

CONFORMED COPY

CREDIT NUMBER 3835 UG

Development Credit Agreement

(Sustainable Management of Mineral Resources Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 21, 2004

CREDIT NUMBER 3835 UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 21, 2004, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated October 14, 2003, describing a program designed to develop its mineral sector in compliance with environmental regulations and social safeguards, and to encourage private sector investment in sustainable exploitation of its mineral resources (the Program) and declaring the Borrower's commitment to the execution of such 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) (the General Conditions), 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 meanings:

(a) "Beneficiary" means a CBO (as hereinafter defined), a Local Government (as hereinafter defined), a Small Business Enterprise (as hereinafter defined), a cooperative or an NGO (as hereinafter defined), all in a mining District (as hereinafter defined) to whom, or for whose benefit a Grant (as hereinafter defined) is made or proposed to be made;

(b) "CBO" means Community Based Organization: (i) operating under the Borrower's laws; (ii) meeting the criteria provided in the Project Implementation Plan (as hereinafter defined); (iii) which is responsible for the development of a Subproject (as

hereinafter defined); (which pursuant to a Financing Agreement (as hereinafter defined) has access to the proceeds of the Credit for the financing of a Subproject (as hereinafter defined);

(c) “Community” means a village or group of villages, living in a Mining District (as hereinafter defined), existing as a CBO, which meets the criteria specified in the Project Implementation Plan (as hereinafter defined), and which is a Beneficiary of a Grant (as hereinafter defined);

(d) “District” means a District as a unit for local administration within the context of the Borrower’s Local Governments Act, 1997, as may be amended from time to time;

(e) “DGM’s Mineral Environmental Management and Mineral Social Management Unit” means a unit within the DGSM(as hereinafter defined) charged with the responsibility for environmental protection, prevention and monitoring for mining activities, social monitoring and safeguarding in the Communities;

(f) “DGSM” means Department of Geological Survey and Mines, a department in the MEMD (as hereinafter defined);

(g) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter, (B) loss of assets or access to assets, or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons, and “Displaced Persons” means more than one Displaced Person;

(h) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(j) “Financing Agreement” means an agreement to be entered into among the Borrower and a Beneficiary for the purpose of carrying out a Subproject (as hereinafter defined);

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

(l) “Geological and Minerals Information System” means a computerized system for storing, computing and cataloging geological data;

(m) “Grant” means a Grant made or proposed to be made by the Borrower pursuant to a Financing Agreement to finance a Subproject (as hereinafter defined);

(n) “IAPSO” means the Inter-Agency Procurement Services Office of the United Nations;

(o) “Local Government” means Local Authority or Local Government Administration or area established and operating pursuant to the Borrower’s Local Governments Act, 1997, as may be amended from time to time;

(p) “MEMD” means the Borrower’s Ministry of Energy and Mineral Development;

(q) “MGLSD” means the Borrower’s Ministry of Gender, Labor and Social Development;

(r) “Mining Act” means the Borrower’s Mining Act, 2003, as may be amended from time to time;

(s) “NEMA” means National Environmental Management Authority established and operating pursuant to the Borrower’s National Environment Statute, 1995, as may be amended from time to time;

(t) “NGO” means a non-governmental organization established and operating under the Borrower’s Non-Governmental Organizations Statute, 1989 as may be amended from time to time;

(u) “Project Account” means the account referred to in Section 3.03 of the Agreement;

(v) “Project Coordination Unit” or “PCU” means the Project Coordination Unit established within the DGSM and referred to in paragraph A.2 of Schedule 4 of this Agreement;

(w) “Project Implementation Plan” or “PIP” means the Project Implementation Plan referred to in Section 6.01 (d) and in paragraph A.1 of Schedule 4 to this Agreement;

(x) “Project Year” means the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the first Project Year), and any twelve-month beginning at the end of the First Project Year, or the end of subsequent Project Years;

(y) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.4 of Schedule 1 to this Agreement;

(z) “Resettlement Policy Framework and Process Framework” means the framework dated April 15, 2003 outlining the modalities for land taking and/or expropriation, resettlement, compensation and rehabilitation of Displaced Persons under the Project;

