

CONFORMED COPY

CREDIT NUMBER 3754 MAG

Development Credit Agreement

(Mineral Resources Governance Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 23, 2003

CREDIT NUMBER 3754 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 23, 2003, between REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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;

(B) the Borrower has issued a letter of mineral sector policy, dated January 28, 2003, describing a program of actions, objectives and policies designed to promote transparency and good governance in the development of its mining sector (the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from *Agence Française de Développement* (AFD) a grant in an amount equivalent to \$1,200,000 (the AFD Grant) to assist in financing the Project on the terms and conditions set forth in a grant agreement to be entered into between the Borrower and AFD (the AFD Grant Agreement);

(D) the Borrower intends to contract from United States Agency for International Development (USAID) a grant in an amount of one million dollars (\$1,000,000) (the USAID Grant) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and USAID (the USAID Grant Agreement); 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), constitute an integral part of this Agreement.

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

(a) “BAM” means *Bureau de l’Administration Minière*, a mining administration office established under Part A.2 of the Project;

(b) “Beneficiary” means an enterprise or individual engaged in artisanal and small-scale mining activities, or otherwise interested in such activities, and who is deemed eligible, in terms of criteria specified in the Project Implementation Plan, to be the beneficiary of a Grant;

(c) “DGEM” means *Direction Générale de l’Energie et des Mines*, the General Directorate of Energy and Mines of MEM;

(d) “Environmental Management Plan” or “EMP” means an Environmental Management Plan, dated October 2, 2002, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EMP;

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

(f) “Fiscal Year” means the Borrower’s fiscal year beginning on January 1 in any one calendar year and ending on December 31 in the same calendar year;

(g) “Grant” means a grant made, or to be made, out of the proceeds of the Credit to finance a Subproject;

(h) “Grant Agreement” means an agreement referred to in paragraph 6 (g) of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Grant Agreement;

(i) “MEM” means *Ministère de l’Energie et des Mines*, the Borrower’s Ministry of Energy and Mines;

(j) “*Unité de Coordination du Projet Minier*” or “UCPM” means *Unité de Coordination du Projet Minier*, the Borrower’s Mining Project Coordination Unit established under the Mining Sector Reform Project supported by the Association under a previous Credit (Credit 3111-MAG);

(k) “Project Account” means the project account referred to in Section 3.03 (a) to this Agreement;

(l) “Project Implementation Plan” means the Project Implementation Plan referred to in paragraph 3 (a) of Schedule 4 to this Agreement, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Implementation Plan;

(m) “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 18, 2002, and countersigned on the same day on behalf of the Borrower;

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

(o) “Subproject” means any activity under Part C.1 of the Project, in respect of which a Grant has been, or may be, provided.

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 twenty-three million two hundred thousand Special Drawing Rights (SDR 23,200,000).

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: (i) 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 the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made under a Grant to meet the reasonable cost of eligible expenditures relating to a Subproject, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for purposes of the Project, open and maintain a special deposit account in dollars in a commercial bank, 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 Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) 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 December 31, 2008 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 May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1, commencing November 1, 2013 and ending May 1, 2043. Each installment to and including the installment payable on May 1, 2023 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 United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MEM, with due diligence and efficiency and in conformity with appropriate technical, administrative and financial practices, and with due regard to environmental and ecological considerations, 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.

(c) For purposes of Part C.1 of the Project, the Borrower shall allocate proceeds of the Credit not exceeding the proceeds of the Credit allocated to Category (6) of the table in paragraph 1 of Schedule 1 to this Agreement to be used to finance Grants under terms and conditions which shall have been approved by the Association, and which shall include the terms and conditions set forth in paragraph 6 of Schedule 4 to this Agreement.

