

CONFORMED COPY

CREDIT NUMBER 4268 MLI

Financing Agreement

(First Poverty Reduction Support Credit)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 12, 2007

FINANCING AGREEMENT

AGREEMENT dated March 12, 2007, entered into between REPUBLIC OF MALI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I.B of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty million dollars Special Drawing Rights (SDR 30,000,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of the Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 1 and September 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is the Dollar.

ARTICLE III — PROGRAM

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:

A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS

- 5.01. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of the Economy and Finance
P. O. Box 234
Bamako
Mali

Telex:	Facsimile:
2559MJ	(223) 222 19 14 88 53 07 93

6.03. The Association's Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, DC	248423(MCI) or 64145(MCI)	1 202 477 6391

AGREED in the District of Columbia, United States, as of the day and year first above written.

REPUBLIC OF MALI

By /s/ Mamounou Touré
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ James Bond
Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken under the Program. The actions taken by the Recipient under the Program include the following:

- A. Macroeconomic and Budgetary Framework
 1. Implementation, in form and substance satisfactory to the Association, of the actions set out for the year 2006 in the Government Action Plan for Improvement and Modernization of Public Finance Management, in accordance with paragraph 14 of the LDP.
 2. Operationalization, in form and substance satisfactory to the Association, of the Public Finance Reform Support Unit, in accordance with paragraph 14 of the LDP.
- B. Public Procurement
 3. Adoption, in form and substance satisfactory to the Association, by the Recipient's Council of Ministers of the Country Procurement Assessment Report, in accordance with paragraph 19 of the LDP.
- C. Financial Sector
 4. Issuance of an invitation, in form and substance satisfactory to the Association, to the nine (9) concerned commercial banks for purposes of implementation of the recommendations of the *Audit des créances en souffrance des établissements de crédit* (Audit of Non-Performing Loans of Credit Establishments) for improvement of lending procedures, in accordance with paragraph 27 of the LDP.
 5. Carrying out of actions, in form and substance satisfactory to the Association, vis-à-vis said banks, to facilitate the recovery of bad debts, in accordance with paragraph 27 of the LDP.
 6. Conduct of meetings, in form and substance satisfactory to the Association, with said commercial banks for purposes of reaching understanding on strategies for resolution of cases, in accordance with paragraph 27 of the LDP.
- D. Private Sector
 7. Adoption by the Recipient's Parliament of legislation, in form and substance satisfactory to the Association, replacing the prior identification procedures of the Recipient's employment, statistics, social security, tax, and treasury agencies with those based on a unique identification number, in accordance with paragraph 30 of the LDP.

E. Transport and Transit Facilitation

8. Inclusion, in form and substance satisfactory to the Association, in the Recipient's petrol import price structure, of the road-user fee (Road Authority Fee) levied as of 15 December 2006 on all regular gas, super gas, and diesel oil, in accordance with paragraph 34 of the LDP.

F. Cotton Sector

9. Implementation, in form and substance satisfactory to the Association, of the Recipient's cotton-grain-producer price-setting mechanism, with a view to limiting the Recipient's budgetary risk vis-à-vis the Mali Textile Development Company, in accordance with paragraph 49 of the LDP.
10. Identification, in form and substance satisfactory to the Association, of three (3) or four (4) cotton growing zones for privatization; validated, in form and substance satisfactory to the Association, by principal stakeholders; and adoption by the Recipient's Cabinet of the Recipient's final operational program, in form and substance satisfactory to the Association, for privatization of these zones, in accordance with paragraph 50 of the LDP.
11. Launch, in form and substance satisfactory to the Association, of a call for bids for the recruitment of a consulting firm for purposes of provision of technical advisory services to the Recipient in respect of the privatization of *Compagnie Malienne pour le Développement des Textiles* (Malian Textile Development Company), in accordance with paragraph 51 of the LDP.

G. Office du Niger

12. Launch of a study, in form and substance satisfactory to the Association and complementary to that of 2005, on the *Office du Niger* (Niger Office) irrigation-financing mechanism, for purposes of identification of possible modalities for strengthening of the Recipient's proposal for private-irrigation financing, in accordance with paragraph 54 of the LDP.

H. Health and Social Development

13. Transmittal of written confirmation, in form and substance satisfactory to the Association, of modalities for the transfer of additional resources required for implementation of the 2007 operational plan of the Ministries charged with health and social development at the time, in accordance with paragraph 57 of the LDP.

Section II. Availability of Financing Proceeds

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing shall be withdrawn in a single tranche. The allocation of the amount of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (Expressed in SDR)
Single Tranche	30,000,000
TOTAL AMOUNT	30,000,000

C. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

D. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

E. Closing Date. The Closing Date is March 31, 2008.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each March 1 and September 1:	
Commencing September 1, 2017 to and including March 1, 2027	1
Commencing September 1, 2027 to and including March 1, 2047	2

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Government Action Plan for Improvement and Modernization of Public Finance Management” (*Plan d’action gouvernemental pour l’amélioration et la modernisation de la gestion des finances publiques*) means the Recipient’s document of April 20, 2005 setting out its action plan for the improvement and modernization of its public financial management system.
2. “Country Procurement Assessment Report” means the document of January 11, 2006 analyzing the Recipient’s public procurement policies, organization, and procedures and assessing the health of the Recipient’s public procurement system.
3. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant, or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, un-worked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;

- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.
4. "Financing Agreement" includes all appendices, schedules, and agreements supplemental to the Financing Agreement.
 5. "General Conditions" means the "International Development Association General Conditions for Credit and Grants", dated July 1, 2005, with the modifications set forth in Section II of this Appendix.
 6. "Growth and Poverty Reduction Strategy Framework" means the Recipient's document of December 20, 2006 setting out its macroeconomic, structural, and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs, for the period 2007-11.
 7. "Letter of Development Policy" or "LDP" means the letter referred to in paragraph 12 of this Section I.
 8. "Ministry of Economy and Finance" means the Recipient's ministry at the time responsible for finance.
 9. "*Office du Niger*" (Niger Office) means the Recipient's entity, established pursuant to the Recipient's Law No. 94-004/AN/RM of March 9, 1994, and which is responsible for management of a 60,000-hectare irrigation scheme whose focus is the development of the interior delta of the Niger river in the Recipient's territory into a major national and regional rice-producing resource.
 10. "Program" means the program of actions, objectives, and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated January 26, 2007 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
 11. "Public Finance Reform Support Unit" (*Cellule d'appui à la réforme des finances publiques*) means the Recipient's entity located in the Ministry of Economy and Finance, and which is responsible for implementing and monitoring the Government Action Plan for Improvement and Modernization of Public Finance Management.

12. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing. ”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.
- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program” means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.
