm review referred to in paragraph ( 5 ) of Schedule 4 to this Agreement;

(aa) "NCGM" means National Consultative Group for Microfinance, comprising selected members of microfinance institutions, government ministries, commercial banks, the private sector, and the donor community, which has the mandate of monitoring and implementing the national microfinance strategy established and operating pursuant to the laws of the Borrower;

(bb) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(cc) "Project Implementation Manual" means a manual of procedures adopted by the Borrower, transmitted by letter dated May, 2000, in form and substance satisfactory to the Association, referred to in paragraph 1 of Schedule 4 to this Agreement, containing, inter alia, institutional arrangements, work-plans, monitoring and performance indicators and procedures to be used for the purpose of implementing the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Manual;

(dd) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(ee) "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 July 26, 1999 and on behalf of the Borrower on August 12, 1999;

(ff) "Sabunyuman" means Compagnie d'Assurances SABUNYUMAN, a private insurance company, established and operating pursuant to the laws of the Borrower;

(gg) "SGI" means Société de Gestion et d'Intermédiation, a financial intermediation company, established and operating pursuant to the laws of the Borrower;

(hh) "SONA-VIE" means Société Nouvelle d'Assurance Vie, a private insurance company, established and operating pursuant to the laws of the Borrower; and

(ii) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million eight hundred thousand Special Drawing Rights (SDR 15,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from

the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) 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.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account 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.

Section 2.03. The Closing Date shall be April 30, 2006 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 1 and August 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 Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2010 and ending February 1, 2040. Each installment to and including the installment payable on February 1, 2020 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 privatization, administrative and financial 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. Except as the Association shall otherwise agree, procurement of the works, goods and consultants' 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.

Section 3.03. 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 Association, and furnish to the Association 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 Association, a plan of its future strategy for the development of the financial sector; and

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

Section 3.04. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, the Borrower shall:

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

(b) promptly thereafter, deposit into the Project Account an amount equivalent to \$100,000 to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account, by March 30, June 15, September 15 and December 15 in each year during Project implementation, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, including the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, 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 Credit Account were made on the basis of Project Management Reports,

or 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 Credit 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 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 Project Management Reports or 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.



Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation shall have 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 the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

The Borrower has:

(a) opened the Project Account and deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement;

(b) established, or has caused to be established: (i) a computerized accounting and financial management system; and (ii) a computerized procurement system, in GCSSF, satisfactory to the Association; and

(c) appointed the auditor referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

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 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:

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, NW  
Washington, D.C. 20433  
United States of America

Facsimile:	Cable address:	Telex:
477-6391	INDEVAS Washington, D.C.	248423 (MCI) or (202) 64145 (MCI)

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/ Cheick Oumar Diarra  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	100,000	90%
(2) Goods and equipment	800,000	90%
(3) Consultants' services	8,400,000	100%
(4) Training	1,900,000	100%
(5) Operating costs	2,800,000	90%
(6) Refunding of Project Preparation	400,000	Amount due pursuant to Section

Advance		2.02 (b) of this Agreement
(7) Unallocated	1,400,000	
TOTAL	15,800,000	

2. For the purposes of this Schedule the term "operating costs" means the incremental expenses incurred on account of Project implementation, audits, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs 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 payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for works and goods under contracts costing less than \$100,000 equivalent each, and for expenditures for services under contracts with firms costing less than \$100,000 or with individuals costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall, for the purposes of the Project, open and maintain in CFAF in a commercial bank acceptable to the Association, a special deposit account, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. 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.

4. For the purposes of this Schedule, the term "Eligible Categories" means Categories 1, 2, 3, 4 and 5 set forth in the table in paragraph 1 of this Schedule 1.

5. Notwithstanding the provisions of Part B. 2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project

Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) 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: (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

6. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B. 2 of this Schedule 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 Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 450,000,000 until the aggregate amount of withdrawals from the Credit

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 equal or exceed the equivalent of SDR 2,000,000 (two million Special Drawing Rights).