(aa) “Sectoral Environmental and Social Assessment” or “SESA” means the Sectoral Environmental and Social Assessment dated April 24, 2003, defining: (i) the modalities for environmental and social screening prior to any construction or rehabilitation of a building under Part A of the Project, and prior to approval of any Subproject (as hereinafter defined) under Part B of the Project, and (ii) the measures to offset, reduce or mitigate any harmful environmental and/or social impacts that may arise from such construction, rehabilitation of a building under Part a of the Project and Subproject under Part B of the Project;

(bb) “Small Business Enterprise” means individual entrepreneur or artisanal enterprise or other private enterprise, established and operating under the Borrower’s law, and engaged in small scale operations in accordance with the Mining Act;

(cc) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(dd) “Steering Committee” means the Committee referred to in paragraph A.3 of Schedule 4 to this Agreement;

(ee) “Subproject” means a specific project financed or proposed to be financed through a Grant extended under Part B of the Project;

(ff) “Uganda Chamber of Mines” means Uganda Chamber of Mines registered and operating as a company limited by guarantee pursuant to Borrower’s Companies Act (Chapter 85);

(gg) “Uganda Quarry Operators Association” means Uganda Quarry Operators Association, registered and operating as a company limited by guarantee pursuant to Borrower’s Companies Act (Chapter 85); and

(hh) “Uganda Shilling” or “UShs.” means the currency of the Borrower.

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 seventeen million seven hundred thousand Special Drawing Rights (SDR 17,700,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (a) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Credit; and (b) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a Beneficiary under a Grant, to meet the reasonable cost of goods, works or services require for such Subproject and in respect of which withdrawal from the Credit Account is requested.

Section 2.03. The Closing Date shall be June 30, 2009 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2013 and ending June 15, 2043. Each installment to and including the installment payable on June 15, 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 with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical and environmental 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 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 the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until completion of the Project, an account (the Project Account) in a commercial bank acceptable to the Association and on terms and conditions acceptable to the Association;

(b) promptly thereafter, make an initial deposit of US\$ equivalent to \$60,000 into the Project Account to finance the Borrower's contribution to the costs of the Project;

(c) thereafter deposit into the Project Account, on an annual basis, the amount required to replenish said Project Account in the following amounts:

- (i) Project Year 1; US\$ equivalent to \$110,000,
- (ii) Project Year 2; US\$ equivalent to \$570,000,
- (iii) Project Year 3, US\$ equivalent to \$700,000,
- (iv) Project Year 4, US\$ equivalent to \$780,000, and
- (v) Project Year 5, US\$ equivalent to \$780,000; and

(d) ensure that the amounts deposited into the Project Account in accordance with paragraphs (a), (b) and (c) of this Section shall be used exclusively for expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For 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 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 for the future expansion of the Project (if any); and

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 8 and 9 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 event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

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

- (a) the Borrower has established an adequate accounting and financial management system, in the form and substance satisfactory to the Association, to ensure proper accounting and monitoring of Project funds;
- (b) the Borrower has adopted and furnished to the Association the Financial Management Manual, in form and substance satisfactory to the Association;
- (c) the Project Account has been opened and the initial contribution referred to in Section 3.03(b) of this Agreement has been deposited therein;
- (d) the Borrower has adopted and furnished to the Association the Project Implementation Plan, in form and substance satisfactory to the Association; and
- (e) the Borrower has employed a procurement specialist with terms of reference and qualifications satisfactory 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister responsible for 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 Finance, Planning and Economic Development
PO Box 8147
Kampala
Uganda

Cable address:

Facsimile:

FINSEC
Kampala

256-41 230 163

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 Kampala, Uganda, as of the day and year first above written.

