

**CONFORMED COPY**

**CREDIT NUMBER 4044 MLI**

# **Development Credit Agreement**

**(Fourth Structural Adjustment Credit)**

**between**

**REPUBLIC OF MALI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 25, 2005**

**CONFORMED COPY**

**CREDIT NUMBER 4044 MLI**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated March 25, 2005, 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 (the Letter of Development Policy), dated February 11, 2005, describing a program of actions, objectives and policies designed to strengthen its fiscal and financial sector, underpinnings of shared, long-term growth, and improving efficiency, transparency and accountability in public expenditure management (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;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 2 of this Agreement to the satisfaction of the Association and has maintained a macroeconomic policy framework satisfactory to the Association; and

(C) 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 a single tranche 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 May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 2.01, paragraph 12, 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.”;

- (b) 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.”;

- (c) 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”;

- (d) The last sentence of Section 5.03 is deleted;

- (e) 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

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

(c) “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 1,012 through 1,016;

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

(e) “DNB” means *Direction Nationale du Budget*, the Borrower’s directorate, within MEF (as hereinafter defined), responsible for the budget;

(f) “DNCF” means *Direction Nationale du Controle Financier* of MEF (as hereinafter defined);

(g) “DNTCP” means *Direction Nationale du Trésor et Comptabilité Publique*, the Borrower’s directorate, within MEF, responsible for Treasury and public accounts;

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

(i) “HUICOMA” means *Huilerie Commerciale du Mali*, a state enterprise established and operating pursuant to *Ordonnance* 79-15/CMLN dated March 12, 1979;

(j) “Letter of Development Policy” means the Borrower’s letter referred to in paragraph (A) of the Preamble to this Agreement;

(k) “Medium-Term Expenditure Framework” or “MTEF” means the Borrower’s medium-term expenditure framework;

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

(m) “PRODEC” means *Programme Décennal de Développement de l'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;

(n) “PRODESS” means *Programme de Développement Sanitaire et Social*, the Borrower’s long-term health and social policy program adopted on October 21, 1998;

(o) “PRS” means the Borrower’s Poverty Reduction Strategy, as detailed in the Poverty Reduction Strategy Paper covering the period from 2002 to 2006 and adopted on May 29, 2002; and

(p) “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 sixteen million five hundred thousand Special Drawing Rights (SDR 16,500,000).

Section 2.02. (a) Subject to the provisions of paragraphs (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.

(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 Francs CFA 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 January 16, 2006 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 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 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 August 1, 2015 and ending February 1, 2045. Each installment to and including the installment payable on February 1, 2025 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.

(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 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 (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 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 at the time responsible for finance, or the representative thereof, 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:

Minister of Economy and Finance  
Ministry of Economy and Finance  
BP 234  
Bamako  
Republic of Mali

Facsimile:

(223) 222 1914

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 (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/ Abdoulaye Diop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig

Authorized Representative

## **SCHEDULE 1**

### **Excluded Expenditures**

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:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. 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 Association or the Bank shall have financed or agreed to finance under another credit or a loan;
3. 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

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
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)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. 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);

6. expenditures 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

7. 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.

## **SCHEDULE 2**

### **Actions Referred to in Recital (B) of the Preamble to this Agreement**

The Borrower has:

#### Part A: Budget Policies and Financial Sector

1. maintained a satisfactory macroeconomic framework;
2. prepared, under terms of reference acceptable to the Association, and furnished to the Association, a report on the Medium-Term Expenditure Framework for the education sector, for Fiscal Years 2005-2007;
3. adopted the Ministry of Health's Medium-Term Expenditure Framework for the health sector, for Fiscal Years 2005-2009, consistent with the second phase of the PRODESS, and defined the mechanisms for its updating pursuant to the provisions of paragraph 11 of the Letter of Development Policy;
4. finalized the terms of reference for the audit of non-performing loans made by commercial banks and initiated the tendering procedure for the selection of auditor(s) to carry out said audit pursuant to the provisions of paragraph 16 of the Letter of Development Policy;

#### Part B: Public Expenditure Management, Control and Transparency

5. prepared terms of reference, acceptable to the Association, and launched the bidding process for the preparation of *cahiers des charges* for the integration of the information systems used within MEF at the level of the *services déconcentrés* of the DNB, DNCF and DNTCP, pursuant to the provisions of paragraph 28 of the Letter of Development Policy;
6. completed a study, under terms of reference acceptable to the Association, to prepare an action plan designed to integrate the recommendations of various studies funded by donors for the strengthening of budget management, pursuant to the provisions of paragraph 29 of the Letter of Development Policy; and
7. disseminated through the internet, and other means of communication, a quarterly bulletin, on budget execution, pursuant to the provisions of paragraph 31 of the Letter of Development Policy.