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

(a) For withdrawals of said Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into said Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. 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 Part B. 3 of Schedule 1 to this Agreement 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 Credit Account and deposit into said 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 said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which

the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of two million Dollars (\$2,000,000).

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the Borrower in carrying out reforms improving the economic efficiency of its financial sector, through : (a) the divestiture of public ownership in selected financial institutions and restructuring of selected financial institutions with remaining public participation, (b) the strengthening of non-bank financial institutions, including, social security funds, retirement funds, insurance companies and micro-finance institutions, and (c) the improvement of the regulatory framework affecting the financial sector and MEF's capacity to implement its financial sector policy.

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 objectives:

#### Part A: Strengthening the Financial Sector

##### 1. Privatization and Restructuring of Commercial Banks

Carrying out of studies to: (a) evaluate the networth of the Four Banks; (b) prepare strategies for the divestiture of public ownership in the Four Banks; (c) manage the divestiture process; (d) bring said Four Banks to the point of sale; and (e) strengthen BEP's institutional capacity; through the provision of training of selected staff at BEP and the acquisition of equipment.

##### 2. Strengthening of Commercial Banks

Carrying out studies to increase the profitability of selected commercial banks and selected publicly owned institutions, including: (a) the preparation of strategic business development plans, if required; and (b) proposals to speed up the recovery of non-performing loans; through the provision of technical advisory services and training of selected staff in said institutions.

##### 3. Strengthening of APBEF

(a) Strengthening the capacity of APBEF to provide training in banking expertise to the banking community in the territory of the Borrower through the provision of technical advisory services; and

(b) rehabilitation of a training center, through the acquisition of goods and the carrying out of works.

##### 4. Supporting the Development of the Local Capital Markets

(a) Strengthening the management capacity and technical skills of selected staff in ANB and SGI, through the provision of technical advisory services; and

(b) carrying out education, information and communication campaigns in the territory of the Borrower explaining the purpose and functions of the stock market through the provision of technical advisory services, seminars and training, and the provision of equipment and information materials.

Part B: Strengthening of the Non-bank Financial Sector

1. Strengthening of Social Security (INPS), Retirement Funds (CRM) and CDC

(a) Carrying out financial and institutional audits of INPS, CRM and CDC indicating immediate measures for management improvements through the provision of technical advisory services;

(b) strengthening the capacity of selected staff in INPS, CRM and CDC in selected areas, including: (i) accounting; (ii) cost calculations; and (iii) marketing of financial services; through the provision of training; and

(c) carrying out of actuarial studies for INPS and CRM and implementing the recommendations of said audits and studies referred to in this paragraph 1 of Part B of the Project.

2. Strengthening the Insurance Sector

(a) Strengthening the capacity of selected staff of MEF to supervise the implementation of CIMA recommendations and initiate the promotion of new insurance products in the territory of the Borrower, through the provision of technical advisory services, training to selected staff of MEF and the acquisition of goods;

(b) carrying out financial and institutional audits of the Five Insurers with a view to determining viability of said institutions and recommendations to strengthen their profitability; and

(c) provision of training in accounting, cost calculation, preparation of strategic business plans and marketing of insurance services to selected staff of those insurance companies determined to be viable.

Part C: Strengthening the Micro Finance Sector

1. Strengthening the supervisory capacity of selected staff of CAS-SFD to register, advise and monitor MFIs, through the provision of technical advisory services and training.

2. Provision of training to selected staff of APIM in information sharing and best practice dissemination.

3. Provision of training to selected staff of NCGM in coordination of micro finance activities and policy promotion, implementation and supervision.

4. Strengthening the professional capacity of selected staff in the micro-finance sector in the areas of, inter alia: (a) accounting and bookkeeping; (b) financial management; (c) business planning; (d) compliance with laws and guidelines regulating the sector; and (e) other activities intended to improve MFIs' performances, through the provision of technical advisory services and training to selected staff in selected MFIs.