THE REPUBLIC OF UGANDA

By /s/ Gerald M. Ssendaula
Authorized Representative

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By /s/ Judy O'Connor
Regional Vice President
Africa Region

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. 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	1,800,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	1,840,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services, including audit fees, and Surveys and Mapping	8,560,000	90 %
(4) Training and Workshops	2,560,000	90%
(5) Grants	440,000	77% of the amount disbursed
(6) Operating Costs	1,770,000	90%
(7) Unallocated	730,000	
	<hr/>	
	17,700,000	
TOTAL	<hr/> <hr/>	

2. For the purposes of this Schedule:

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

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

(c) the term “Operating Costs” means the incremental expenses incurred on account of Project implementation, management, monitoring and auditing, including office supplies, communication costs including charges for use of telephone and facsimile, vehicles and equipment operation, transport, travel, per diem and supervision costs but excluding salaries of officials of the Borrower’s civil service;

(d) the term “Training and Workshops” includes training activities for on-job training, participation in courses, conferences and events relating to the Project activities, and study tours; Communities’ and stakeholders’ awareness creation workshops, as well as training for capacity building, monitoring and evaluation activities under the Project; and

(e) the term “Surveys and Mapping” means cost arising under services for airborne surveys of identified high priority areas of potential metallogenic conditions for mineral exploration, investment promotion and land use enhancement, compilation of geological and geo-chemical survey data, rock sample analysis and complementary processing and interpretation of related imagery, mapping and sampling.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under category (4) unless the Grants are made for financing of a Subproject in accordance with the criteria, procedures and terms and conditions set forth or referred to in paragraphs 4 and 5 of Schedule 4 to this Agreement.

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

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the

case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. Upon receipt of notification from the Association allowing the establishment of the Special Accounts, the Borrower may open and maintain in Dollars a special deposit account in a commercial Bank acceptable to the Association, 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 the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, 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. 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. 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, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based

Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. 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 and the Guarantor 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 and the Guarantor of its determination.

6. (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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 in the aggregate do not exceed the 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 the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the 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 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the 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 the 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 the 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
Report-based Disbursements**

1. 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 the Eligible Categories.

2. 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 reports referred to in Part A.5 of this Schedule 1 accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower's efforts in implementing its mineral sector strategy for accelerated sustainable development and reduction of poverty by specifically: (a) strengthening governance, transparency and capacity in the management of mineral resources, encouraging community development in the mining Districts and improving small scale and artisanal mining; and (b) promoting socially and environmentally compliant development of its mineral sector with a sound private investment base.

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 Governance and Transparency in Management of Mineral Resources

Improving transparency and governance for management of mineral resources, including:

1. Reviewing existing policy and regulatory framework, developing an appropriate legal and regulatory framework founded on international best practice for creating an enabling environment to encourage and attract private investment in the mineral sector and to encourage stakeholders' consultations.

2. Strengthening an adequate institutional framework for management of mineral resources including, *inter alia*:

(a) designing and implementing a modernized mineral sector institution, specifically: (i) assessment of the prevailing situation, identifying and evaluating public demand for services of mining institutions; (ii) defining the role of public and private sector in management of mineral resources; (iii) defining vision, mandate and institutional output products; (iv) defining responsibilities and functions of mining institutions, including production of appropriate manuals and procedures; (v) designing a human resources policy, training needs and career opportunities; (vi) determining an appropriate upgrade facility for facilitating the new institutional framework; (vii) identifying sources of funding and assessing budget needs; and (viii) identifying mechanisms for monitoring and evaluation of performance, all through the provision of technical advisory services, training and conducting workshops;

(b) strengthening institutional infrastructure and capacity building of MEMD and DGSM, including, modernizing and upgrading central and regional infrastructure,

through provision of technical advisory services, training , provision of civil works and acquisition of goods;

(c) establishing a mining cadastre for transparent administration of mining rights, including: (i) establishing mining cadastre at central and regional levels; (ii) defining functions and establishing working procedures of the mining cadastre; (iii) designing a mining cadastre system for administration of mining titles; (iv) computerizing working procedures of the mining cadastre in accordance with the requirement of the Mining Act; and (v) training cadastre staff in administration of mining titles;

(d) creating an information system to facilitate communication, including developing an intranet and internet network to encourage networking within mining administration;

(e) establishing a mining promotion unit including, supporting regional mining institutions, Communities, LGs, small scale enterprises, NGOs and CBOs in designing and delivering of services to Communities, through the provision of technical advisory services, training and conduction workshops; and

(f) strengthening capacity of mining associations, including Uganda Chamber of Mines, and supporting awareness creation initiatives on mining issues, for key stakeholders and national mining associations.