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

Section 3.03. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) maintain, in a commercial bank and on terms and conditions satisfactory to the Association, an advance account in the currency of the Borrower (hereinafter referred to as the Project Account), to be operated and maintained by UCPM, into which it shall deposit from time to time its local counterpart contribution to the cost of the Project;

(b) deposit into the Project Account an initial advance equivalent to \$450,000, and thereafter replenish the Project Account on a semiannual basis, or whenever the balance thereof equals not more than one third of the amount of the initial deposit, whichever occurs first; and

(c) ensure that funds deposited into the Project Account shall be used only for the purposes of defraying the cost of expenditures incurred in the execution of the Project which are not financed out of 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 after 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 objectives of the Project; 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 maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the 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 Fiscal 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 said records and accounts and the audit thereof as the Association shall 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 statements of expenditure, the Borrower shall:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the 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 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 Borrower's progress reporting obligations set out in paragraphs 4 and 5 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) 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

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

(b) the AFD Grant Agreement or USAID Grant Agreement shall have failed to become effective by December 31, 2004, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(c) the right of the Borrower to withdraw the proceeds of the AFD Grant or USAID Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the AFD Grant Agreement or USAID Grant Agreement, as the case may be; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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:

(a) the Project Account has been duly opened, and the amount of the initial advance deposited therein in accordance with Section 3.04 (b) of this Agreement;

(b) the Project coordinator referred to in paragraph 2 of Schedule 4 to this Agreement have been duly recruited under terms, conditions and terms of reference acceptable to the Association, and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(c) the Project Implementation Plan has been adopted in form and substance acceptable to the Association.

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.

Section 6.03. The obligations of the Borrower under Articles III and IV of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Economy, Finance and Budget
B.P. 61
Antananarivo 101
Madagascar

Cable address:

Facsimile:

MFB
Antananarivo

(261) 20 22 34530

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(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 Antananarivo, Republic of Madagascar, as of the day and year first above written.

REPUBLIC OF MADAGASCAR

By /s/ Radavidson Andriamparany Benjamin
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hafez Ghanem
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	3,970,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods	1,990,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and audits	11,720,000	85% of foreign expenditures and 75% of local expenditures
(4) Training	1,480,000	100%
(5) Operating costs	1,910,000	90%
(6) Grants	440,000	100% of amounts of Grants disbursed
(7) Refunding of Project Preparation Advance	690,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	1,000,000	
TOTAL	<u>23,200,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “works” includes airborne geophysical surveys, and production of geological and geo-chemical maps and other scientific materials, under Part C.2 (a) and (b), respectively, of the Project;

(b) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods, works or services supplied from the territory of any country other than that of the Borrower;

(c) the term “local expenditures” means expenditures in the currency of the Borrower or for goods, works or services supplied from the territory of the Borrower; and

(d) the term “operating costs” means the incremental operating costs arising under the Project on account of local contractual support staff salaries, employment benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities and communications' expenses; and bank charges.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) in respect of a Grant, unless the Grant has been provided in accordance with the procedures, and on the terms and conditions set forth or referred to in this Agreement and the Project Implementation Plan.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts below \$250,000 equivalent and \$500,000 equivalent, respectively; (b) consulting and auditing services under contracts below \$100,000 equivalent, in the case of consulting firms, and \$50,000 equivalent, in the case of individual consultants; (c) operating costs; (d) training; and (e) Grants, 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 assist the Borrower in the implementation of a strategy designed to accelerate sustainable development and reduce poverty through the strengthening of governance and transparency in the management of mineral resources, with special emphasis on small-scale and artisanal mining.