Part D: Legal Sector

1. Strengthening the judicial enforceability of claims in the financing sector through, inter alia: (a) provision of legal training to (i) selected staff in financial institutions in credit approval, credit security, accounting, and preparation of claims, and (ii) selected lawyers, judges and court clerks in accounting, banking and secured transactions; and (b) strengthening of in-house legal services in all financial institutions.

2. Carrying out studies pertaining to, inter alia: (a) credit

enforcement, covering: (i) options to reduce costs in the establishment and/or enforcement of guarantees or other credit collateral; (ii) facilitated access to credit through the extension of existing forms of collateral or introduction of new forms of collateral to secure said loans; (iii) review of the code of civil procedure; and (iv) judiciary guidelines for verdict notification and appeals; (b) reorganization of the association of court appointed experts; and (c) efficiency and reliability of the commercial registry, land title registry and mining registry.

3. Implementation of the recommendations of studies referred to under Part D. 2 of this Schedule, notably: (a) the reformed association of court appointed experts; and (b) reliable registries for land titling, mining and commerce, through the provision of training of selected staff in selected banking institutions and selected tribunals and the acquisition of equipment.

4. Strengthening the efficiency of the Supreme Courts' Section de Comptes through the provision of advisory services to, and training of, selected members of said Section de Comptes and the acquisition of equipment.

5. Strengthening the understanding of the regulations and procedures pertaining to credit enforcement through the carrying out of information, education and communication campaigns among members of the banking, legal and commercial communities in the territory of the Borrower.

Part E: Strengthening of MEF and Project Management

1. Strengthening the technical policy, and implementation capacity of MEF to initiate and supervise the financial sector reforms and design and implement training courses for the staff in commercial banks, through the provision of technical advisory services, training and the acquisition of equipment.

2. Administration, coordination, supervision and evaluation of Project implementation through the carrying out of training programs for selected staff in GCSSF and MEF, the acquisition of equipment and provision of technical advisory services.

3. Following up on recommendations of the supervisory authorities, including those issued by the Commission Bancaire, the regional body monitoring economic and financial policies of the member states of the West African Economic and monetary Union, and CIMA.

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The Project is expected to be completed by November 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Works and goods 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, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating



Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works and 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 provision shall apply to goods to be procured under contracts in accordance with the provisions of paragraph 1 of this Part B, namely that to the extent practicable, contracts for equipment shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, and goods estimated to cost less than \$100,000 per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$450,000 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.

3. Procurement through International Agencies

Vehicles, computers and office equipment may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$100,000 or more, and with respect to the first three contracts for goods, 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

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services estimated to cost less than \$50,000 per contract, up to an aggregate amount of \$725,000 may be procured under contracts awarded in accordance with the provisions of paragraph 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for audits, and services estimated to cost less than \$20,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

A. General

1. The Borrower shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

B. Coordination, Management and Supervision

2. The Borrower shall maintain policies and procedures adequate to enable it, through GCSSF, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

3. The Borrower shall, until the completion of the Project:

(a) maintain within GCSSF the following staff with qualifications and experience satisfactory to the Association: (i) the Project coordinator; (ii) a procurement specialist; (iii) a specialist in charge of financial management and accounting; and (iv) qualified Project support staff in adequate numbers. The Project coordinator shall be responsible for furnishing to the Association, for review and comment, the Project progress reports.

4. The Borrower shall appoint, within three months following the Effective Date, within GCSSF, a Project component manager for each of the following Project components : (a) banking; (b) non-bank financial sector; (c) microfinance sector; and (d) legal sector, in accordance with the provisions of Section II of Schedule 3 to this Agreement, and maintain Project component managers in place until the completion of the Project with qualifications and experience satisfactory to the Association.