Part B: Community Development and Small Scale Mining

1. Supporting selected mining Communities in management of mineral resources and expansion of their income generating base by integrating the use of mineral resources identified locally into their income generating development activities including, *inter alia*, decentralization of financing Community infrastructure investment and carrying out activities to improve Community health and prevent spread of HIV/AIDS.

2. Supporting: (a) mineral resource management by communities and developing information and integrated approach in natural resource management, including environmental management, delivery of social services and Community infrastructure; and

(b) revenue collection and environmental management, including: (i) improving coordination of functions of public sector and decentralized levels; (ii) determining and adjusting pragmatic approach to Community participation; (iii) establishing rules for public-private partnerships, all through provision of technical advisory services and training.

3. Improving decentralized collection of mining taxes, including: (a) strengthening administrative and financial management capacity of the Communities; (b) strengthening

Community coordination with central and District revenue administrations; and (c) enhancing transfer of competence in revenue collection.

4. Improving artisanal and small scale mining activities, including: (a) mining and non-mining artisanal and small-scale economic activities; (b) social infrastructure; and (c) transfer of services.

5. Developing Community infrastructure development and economic diversification, including: (a) formulation of awareness creation strategy on regulatory matters , mineral rights and promotion of cooperatives; (b) conducting a pilot program; and (c) supporting DGSM in designing and implementing extension services, all through the provision of Grants, technical advisory services and training.

6. Developing monitoring and information services.

Part C: Environmental and Social Management

Strengthening the capacity of DGSM within MEMD in coordination with NEMA, MGLSD and relevant entities in dealing with mineral sector environmental and social issues, monitoring compliance of mining activities in accordance with sound environmental and social practice; and implementing environmental and social frameworks including, Process Framework, Resettlement Policy Framework and sector environmental and social assessment, and supporting:

1. Carrying out of baseline studies and development of adequate regulations, including: (a) mineral sector environmental and social assessment to determine, location of protected areas, biodiversity zones restricted to mining activities, and prospective locations for development of mining activities; (b) defining socio-economic conditions and impact of mining activities; (c) dissemination of baseline information and methodologies to private miners; and (d) strengthening the capacity of environmental and social units.

2. Strengthening the institutional capacity of MEMD, DGSM, NEMA and relevant ministries in determining role of central and regional institutions for assessment of environmental and social policies.

3. Establishing a computerized environmental management and information system for administration of procedures and guidelines as a basis for environmental and social impact studies on mining activities.

4. Conducting workshops and training to develop methodologies for consultation and participatory procedures with LAs, NGOs, CBOs and the private sector.

5. Monitoring and supervision for environmental and social compliance of mining activities.

Part D: Geo-Information and Development

Supporting provision of geo-information to relevant sectors including, *inter alia*, water resources, infrastructure development, land use conflict prevention and environmental management, including:

1. Carrying out regional airborne geophysical coverage.
2. Supporting mapping and mineral resource assessment, including: (a) prioritizing inventory of mineral resources; (b) updating existing coverage of geological maps; and (c) establishing a modern computerized Geological and Minerals Information System.
3. Establishing an advisory consultative committee to, *inter alia*: (a) provide information and consult Communities on planned mapping activities; (b) coordinate institutional participation; (c) facilitate accessibility of geo-information products; (d) design and organize training for users; and (e) advise on monitoring the use of provided data.

Part E: Project Coordination and Management

1. Strengthening the capacity of PCU in Project management, monitoring and evaluation.
2. Supporting coordination and supervision of Project activities.

* * *

The Project is expected to be completed by December 31, 2008.

SCHEDULE 3

Procurement

Section I. Procurement of Good 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 following provisions of the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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

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

(a) 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.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$ 250,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

In exceptional case, where the overall interest of the client and the Project demand, selection of consultants may, with the Associations prior approval, goods and works may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Goods estimated to cost less than \$100,000 equivalent per contract, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

(a) Goods required for Part B of the Project shall be procured in accordance with procedures acceptable to the Association.

(b) Works 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.

6. Procurement of Small Works

Works 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.

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

(a) With respect to each contract for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) Each contract for 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 Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1

of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision 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 services, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services estimated to cost less than \$200,000 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.