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 Transparency and Governance in Mining

1. Consolidation of the legal and regulatory framework governing mining through: (a) publication of regulations still outstanding; (b) review of the existing framework to take account of the Borrower's decentralization policy; and (c) review of existing regulations to ensure their consistency with the Borrower's policies with regard to gemstones, including equal opportunity in access to resources, trade liberalization and export promotion.
2. Provision of support for the decentralized management of mineral resources, including establishment of mining administration offices close to exploitation sites in pilot regions to ensure collection of local taxes on sales of mining products, supervision of mining sector activities and environmental management.
3. Establishment of a national program for the certification and quality control of gemstones, including creation of a one-stop shop for gemstone exports and a gemstone exchange, establishment of a gemology institute to promote the export of cut stones, training of personnel in gemstone evaluation techniques and development of partnerships with international gemstone evaluation services and laboratories, and academic institutions.
4. Provision of support to strengthen private sector associations, including support for the process of establishment of provincial mining councils, assessment of the status of existing private sector organizations, and assistance as required in view of the institutional strengthening of such organizations.

Part B: Key Institutional Reforms for Decentralized Management of Mineral Resources

1. Institutional adjustment and capacity building of decentralized public mining institutions, including extension of access to cadastre information to the municipal level to facilitate effective exchanges of information on the issuance and availability of mining titles, streamlining of tax collection, establishment of provincial-level environmental units to supervise environmental management at the provincial level, carrying out of studies on mining-related social and environmental issues to build capacity and define sector strategy, and implementation of decentralized management of mineral resources on a pilot basis in selected communes.
2. Design and implementation of a communication campaign designed to raise awareness amongst local communities about mining sector reform.
3. Design and implementation of a training program designed to enhance human resources capacity and improve mineral resources governance, including on-the-job training, workshops, basic and specialized training courses to be provided by both public and private institutions, short-term internships and overseas training courses, and participation in international conferences and seminars.
4. Creation of an information system to facilitate communication among all mining sector stakeholders, both public and private.

Part C: Promoting Private Investment and Value-Added in the Sector

1. Creation of a Mining Sector Promotion Agency to improve the Borrower's capacity to attract private sector investment through allocation of resources for promotional programs and provision of Grants for the benefit of enterprises and individuals engaged in artisanal and small-scale mining to support their management, production, marketing and commercialization activities.
2. Provision of basic and reliable geo-scientific information needed to facilitate private sector promotion in the mining sector and support socio-economic development planning, including: (a) carrying out of airborne geophysical surveys in key areas where geological mapping is planned, and purchase and installation of specialized software and training of counterparts in the collection and processing of airborne data; and (b) production of geological and geo-chemical maps and other scientific materials, including mineral resources and environmental management data collection in key parts of the Borrower's territory, and provision of training in modern field and desk techniques and up-to-date geological concepts.

3. Development of a Mineral Resources Governance Database to collect, digitize and store relevant geo-scientific data to be disseminated to clients.

Part D: Project Coordination and Management

Provision of advisory services and other material support to maintain UCPM to be responsible for the management, and monitoring and evaluation, of the Project.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, airborne geophysical surveys under Part C.2 (a) of the Project 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 awarded in accordance with the provisions of paragraph 1 of this Part B.

Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$250,000 equivalent per contract, and works other than airborne geophysical surveys under Part C.2 (a) of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; provided, however, that: (a) all bids shall be in one envelope which shall be opened in public; (b) points systems will not be used for bid evaluation for works; (c) contracts awards shall be announced to all bidders; (d) any bidder shall be given adequate response time (four weeks) for preparation and submission of bids; (e) bid evaluation and bidder qualification criteria shall clearly be specified in bidding

documents and not applied arbitrarily; (f) eligible firms shall not be precluded from participation; (g) no preference margin shall be granted to domestic contractors and suppliers; (h) the award shall be made to the lowest evaluated bidder in accordance with pre-determined and transparent methods; (i) bid evaluation reports shall clearly state the reasons for rejection of any non-responsive bid; and (j) prior to issuing the first call for bids, draft standard bidding documents shall have been prepared and submitted to the Association, and found acceptable.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract 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 of Small Works

Works other than airborne geophysical surveys under Part C.2 (a) of the Project, estimated to cost less than \$50,000 equivalent per contract, 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.