C. Reports, Annual and Midterm Review

5. The Borrower shall:

(a) until the completion of the Project, prepare, under terms of reference satisfactory to the Association, and furnish to the

Association, semiannually, commencing March 31, 2001, or such other date as the Association shall agree, until the time the Association shall receive the three Project Management Reports referred to in Section 4.02 (b) of this Agreement, for its review and comments, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 of this Schedule 4, 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;

(b) review with the Association, within four weeks following the submission of the report referred to in subparagraph (a) of this paragraph, said report and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the Association's views on the matter;

(c) (i) by June 30 of each year until the Completion Date, commencing June 30, 2001 or such later date as the Association shall agree upon, carry out jointly with the Association, a review (Annual Review), the second such review constituting the mid-term review (Midterm Review), (ii) take all actions it considers necessary to ensure the participation of representatives of the finance sector in said Reviews, which shall cover the progress achieved in the implementation of the Project;

(d) no later than one month prior to the Reviews referred to in subparagraph (c) of this paragraph, furnish to the Association, for its review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project; and

(e) following such Reviews, act promptly and diligently in order to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

#### D. Specific Actions

6. The Borrower shall not cause studies to be carried out pursuant to Part A. 2 of the Project, unless the respective bank has requested such study and GCSSF and the Association have approved said request.

7. The Borrower shall:

(a) no later than six months following the Effective Date, have initiated the financial audits for INPS and CRM pursuant to Part B. 1 (a) of the Project;

(b) no later than 24 months following the Effective Date, complete the actuarial studies for INPS and CRM pursuant to Part B.1 (c) of the Project; and

(c) within 28 to 35 months following the Effective Date, in time for the Midterm Review, complete a technical and financial audit of the Project and an assessment of staff perception in the entities having received training and/or technical assistance services under the Project, as the case may be.

8. The Borrower shall have taken all means necessary to reduce the percentage of public share holding to less than 20% of the total shareholdings by capital and voting rights as follows:

(a) by December 31, 2001, or such later date as the Association shall agree, in BIM and BMCD; and

(b) by June 30, 2002, or such later date as the Association shall agree, in BCS.

9. By December 31, 2004, or such later date as the Association shall agree, the Borrower shall have taken all measures necessary to: (i) reduce the percentage of public shareholdings in all commercial banking institutions (including BDM but excluding BNDA and BHM) to zero in terms of total shareholding by capital or voting rights; (ii) help implement CIMA's recommendations concerning insurance companies operating on its territory; and (iii) implement the recommendations of the financial audit pertaining to INPS pursuant to Part B 1(a) of the Project and caused INPS to comply, in due course, with CIPRES regulations.

#### SCHEDULE 5

##### Implementation and Evaluation Indicators

1. Financial institutions comply with key prudential ratios (capital adequacy, risk concentration and liquidity) and substantially reduce the level of non-performing loans from the present level (industry-average) of 23 percent by the second year following the Effectiveness Date, 15 percent the third year following the Effectiveness Date and 10 percent by the end of the Completion Date.

2. Financial intermediation has been broadened by the completion Date through the introduction and development of new instruments such as secured cash deposits, leasing, and venture capital financing.

3. Treasury deposits will be placed with banks on a competitive basis.

4. BIM and BMCD have been restructured and brought to the point of sale by December 31, 2001, BCS by June 30, 2002 and BDM by December 31, 2004.

5. Key recommendations of the viability study for BHM are being implemented.

6. Within two years of the Effectiveness Date: (i) actuarial studies for CRM and INPS have been completed and action plans are implemented; and (ii) by December 31, 2003, INPS and insurance companies comply with regional prudential requirements.

7. By December 31, 2004, the Borrower has helped implement the recommendations of CIMA on insurance companies that previously have not met regional solvency requirements.

8. At least 40 percent of MFIs are registered in the CAS-SFD's data bank by December 31, 2002 and at least 80 percent by Completion Date.

9. By Mid-term review, a minimum of 100 MFI staff have received training and a minimum of 250 MFI staff by Completion Date.

10. Within 24 months of the Effectiveness Date, 50 percent of credit staff in the major banking institutions have received training and 100 percent of said staff by Completion Date.

