

CONFORMED COPY

CREDIT NUMBER 3582 MLI

Development Credit Agreement

(Third Structural Adjustment Credit)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 12, 2001

CREDIT NUMBER 3582 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 12, 2001, between Republic of MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter of development policy

WHEREAS (A) the Association has received from the Borrower a letter of development policy (the Development Policy Letter), dated November 7, 2001, describing a program of actions, objectives and policies designed to strengthen expenditure management and achieve sustainability of the Borrower's cotton sector (the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, (as amended through October 6, 1999) with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

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

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

(b) Section 2.01, paragraph 13, as renumbered, is modified to read:

"'Project' means the Program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made.";

(c) Section 4.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement.";

(d) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions";

(e) The last sentence of Section 5.03 is deleted;

(f) Section 9.06 (c) is modified to read:

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

(g) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “BCEAO” means “*Banque Centrale des Etats de l’Afrique de l’Ouest*”, the common central bank of the Borrower and the other member states of UEMOA (as hereafter defined);

(b) “bring to the point of sale” means the Borrower has taken the following steps: (i) prepared and distributed investment memoranda for the relevant state companies; (ii) solicited offers directly or through advertisement(s) in appropriate newspapers, under terms and conditions agreed upon between the Borrower and the Association; (iii) evaluated the offers and selected the bidder(s) (if any); and (iv) invited the successful bidder(s) (if any) to enter into good faith negotiations;

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

(d) “CMDT” means *Compagnie Malienne pour le Développement des Textiles*, a textile developing share holder company where the Borrower holds the majority of shares, established and operating pursuant to *Ordonnance* No. 4/CMLN dated January 30, 1975, published in the Borrower’s legal gazette No. 21 dated March 1, 1975 pages 1012 through 1016;

(e) “*Collectivités Locales*” means the autonomous local administrative entities established under the Borrower’s Laws No. 96-059, dated February 21, 1996, Official Gazette No. 6 dated March 31, 1996 pp 204-209; No. 96-059, dated November 4, 1996, Official Gazette (special edition) No. 3 dated November 26, 1996; and No. 99-035 dated August 10, 1999, Official Gazette No. 21 dated August 1999, pp 806-810;

(f) “Consolidated Treasury Balance Statement” means the Borrower’s financial statements as defined in its *Arrêté* No. 93-4937/MEF-PLAN-CAB dated August 20, 1993 *fixant le plan comptable de l’Etat*;

(g) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;

(h) “First Tranche” means the Tranche (as hereafter defined) referred to in Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to be released by the Association on or after the Effective Date;

(i) “Fiscal Year” means the Borrower’s fiscal year, covering the period from January 1 to December 31;

(j) “HUICOMA” means *Huilerie Cotonnière Du Mali*, a state enterprise established and operating pursuant to *Ordonnance* 79-15/CMLN dated March 12, 1979, published in the Borrower’s legal gazette, special edition No. 580 dated July 30, 1997;

(k) “Medium-Term Expenditure Framework” means the Borrower’s medium-term expenditure policy as defined in the draft poverty reduction strategy paper which has been discussed in the years 2000 and 2001 – *le cadre stratégique de lutte contre la pauvreté* (CSLP);

(l) “Medium-Term Macroeconomic Framework” means the Borrower’s medium-term macroeconomic policy (*cadre macroéconomique*) as defined in the draft poverty reduction strategy paper which has been discussed in the years 2000 and 2001 – *le cadre stratégique de lutte contre la pauvreté* (CSLP);

(m) “MEF” means *Ministère de l’Economie et des Finances*, the Borrower’s Economic and Finance Ministry ;

(n) “OHVN Zone” means the operational area of OHVN as defined in its establishment legislation;

(o) “OHVN” means *Office de la Haute Vallée du Niger*, a state entity established and operating pursuant to *Ordonnance* No. 91-048/P-CTSP dated March 31, 1991, published in the Borrower’s legal gazette No. 17 of September 15, 1991, page 607;

(p) “*Nomenclature Comptable de l’Etat*” means the Borrower’s accounting nomenclature as defined in its *Arrêté* No. 93-4937/MEF-PLAN-CAB dated August 20, 1993 *fixant le plan comptable de l’Etat*;

(q) “PRODEC” means *Programme Décennal d’Education*, the Borrower’s long-term education policy program pursuant to the November 1, 2000 policy letter referred to in Recital (A) of the Development Credit Agreement between the Borrower and the Association dated February 1, 2001;

(r) “PRODESS” means *Programme de Développement Sanitaire et Social*, the Borrower’s long-term health and social policy program pursuant to the October 21, 1998 policy letter referred to in Recital (A) of the Development Credit Agreement between the Borrower and the Association dated January 11, 1999;

(s) “Second Tranche” means the Tranche (as hereafter defined) referred to in Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to be released by the Association on or after the date on which the conditions referred to in Schedule 1 paragraph 4, of this Agreement have been met;

(t) “Third Tranche” means the Tranche (as hereafter defined) referred to in Category (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to be released by the Association on or after the date on which the conditions referred to in Schedule 1, paragraph 5, of this Agreement have been met;

(u) “Tranche” means any of the following: First Tranche, Second Tranche or Third Tranche;

(u) “Tranche” means any of the following: First Tranche, Second Tranche or Third Tranche;
and

(v) “UEMOA” means the *Union Economique et Monétaire Ouest Africaine*, the West African Economic and Monetary Union, established pursuant to a Treaty dated January 10, 1994 completing the Treaty constituting the West African Monetary Union (WAMU) dated November 14, 1973, for the promotion of regional integration among its member states, i.e., the Republic of Benin, Burkina Faso, the Republic of Côte d'Ivoire, the Republic of Guinea-Bissau, the Republic of Mali, the Republic of Niger, the Republic of Senegal and the Republic of Togo.