4. Community Participation

Goods and works required under Subprojects shall be procured in accordance with procedures acceptable to the Association, and specified in the Project Implementation Plan.

5. Direct Contracting

Specialized instruments required for the proposed gemology institute under Part A.3 of the Project, which are of a proprietary nature, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 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 and works 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 for goods estimated to cost the equivalent of \$250,000 or more, and works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with 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, January 1999, and May 2002 (the Consultant Guidelines), and the provisions of the following Parts of this Section II.

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 under the Project estimated to cost less than \$50,000 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. Selection Based on Consultants' Qualifications

Services required for review of the regulatory framework, establishment of BAMs, training of personnel, and institutional adjustment and capacity building, under Parts A.1, A.2, A.3 and B.1, respectively, of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks 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.

3. Single Source Selection

Services for tasks that represent a natural continuation of previous work carried out under the Project Preparation Advance, which are estimated to cost less than \$200,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Commercial Practices

Services to assist Beneficiaries in carrying out Subprojects may be procured in accordance with commercial practices acceptable to the Association, and specified in the Project Implementation Plan.

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

1. The Borrower shall establish and/or maintain:

(a) a Steering Committee, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for overall supervision and general oversight of implementation of the Project, including review of progress reports and financial statements, and approval of annual budgets and work plans, and financial audits;

(b) an Executive Committee, whose mandate, terms of reference and composition shall be acceptable to the Association, to facilitate the regular flow of information and provide a channel of communication among key stakeholders engaged in the Project, and to report from time to time to the Steering Committee; and

(c) a *Unité de Coordination du Projet Minier*, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for day-to-day execution of the Project, including management of procurement and disbursement activities, consolidation of annual work programs and budgets, preparation and production of annual progress reports and financial statements, and monitoring and evaluation of the Project.

2. The Borrower shall take steps to ensure that:

(a) UCPM shall be headed by a Project coordinator, who shall be assisted by a deputy Project coordinator, a chief accountant, an accountant, a procurement specialist, and other suitably qualified and experienced staff in adequate numbers; and

(b) the positions of Project coordinator, deputy Project coordinator, chief accountant, accountant and procurement specialist referred to in this paragraph shall be kept filled at all times by a person having qualifications and experience acceptable to the Association.

3. (a) The Borrower shall prepare and transmit to the Association for comments, and thereafter adopt in form and substance acceptable to the Association a Project Implementation Plan, giving details of all operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of the Project, including:

- (i) performance indicators, monitoring and evaluation guidelines, and environmental assessment methodology;
- (ii) administrative, accounting and financial procedures,
- (iii) procurement and disbursement guidelines;
- (iv) guidelines and procedures for preparation, appraisal and environmental screening of Subproject proposals, and approval of Subprojects, and criteria for the selection of Beneficiaries;
- (v) model forms of Grant Agreements; and
- (vi) full details of the EMP.

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

4. (a) The Borrower shall, not later than November 30, 2005, undertake, in conjunction with the Association and other interested parties, a midterm review of the Project, during which they shall exchange views generally on all matters relating to the progress of the Project and the Program, and the performance by the Borrower of its obligations under this Agreement, including the progress achieved by the Borrower under the Project and the Program, having regard to the monitoring indicators agreed upon between the Borrower and the Association.

(b) Not later than one month prior to the review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress of the Project and status of the Program, and giving details, in particular, of the various matters to be discussed at such review.

(c) Following the review, the Borrower undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project and the Program, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

5. The Borrower shall take steps to:

(a) comply with and implement the EMP, in accordance with the guidelines, timetable and other specifications set forth in the EMP; and

(b) submit regular reports on compliance with the EMP, giving details of measures taken in furtherance of the EMP, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the EMP, and remedial measures taken or required to be taken to address such conditions.

