

CONFORMED COPY

CREDIT NUMBER 2894 MLI

Development Credit Agreement

(Economic Management Credit)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 1996

CREDIT NUMBER 2894 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 24, 1996, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated May 30, 1996, (the Policy Letter), from the Borrower describing a program of actions, objectives and policies designed to achieve improvement in the management of public expenditures, and increase the domestic tax base and savings (hereinafter called 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 five 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, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be 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;

(b) the last sentence of Section 3.02 is deleted;

(c) Section 4.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, withdrawals from the Development 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. Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

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

(f) Section 9.06 (c) shall be modified to read:

"(c) 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, 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "FY" means the Borrower's fiscal year which begins January 1 and ends December 31 of the same year;

(c) "Mining Code" means Ordonnance No. 91-065-P-CTSP dated September 19, 1991, of the Borrower relating to the carrying out of mining operations in the Borrower's territory;

(d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 17, 1995 and May 30, 1995, between the Borrower and the Association;

(e) "Tax Code" means Ordonnance No. 6-CMLN dated February 27, 1970, of the Borrower relating to taxation within the Borrower's territory;

(f) "Tranche" means any of the following: the First Tranche, the Second Tranche, the Third Tranche, the First Floating Tranche, and the Second Floating Tranche defined in this Section;

(g) "First Tranche" means the Tranche referred to in Category (1) of paragraph 1 of Schedule 1 to this Agreement, to be released by the Association on or after the Effective Date;

(h) "Second Tranche" means the Tranche referred to in Category (2) of 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 paragraph 3 (a) of Schedule 1 to this Agreement have been met;

(i) "Third Tranche" means the Tranche referred to in Category (3) of 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 paragraph 3 (b) of Schedule 1 to this Agreement have been met;

(j) "First Floating Tranche" means the Tranche referred to in Category (4) of 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 paragraph 4 (a) of Schedule 1 to this Agreement have been met;

(k) "Second Floating Tranche" means the Tranche referred to in Category (4) of 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 paragraph 4 (b) of Schedule 1 to this Agreement have been met;

(l) "FAAF " means the Fond d'Appui aux Activit s des Femmes established by the Borrower pursuant to the Convention dated January 27, 1995, between the Borrower's Ministry of Finances and Commissariat la Promotion Fminine, respectively; and

(m) FCFA 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 that shall have an aggregate value equivalent to forty-one million six hundred thousand Special Drawing Rights (SDR 41,600,000), being the sum of withdrawals of the proceeds of the Credit, with each withdrawal valued by the Association as of the date of such withdrawal.

Section 2.02. (a) Subject to the provisions of paragraph (b), (c), and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program and accordance with the provisions of Schedule 1 to this Agreement.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in its central bank, a deposit account in CFAF 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) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

(d) The Borrower undertakes that the proceeds of the Credit shall

not be used to finance expenditures excluded pursuant to the provisions of paragraph 2 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 December 31, 1998, 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 or 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 payment 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 and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15, commencing November 15, 2006 and ending May 15, 2036. Each installment to and including the installment payable on May 15, 2015 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 requirements and 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 any requirement or action 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 (h) 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 the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

Ministre des Finances et du Commerce  
BP 234  
Bamako  
Mali

Telex:

2559 MJ

For the Association:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, DC

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

REPUBLIC OF MALI

By /s/ Cheick Oumar Diarra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit and Excluded Expenditures

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:

Categories	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) First Tranche	13,600,000	100%
(2) Second Tranche	6,900,000	100%

(3)	Third Tranche	6,900,000	100%
(4)	First Floating Tranche	6,900,000	100%
(5)	Second Floating Tranche	6,900,000	100%
(6)	Refunding of the Project Preparation Advance	400,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
	Total	<u>41,600,000</u> =====	

2. Notwithstanding the provisions of paragraph 1 above, and for purposes of Section 2.02 (d) 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 supplied from the territory of the Borrower, excluding, if the currency of the Borrower is also that of another country, expenditures in such currency for goods supplied from the territory of such other country;

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

(c) expenditures 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 sub-groups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
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 semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
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)

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, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Association); and

(f) in furtherance of the purposes of Section 5.01 of the General Conditions, expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) 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.