2. Selection Based on Consultants' Qualifications

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

3. Single Source Selection

In exceptional case, where the overall interest of the client and the Project demand, selection of consultants may, with the Associations prior approval, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Quality Based Selection

Services for training, including selection of consultants and institutions, estimated to cost more than \$50,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.2 through 3.4 of the Consultant Guidelines.

5. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded 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

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

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 2, 3 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 report on the comparison of the qualifications and experience of candidates, 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) All single source selection for contracts estimated to cost more than \$5,000 shall be subject to prior review by the Association.

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

Part A: Overall Project Implementation

1. The Borrower shall implement the Project or cause the Project to be implemented in accordance with the Project Implementation Plan, the Financial Management Manual and the Environmental Management Plan and the Sectoral Environmental and Social Assessment, and, except as the Borrower and the Association shall otherwise agree, the Borrower shall not amend or waive any provision of Project Implementation Plan, the Financial Management Manual and the Sectoral Environmental and Social Assessment, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objective thereof.

2. (a) The MEMD shall be responsible for execution of the Project, and specifically, the Project Coordination Unit within DGSM shall be responsible for: (i) overall management and coordination of the Project, including implementation of financial management of operations, reporting, preparation of annual work programs and budgets, procurement management operations, disbursement, accounts and monitoring of Project activities; (ii) selecting, screening, appraising and approving Subprojects under Part B of the Project; and (iii) ensuring environmental screening and appraising of construction and rehabilitation of buildings under Part A of the Project.

(b) The Borrower shall: (i) maintain until completion of the Project, the PCU in a form and with staffing, terms of reference and functions satisfactory to the Association; and (ii) not later than June 30, 2004 recruit to the PCU a procurement officer, an accountant and a monitoring and evaluation specialist.

3. Steering Committee:

(a) The Borrower shall establish and maintain until completion of the Project, Steering Committee within the MEMD in a form and with functions and resources satisfactory to the Association.

(b) The Steering Committee shall comprise the Permanent Secretary MEMD as its chair and PCU Project manager as its secretary. Other members shall include, Director of Budget at the Ministry of Finance, Planning and Economic Development, Director of Energy and Mineral Development and at the MEMD, Director of Environment, Monitoring and Compliance at NEMA, Commissioner of the DGSM, Assistant Director of Uganda Investment Authority, and Chairman of Uganda Chamber of Mines.

(c) The Steering Committee shall: (i) be responsible for overseeing the overall implementation of Project activities, including monitoring performance and progress; and (ii) meet on a quarterly basis.

Part B: Eligibility Criteria for Subprojects:

4. Without limitation upon the provisions of paragraph 2 of this Schedule, no Subproject shall be eligible for financing out of the proceeds of the Credit unless the Borrower has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIP, which shall include, *inter alia*, the following:

(a) the Subproject shall be for a mining related activity;

(b) the Subproject shall be initiated by a Beneficiary;

(c) the Subproject shall be economically, financially and technically viable, and environmentally sound, in accordance with the standards specified in the PIP and the SESA;

(d) the Beneficiary shall provide their contribution of the estimated Subproject costs in the following manner: (i) Small Business Enterprise comprising, established individual entrepreneurs 30% in the form of cash; (ii) Small Business Enterprise comprising, established artisanal enterprises or cooperatives 30% in the form of cash, material, labor or other services, with at least 10% being in the form of cash; (iii) Small Business Enterprise comprising, established private enterprises 20% in cash; and (iv) Local Governments, CBOs, NGOs and cooperatives 10% in the form of material, labor or other services, and 10% in the form of cash;

(e) the Beneficiary shall open and operate an account with a bank or a financial institution to receive, disburse and account for resources allocated to the Subproject; and

(f) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

5. Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreement, to be concluded between the Borrower and the Beneficiary as appropriate, under terms and conditions satisfactory to the Association, which, *inter alia*, shall include the following:

(a) financing to be on a grant basis;

(b) the obligation to carry out the Subproject in accordance with the PIP, with due diligence and efficiency and in accordance with sound environmental, technical,

financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operation, resources and expenditures in respect of the Subproject;

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 of this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, work sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of the Borrower to obtain all information as the borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subprojects; and

(f) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the Subprojects upon failure by the Beneficiary to perform any of its obligations under its Financing Agreement.