6. Further to Section 3.01 (c) of the Development Credit Agreement, the proceeds of the Credit allocated to Category (6) of the table in Schedule 1 to the Development Credit Agreement shall be subject to the following additional terms and conditions:

(a) the amount so allocated shall be used exclusively to provide Grants to finance Subprojects, in accordance with criteria, and terms and conditions, set forth in the Project Implementation Plan;

(b) no Grant shall be made to finance a Subproject unless the Subproject is designed to provide training and support services for the benefit of enterprises and individuals engaged, or otherwise interested, in artisanal and small-scale mining, or to meet the business needs of such enterprises and individuals;

(c) every Subproject proposal shall be classified according to environmental impact category, and subjected as necessary to environmental impact analysis, to ensure that: (i) it is fully consistent with environmental appraisal criteria set out in the Project Implementation Plan; and (ii) where appropriate, mitigation measures designed to minimize adverse effects of the proposed Subproject are identified and incorporated in the Subproject design;

(d) Grants shall be provided for the benefit of eligible Beneficiaries, and according to a cost-sharing formula, which shall be acceptable to the Association and specified in the Project Implementation Plan; provided, however, that:

(i) the proceeds of a Grant shall not be used to finance taxes or duties levied on or in respect of eligible expenditures relating to a Subproject, or any part thereof;

(ii) the amount of each Grant shall be not more than \$10,000 equivalent; and

(iii) the Beneficiary's contribution to the cost of any Subproject, measured both in cash and/or in kind, shall be not less than 50 percent of the total cost of the Subproject;

(e) the first ten Subprojects to be financed out of the proceeds of the Credit shall be subject to the prior review and approval of the Association;

(f) goods, works and services required for the purposes of financing Subprojects shall be procured in accordance with procedures referred to in Schedule 3 to this Agreement, and set forth in the Project Implementation Plan; and

(g) for purposes of each Grant, an agreement (hereinafter referred to as Grant Agreement) shall be concluded with the Beneficiary in the form of the model provided in the Project Implementation Plan, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, the amount of the Beneficiary's contribution to the cost of the Subproject, and the additional terms and conditions specified in Schedule 6 to this Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “Eligible Categories” means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project, as well as amounts paid or to be paid under Grants, 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) the term “Authorized Allocation” means an amount equivalent to \$2,000,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 (a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000, until the aggregate amount of withdrawals from the 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 be equal to or exceed the equivalent of SDR 2,200,000.
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 Credit 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 Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the 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 Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit 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 Credit Account of the remaining unwithdrawn amount of the Credit 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 Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Additional Terms and Conditions of Grant Agreements

Each Grant Agreement shall include the following terms and conditions satisfactory to the Association:

1. The Beneficiary shall be required to carry out and operate the Subproject with due diligence and efficiency, and in accordance with sound technical, administrative and financial practices, and with due regard to appropriate environmental and public health considerations.
2. The Beneficiary shall have the obligation to ensure at all times that: (a) goods, works and consultants' services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement; (b) such goods, works and consultants' services shall be used exclusively for implementing the Subproject, and achieving the objectives of the Project; and (c) upon completion of the Subproject, such Subproject shall be operated and maintained in accordance with the operation and maintenance plan agreed upon with the Beneficiary.
3. The Borrower shall have the right to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, the goods, works and services included in the Subproject, the operation thereof and any relevant records and documents, and obtain any report in connection therewith, of such scope and in such detail as the Association shall reasonably request.
4. The Beneficiary shall take out and maintain with responsible insurers, or make other satisfactory provision for, insurance against such risks and in such amounts as shall be consistent with appropriate environmental and/or public health practices.
5. The Borrower shall have the right to obtain all such information as the Borrower and Association shall reasonably request relating to the administration, operations and financial condition of each Beneficiary, and the benefits derived from the Subproject.
6. The right of any Beneficiary to the use of the proceeds of the Credit, or any part thereof, shall be promptly suspended upon failure by such Beneficiary to perform any of its respective obligations under the Grant Agreement.