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 fifty-five million Special Drawing Rights (SDR 55,000,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain at BCEAO, a deposit account in CFA Francs on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be June 30, 2003, 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 cancelled; 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

(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 ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing February 1, 2012 and ending August 1, 2041. Each installment to and including the installment payable on August 1, 2021 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 the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section

4.02 of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower 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 and the actions specified in Schedule 2 to this Agreement.

(b) Prior to each such exchange of views, the Borrower 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.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including the actions specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. 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 V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministre de l'Economie et des Finances
Ministère de l'Economie et des Finances
B.P. 234
Bamako, MALI

Telex:
2559 MJ

Facsimile:
(223) 22 8853

For the Association:

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

Cable address:
INDEVAS
Washington, D.C.

Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MALI

By /s/ Cheick Oumar Diarrah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ David Craig

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the table below sets forth the amounts allocated to specific Tranches to be withdrawn from the Credit Account:

	<u>Tranche</u>	Amount of the Credit Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures <u>to be financed</u>
(1)	First Tranche	19,600,000	100% of foreign expenditures
(2)	Second Tranche	15,700,000	100% of foreign expenditures
(3)	Third Tranche	19,700,000	100% of foreign expenditures
	TOTAL	55,000,000 =====	

2. For the purposes of this Schedule 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.

3. For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit shall not be used to finance any of the following expenditures:

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(b) expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan; and

(c) expenditures for goods included in the following groups or subgroups 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 Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones unworked 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)

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(e) expenditures for environmentally hazardous goods (for purposes of this paragraph the term “environmentally hazardous goods” means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

(f) expenditures (i) in the territories of any country which is not a Participatory Country or for goods procured in, or services supplied from, such territories or (ii) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

4. No withdrawals shall be made from the Credit Account under Category (2) of the table in paragraph 1 of this Schedule unless the amount specified in Category (1) has been withdrawn by the Borrower and the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

- (A) with the fulfillment of the requirements of Part A of Schedule 2 to this Agreement; and
- (B) that the actions described in Part B of Schedule 2 to this Agreement have been undertaken in form and substance satisfactory to the Association.

5. No withdrawals shall be made from the Credit Account under Category (3) of the table in paragraph 1 of this Schedule unless the amounts specified in Categories (1) and (2) have been withdrawn by the Borrower and the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

- (A) with the fulfillment of the requirements of Part A of Schedule 2 to this Agreement; and
- (B) that the actions described in Part C of Schedule 2 to this Agreement have been undertaken in form and substance satisfactory to the Association.

6. If, after any of said exchange of views referred to in paragraphs 4 or 5 above, the Association shall have given notice to the Borrower that the requirements under Part A of Schedule 2 to this Agreement, or the actions taken under Parts B or C of said Schedule 2, as the case may be, are not satisfactory and, within 90 days after such notice, the Borrower shall not have met the requirements of Part A of Schedule 2 to this Agreement or taken the actions under Parts B or C of said Schedule 2, as the case may be, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Part A : General Requirements for Tranche Releases

1. The Association is satisfied with the progress achieved by the Borrower in the carrying out of the Program.
2. The macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Association.

Part B : Specific Conditions for the Release of the Second Tranche

The Borrower has:

1. brought to the point of sale:
 - (a) not less than 84% of HUICOMA's shares, pursuant to paragraph 13 (ii) of the Development Policy Letter; and
 - (b) all assets belonging to CMDT and OHVN in the OHVN Zone pursuant to paragraph 7 (ii) of the Development Policy Letter;
2. adopted a nomenclature for the *Collectivités Locales* compatible with the *Nomenclature Comptable de l'Etat*, pursuant to paragraph 22 (i) of the Development Policy Letter; and
3. produced the monthly Consolidated Treasury Balance Statement within a 45 day processing time period following the end of the concerned month, pursuant to paragraph 26 (ii) of the Development Policy Letter, and, for two consecutive months, furnished said Statement to the Association soon thereafter.

Part C : Specific Conditions for the Release of the Third Tranche

The Borrower has :

1. divested to the private sector state ownership and management control of HUICOMA and does not retain any direct or indirect interest of more than 12% in HUICOMA or any other company on its territory involved in the production and marketing of cotton oil and cotton meal, pursuant to paragraph 13 of the Development Policy Letter;
2. divested to the private sector state ownership and management control of the collection and ginning of seed cotton in at least the OHVN zone, pursuant to paragraph 7 of the Development Policy Letter; and
3. submitted to the Association, a report of the Medium-Term Expenditure Framework for the Fiscal Years 2001-03, integrating the expenditures forecasted for the education and health sectors under PRODEC and PRODESS, respectively, and consistent with the Medium-Term Macroeconomic Framework, pursuant to paragraph 22 (ii) of the Development Policy Letter.