6. The Borrower shall carry out all training, seminars and workshops under the Project in accordance with programs which shall have been approved by the Association and which shall, inter alia, identify: (a) the training, courses, seminars and workshops envisaged; (b) the personnel trained; (c) the institutions or individuals conducting the training; (d) the duration of the proposed training; and (e) an estimate of the costs.

Part C: Sectoral Environmental and Social Assessment, and Resettlement Policy Framework

7. (a) The Borrower shall take all action which shall be necessary under the SESA, and shall ensure:

- (i) in construction and rehabilitation of: (A) buildings under Part A of the Project; and (B) Community Infrastructure under Part B of the Project, complies with the screening process mechanism established in the SESA to identify potential environmental and social adverse effects and offset, reduce and/or mitigate them;
- (ii) prior to commencement of work on a Subproject under Part B of the Project, that an environmental impact assessment is carried out in accordance with the SESA and the guidelines established by NEMA and acceptable to the Association, to determine if

carried out, such Subproject would have potential adverse environmental impact;

- (iii) the Project Coordination Unit shall not approve any construction or rehabilitation of a building or Community Infrastructure development, or any Subproject, unless such proposed construction or rehabilitation or infrastructure development, or Subproject is in compliance with the screening process referred to under subparagraph (b)(i) and (ii) above, and until appropriate measures are adopted and carried out by the Beneficiary to offset, mitigate and/or reduce such potential adverse impacts; and
- (iv) the Beneficiary shall thereafter carry out such agreed mitigation plan referred to in (iii) above.

(b) Prior to commencement of: (i) a Subproject under Part B of the Project; or (ii) any construction or rehabilitation of a building under Part A of the Project, all involving involuntary resettlement or involuntary acquisition of land, the Borrower and the Beneficiary shall, prepare and implement appropriate resettlement plans for compensation, resettlement and rehabilitation of Displaced Persons, in accordance with the Resettlement Policy Framework and Process Framework, and in form and substance satisfactory to the Association.

Part D: Monitoring and Reporting

8. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 15, August 15, November 15 and February 15 in each calendar year, a quarterly report, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, not later than one month after furnishing the report referred to in subparagraph (b) of this paragraph, or such later date as the Association shall request, such 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 conclusions and recommendation of the said report and the Association's views on the matter.

9. Midterm Review

(a) The Borrower shall not later than June 30, 2006, carry out jointly with the Association a midterm review, which shall cover among other things:

- (i) progress made in meeting the Project's objective;
- (ii) overall performance as measured against the performance indicators referred to in paragraph 8 (a) of this Schedule; and
- (iii) evaluation of Project activities performed, referred to in paragraph 8 (a) of this schedule.

(b) The Borrower shall thereafter, act promptly and diligently in order to take, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement, such measures as may have been agreed between the Borrower and the Association in furtherance of the objective of the Project.

SCHEDULE 5

Performance Indicators

1. Strengthening of transparency and governance in mineral resources management:
 - (a) operational mining cadastre for the transparent and efficient administration of mining rights by Project mid-term;
 - (b) operational environmental management procedures by Project mid-term; 100% of industrial operations and more than 75% of all mining operations with an environmental license by Project end;
 - (c) at least 5 regional branches of DSGM operational by Project end; and
 - (d) declared production by legally established small-scale and artisanal miners increases by 50% by Project end.

2. Establish the basis for improved contribution from mineral resources exploitation to communities in mining areas:
 - (a) number of Community development plans which include mineral resources management;
 - (b) increased collection of mineral fees and fiscal revenues for regions as a result of decentralized fiscal collection procedures; and
 - (c) improved infrastructure, services and/or livelihood for local Communities in selected mining areas, by Project end.

3. Encourage private sector investment and value-added in the minerals sector:
 - (a) exploration investment increase from today US\$5 million to US\$30-50 million by project end;
 - (b) mine exports increase from US\$22 million to US\$250-330 million 10 years after project inception; and
 - (c) Increase of fiscal revenues from US\$1 million to US\$15-35 million by project end.