

CONFORMED COPY

CREDIT NUMBER 2648 TA

Development Credit Agreement

(Mineral Sector Development Technical Assistance Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 23, 1994

CREDIT NUMBER 2648 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 23, 1994, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 6, 1994, from the Borrower describing its policies and strategy for the development of the mineral sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the 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

(C) 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, with the last

sentence of Section 3.02 deleted (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) "MWEM" means the Borrower's Ministry of Water, Energy and Minerals;
- (b) "MRD" means the Mineral Resource Department of MWEM;
- (c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter dated May 24, 1993, from the Association to the Borrower and countersigned by the Borrower on June 9, 1993;
- (d) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (e) "Project Account" means the account referred to in Section 3.04 of this Agreement; and
- (f) "TSh or Tanzanian Shilling" means the Borrower's currency.

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 eight million nine hundred thousand Special Drawing Rights (SDR 8,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1999, 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 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 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) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing December 15, 2004, and ending June 15, 2034. Each installment to and including the installment payable on June 15, 2014, 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 United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MWEM with due diligence and efficiency and in conformity with appropriate administrative, financial and mineral sector 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. The Borrower shall, by December 31, 1995, take all necessary measures to modify the legal, regulatory, environmental and fiscal framework for the mineral sector.

Section 3.04. The Borrower shall, for the purposes of the Project, open and maintain a project account with a commercial bank and, on a quarterly basis, deposit therein the Tanzanian Shilling equivalent of \$65,000.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, 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
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall until completion of the Project: (a) provide an adequate operations and maintenance budget for MRD; and (b)

prepare and furnish to the Association by June 30 in each year, a rolling three-year budgetary framework for MRD's capital and recurrent expenditures.

ARTICLE V

Remedies of the Association

Section 5.01. 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.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has opened the Project Account referred to in Section 3.04 of this Agreement and deposited therein the Tanzanian Shilling equivalent of \$65,000.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister at the time 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
P.O. Box 9111
Dar es Salaam
Tanzania

Cable address:

TREASURY
Dar es Salaam

Telex:

41329

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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.

UNITED REPUBLIC OF TANZANIA

By /s/ Charles Nyirabu
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	420,000	70%
(2) Vehicles, equipment, furniture, tools and materials:		100% of foreign expenditures and 80% of local expenditures
(a) for Parts C.2 and C.4 of the Project	630,000	
(b) for the other parts of the Project	1,910,000	
(3) Consultants' services and training:		100% of foreign expenditures and 90% of local expenditures
(a) for Parts C.2 and C.4 of the Project	630,000	
(b) for the other parts of the Project	2,680,000	
(4) Incremental operating costs	990,000	60%
(5) Refunding of Project Preparation Advance	170,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,470,000	
TOTAL	<u>8,900,000</u>	

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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; and

(c) "incremental operating costs" means expenditures incurred for (i) rent, utilities, communication, staff emolument, vehicle operating and maintenance costs under Part B.6 of the Project, and (ii) vehicle operating and maintenance costs and field per diem under Part B of the Project.

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) payments made for expenditures under Categories (2) (a) and (3) (a) until the Borrower has analyzed the results of the Baseline Survey, referred to in Part C.1 of Schedule 2 to this Agreement, and put in place detailed implementation procedures, satisfactory to the Association, including the eligibility criteria, accounting and monitoring arrangements for the technology demonstration scheme.

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 (i) goods and works not exceeding \$100,000 equivalent, (ii) services not exceeding \$50,000 equivalent, and (iii) incremental operating costs regardless of value, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to expand mineral based industries of Tanzania through private sector investment.

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: Legal, Regulatory and Fiscal and Environmental Framework

1. Establishment of a legal, regulatory and fiscal framework conducive to private mining investment, improved environmental control and efficient sector management, through:

(a) carrying out a review and analysis of existing laws and regulations relating to mining and mining investment;

(b) drafting of appropriate new or amended legislation and regulations, and reviewing the model mineral investment agreement;

(c) preparation of detailed operational manuals and guidelines for use by MRD staff, other government agencies and current and future investors and operators; and

(d) carrying out of appropriate training programs for MRD and other government staff on the new legal, regulatory and fiscal framework.

2. Establishment of an environmental framework for mining through:

(a) carrying out an inventory and quantitative analysis of existing environmental liabilities;

(b) preparation of appropriate regulations setting out the required standards for the sector;

(c) designing the institutional procedures and arrangements to monitor and enforce regulations; and

(d) preparation of a detailed operational manual and training of a small core of MRD staff on environmental management.

Part B: Institutional Strengthening of MRD

1. Strengthening MRD's field operations through the carrying out of Priority Work Programs in three most urgent areas, namely, effective mine safety and environmental inspection, updating of mineral rights data and improved mineral rights registration procedures, and increased mineral revenue collection.

2. Strengthening of MRD's Geological Services through the provision of:

(a) technical experts and staff training;

(b) equipment and materials for the rehabilitation of the cartographic unit and for the publication of geological maps;

(c) equipment and materials for the rehabilitation of MRD's mineral laboratory;

(d) maintenance of the data base unit of MRD; and

(e) dissemination of sector data to the investors.