3. No withdrawal shall be made from the Credit Account under:

(a) 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:

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

(b) 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:

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

4. Notwithstanding the provisions of paragraph 3 above, withdrawals may be made by the Borrower in respect of Categories (4) and (5) of the table in paragraph 1 of this Schedule at any time when 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, that the requirements of Part A of Schedule 2 to this Agreement have been fulfilled, and in addition:

(a) with respect to said Category (4), the actions described in Part D of Schedule 2 to this Agreement have been taken in form and substance satisfactory to the Association; and

(b) with respect to said Category (5), the actions described in Part E of Schedule 2 to this Agreement have been taken.

5. If, after any of the exchange of views referred to in paragraphs 3 and 4 above, the Association shall have given notice to the Borrower that the requirements of Part A of Schedule 2 to this Agreement, or the actions taken under Parts B, C, D or E of Schedule 2 to this Agreement, as the case may be, are not satisfactory and, within ninety



(90) days after such notice, the Borrower shall not have met the requirements of Part A of said Schedule 2 or taken the actions under Parts B, C, D, or E 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

Requirements and Actions referred to in Paragraphs 3  
and 4 of Schedule 1 to this Agreement

### Part A:

1. The Borrower has achieved progress satisfactory to the Association in the carrying out of the Program.
2. The macroeconomic policy framework of the Borrower is consistent with the objectives of the Program.

### Part B: (Conditions for the release of the Second Tranche)

The Borrower has:

1. collected during FY 1996 domestic revenues in an amount of at least CFAF 184.5 billion;
2. recruited, during FY 1996, at least 300 additional teachers and 300 additional vacataires for primary schools;
3. made a budgetary allocation in its FY 1996 budget, and incurred corresponding expenditures, in respect of didactic materials at the rate of CFAF 2,500 per student in primary schools; CFAF 5,000 per student at the lower level of secondary schools; CFAF 21,000 per student at the upper level of secondary schools; CFAF 35,000 per student of technical secondary schools; and CFAF 50,000 per student at the university level;
4. recruited, during FY 1996, at least 150 additional medical and para-medical staff for health facilities located outside Bamako; and
5. submitted to the Association a report of such scope and details agreed upon with the Association on the execution of its FY 1996 budget.

### Part C: (Conditions for the release of the Third Tranche)

The Borrower has:

1. collected domestic revenues during FY 1997 in an amount of at least CFAF 200 billion in accordance with the provisions of paragraph 17 of the Policy Letter;
2. recruited, during FY 1997, at least 600 additional primary schools teachers;
3. made a budgetary allocation in its FY 1997 budget, and incurred corresponding expenditures, in respect of didactic materials at the rate of CFAF 2,500 per student in primary schools; CFAF 5,000 per student at the lower level of secondary schools; CFAF 21,000 per student at the upper level of secondary schools; CFAF 35,000 per student of technical secondary schools; and CFAF 50,000 per student at the university level;
4. recruited, during FY 1997, at least 200 additional medical staff for health facilities located outside Bamako; and
5. submitted to the Association a report of such scope and details agreed upon with the Association on the execution of its FY 1997 budget.

### Part D: (Conditions for the release of the First Floating Tranche)

The Borrower has:

1. amended in a manner satisfactory to the Association the relevant provisions of the Tax Code pertaining to the taxation of corporate, small businesses and personal income and has enacted the implementation decrees relating thereto in accordance with the details set forth in paragraph 23 of the Policy Letter;

2. (a) carried out a study of its current tax exemption system in the mining sector; (b) adopted such recommendations of said study, as shall have been agreed upon between the Borrower and the Association, and a timetable for implementation of such recommendations satisfactory to the Association; and (c) implemented the recommendations referred to in paragraph (b) above;

3. adopted a budget preparation methodology satisfactory to the Association in accordance with the details set forth in paragraph 26 of the Policy Letter; and

4. restructured the taxation and customs departments of the Ministry of Finance in accordance with the details set forth in paragraphs 19 and 20 of the Policy Letter.

Part E: (Conditions for the release of the Second Floating Tranche)

The Borrower has:

1. (a) carried out a study to identify any constraints which impede or restrict women's access to credit; and (b) adopted such recommendations of said study, as shall have been agreed upon between the Borrower and the Association, and a timetable for implementation of such recommendations satisfactory to the Association;

2. replenished FAAF, with an amount of CFAF 500 million, for the purposes of providing small credit to women engaged in income-generating activities; and

3. carried out a media campaign aimed at sensitizing the public on women's rights under the Borrower's laws and regulations, in accordance with paragraph 45 of the Policy Letter.