3. Strengthening of MRD's organizational structure and staff training through:

(a) the restructuring of MRD involving: (i) streamlining the mineral licensing procedures; (ii) restructuring the functions of the Geology Division towards concentrating on providing basic geological information and maps, systematically compiling geological information and monitoring of prospecting activities by companies; and (iii) creating two new sections under the Mines Division, to cover the Environment and Extension Services;

(b) Professional manpower development and staff training through: (i) retraining of a limited number of MRD staff to acquire mine engineering skills and upgrading the skills of a limited number of mine engineers; (ii) refresher training of mining technicians; (iii) specialized subject-matter training in such areas as environmental management, gemology and gemstone marketing, organizational and technology aspects of artisanal and small-scale mining and computer skills; and (iv) management level training in policy, institutional and legal aspects of mineral sector administration, and in the international investment and trade climate;

(c) formulation of a career development program for major career streams and skill groups in MRD.

4. Acquisition of vehicles, motorcycles, field and office equipment, including communications gear and computers.

5. Construction of about twenty field offices for MRD, in areas where there are intensive artisanal or small-scale mining activities.

6. Establishment of a Project management unit in the office of the Commissioner of MRD.

Part C: Artisanal and Small-Scale Mining

1. Carrying out a baseline survey to provide reliable quantitative information on the current position and performance of the artisanal and small-scale mining activities.

2. Carrying out a pilot program to promote artisanal miner's awareness of simple and environmentally sensitive mining and mineral processing techniques, through dissemination of relevant information and technology

demonstration.

3. Strengthening small miners and mineral traders associations through:

(a) study tours for MRD officials and representatives of miners associations to African countries with substantial small-scale mining sector;

(b) (i) reviewing and strengthening the legal, administrative and financial aspects of existing miners associations on a regional and national level; and (ii) team building and training workshops at the regional and national levels on the implementation of recommendations from (i) above;

(c) establishment of a library on gemology and colored gemstones marketing, installation of a small gemological laboratory and conducting short courses on economic gemology, colored stone valuation, enhancement techniques, and marketing; and

(d) training and extension services for lapidary development.

4. Building training capabilities through:

(a) (i) designing of short courses to be conducted by major Regional Miners' Associations aimed at providing the knowledge required to obtain basic understanding of the legal and regulatory framework, technological and environmental requirements; (ii) training of qualified members of Regional Miners' Associations to become trainers; and (iii) establishment of training facilities at major Regional Miners' Associations; and

(b) (i) designing a training program in basic principles of business administration for small mine operators; and (ii) identification of local training organizations qualified to undertake such courses.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed priced contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$50,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the United Republic of Tanzania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works for the construction of MRD's field office blocks, up to an aggregate amount equivalent to \$600,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Part E: Pre-shipment Inspection

For the purposes of the pre-shipment inspection of goods imported under the Project, no price verification shall be conducted in respect of those goods to which Part A of this Section applies.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Commissioner of Mineral Resources shall be responsible for overseeing and coordinating Project implementation activities and for dealing with accounting, procurement and disbursement matters, including: (a) administering project funding and procurement processing and managing Project Accounts and the Special Account, (b) overseeing project implementation activities by various line divisions of MRD and coordinating Project activities with other ministries, agencies and institutions; (c) following up on implementation, and compliance with covenants and financial provisions, and (d) providing periodic Project progress reports. To assist the Commissioner three positions (a Project manager, technical assistant and Accountant) shall be established.

2. (a) Part C of the Project shall be carried out by MRD through an Artisanal and Small-scale Mining Office to be established in MRD. The Office shall be responsible for planning, research, supervision and monitoring activities for the development of the artisanal and small-scale mining sector.

(b) To ensure proper coordination with MRD and with other ministries and agencies a special task force and a steering committee shall be established in accordance with terms of reference acceptable to the Association: (i) the special task force, shall ensure that the expertise instrumental to efficient program implementation is available and shall be comprised of the following MRD staff, a senior principal mining engineer, senior principal inspector of mines, senior principal economic geologist, senior principal mineral processing engineer and zonal mines officers; and (ii) the Program Steering Committee shall be a multi-disciplinary body comprised the following, the Commissioner of Mineral Resources as Chairman, the Assistant Commissioner, Mineral Trade Division as Deputy Chairman, Assistant Commissioners of the Mines Division, Geology Division and Research and Laboratory Division, as well as senior representatives of the Planning Commission, Department of Environment and the Investment Promotion Agency, and shall provide the strategic leadership and act as a controlling and advisory board for the Artisanal and Small-Scale Mining Development Office.

3. The Borrower shall designate appropriate counterpart personnel of MRD, prior to the commencement of any consultant assignment under the Project.

4. The Borrower shall, by June 30 in each year, review with the Association progress in the implementation of the Priority Work Programs under Part B.1 of the Project.

5. (a) The Borrower shall, not later than September 30, 1996, carry out jointly with the Association, a mid-term review of the Project. The purposes of such review shall be to: (i) conduct a comprehensive assessment of progress in the implementation of the Project; (ii) assess progress made by the Borrower in modifying the legal, regulatory, environmental and fiscal framework; (iii) assess the impact of the Borrower's Civil Service Reform program on MRD; and (iv) assess the implementation of a user charge scheme covering MRD's geological mapping and mineral laboratory services.

(b) At least two months prior to such review, the Borrower shall prepare and furnish to the Association a report on the above.

(c) Promptly after the completion of the mid-term review referred to in subparagraph of this paragraph, the Borrower shall take all necessary actions to implement the recommendations emanating from such review.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit

Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

