CONFORMED COPY

CREDIT NUMBER 3176-1-GM
(Amendment)

Agreement Amending
Development Credit Agreement

(Poverty Alleviation and Capacity Building Project)

between

REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 2005
AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 5, 2005, between REPUBLIC OF THE GAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association);

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Poverty Alleviation and Capacity Building Project - Credit Number 3176-GM), dated April 1, 1999, as amended from time to time (the Development Credit Agreement), for the purpose of providing support during the execution of the Poverty Alleviation and Capacity Building Project, as described in Recital A of the Development Credit Agreement (the Project);

(B) the Borrower has agreed to make part of the proceeds of the Credit available to the Gambian Agency for the Management of Public Works (GAMWORKS) and entered into a Framework Agreement with GAMWORKS for that purpose;

(C) the Association and GAMWORKS have entered into a Project Agreement, dated April 1, 1999 (the Project Agreement) for the purpose of the carrying out of Parts A, B.2 and B.3 of the Project;

(D) the Borrower has requested the Association to provide further additional assistance towards financing of the Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to two million seven hundred thousand Special Drawing Rights (SDR2,700,000); and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Amending Agreement (as hereinafter defined);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. Section 1.02 of the Development Credit Agreement is amended by:

(i) inserting the following paragraph (a) and renumbering the existing paragraphs (a) through (t) as paragraphs (b) to (u):

“(a) ‘Amending Agreement’ means this Agreement Amending the Development Credit Agreement between the Borrower and the Association, dated July 5, 2005,”
(ii) amending definition (m) now re-numbered (n) to read as follows:

“(n) ‘PIP’ means the Project Implementation Plan referred to in paragraph 1 of Schedule 2 to the Project Agreement, containing inter alia work plans, monitoring and performance indicators and procedures to be used for the purposes of the implementation of Parts A, B.1, B.2 and B.3 of the Project as such plan may be amended from time to time, in consultation with the Association, and such term includes any schedules to the PIP;”

(iii) amending definition (s) now re-numbered (t) to read as follows, following the closure of Special Account B:

(t) ‘Special Account’ means the account referred to in Section 2.02 (b) of this Agreement;”

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“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 thirteen million four hundred thousand Special Drawing Rights (SDR13,400,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000) (the Initial Financing); and (b) a supplemental amount in various currencies equivalent to two million seven hundred thousand Special Drawing Rights (SDR2,700,000) (the Additional Financing).”

Section 1.03. Section 2.02 (b) of the Development Credit Agreement is amended to read as follows:

“The Borrower may for purposes of the Project open and maintain in Dollars Special Account A 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 A shall be made in accordance with the provisions of Schedule 5 to this Agreement.”

Section 1.04. Section 2.04 (b) (i) of the Development Credit Agreement is amended by adding after the term “cancelled” the following proviso:

“provided however, that any commitment charge on the Additional Financing shall accrue from a date sixty (60) days after the date of the Amending Agreement;”

Section 1.05. Section 2.07 (a) of the Development Credit Agreement is amended to read as follows:
“(a) Subject to paragraphs (b) and (c) below, the Borrower shall:

(A) repay the principal amount of the Initial Financing in semiannual installments payable on each June 1 and December 1, commencing June 1, 2009 and ending December 1, 2038. Each installment to and including the installment payable on December 1, 2018, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount; and

(B) repay the principal amount of the Additional Financing in semiannual installments payable on each June 1 and December 1, commencing December 1, 2015 and ending June 1, 2045. Each installment to and including the installment payable on June 1, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.”

Section 1.06. Part B.1 of the Project is added to the parts of the Project to be implemented by GAMWORKS, in conjunction with DoS LGL, and to this end, paragraph B of the Preamble, definition (n) of the acronym PIP, and Sections 3.01 (a) and (c) are amended, accordingly.

Section 1.07. Section 3.02 of the Development Credit Agreement is amended to read as follows:

“Except as the Association shall otherwise agree, the procurement of the goods, works and consultant services required for Parts B.1 and C of 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 and Schedule 1 of the Project Agreement, as the case may be.”

Section 1.08. The table set forth in paragraph 1 of Schedule 1 to the Development Credit Agreement is deleted and replaced with the table set forth in Attachment I to this Amending Agreement.

Section 1.09. Schedule 2 to the Development Credit Agreement is amended as follows:

(i) the first paragraph is amended to read as follows:

“ The objective of the Project is to contribute to improved living conditions of the urban population, and the poor in particular, through: (a) provision of public infrastructure and services based on demand and on fulfillment of clearly defined criteria; and (b) implementation of a capacity building program aimed at improving the Local Government Authorities’ resource mobilization and management.”

(ii) Parts C.4 and C.5 of the Project are hereby deleted.
Section 1.10. Paragraph 2(a) of Schedule 4 of the Development Credit Agreement is amended to read as follows:

“The Borrower shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators satisfactory to the Association set forth in Schedule 6, the carrying out of Parts B.1 and C of the Project and the achievement of the objectives thereof;”

Section 1.11. Schedule 5 of the Development Credit Agreement is amended to read as set forth in Attachment II to this Amending Agreement.

Section 1.12. A new Schedule 6 setting forth revised performance indicators is added to the Development Credit Agreement as set forth in Attachment III to this Amending Agreement to replace the Supplemental Letter No. 2 dated April 1, 1999, outlining the previously applicable indicators.

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that:

(a) an amendment to the Project Agreement (the Agreement amending the Project Agreement) has been executed; and

(b) the execution and delivery of this Amending Agreement and the Agreement amending the Project Agreement have been duly authorized or ratified by all necessary action on the part of the Borrower and GAMWORKS, as the case may be.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association showing: (a) on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms; and (b) on behalf of GAMWORKS, that the Agreement amending the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of GAMWORKS and is legally binding upon GAMWORKS in accordance with their terms.

Section 2.03. This Amending Agreement and the Agreement amending the Project Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all
obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending 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 THE GAMBIA

By /s/ Abdoul Cole

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Madani Tall

Authorized Representative
**Attachment I**

**“SCHEDULE 1**

Withdrawal of the Proceeds of the Credit

<table>
<thead>
<tr>
<th>Category</th>
<th>Initial Financing</th>
<th>Additional Financing</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Civil Works</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Part A.1 of the Project</td>
<td>6,820,000</td>
<td>730,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(b) Under Part A.2 of the Project</td>
<td>160,000</td>
<td>1,260,000</td>
<td></td>
</tr>
<tr>
<td>(c) Under Part C.6 of the Project</td>
<td>290,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Under Part B.1 of the Project</td>
<td>150,000</td>
<td>-</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>(b) Under Parts A.2, B.2 and B.3 of the Project</td>
<td>10,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3. Consultants’ services</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Under Part B.1 of the Project</td>
<td>520,000</td>
<td>70,000</td>
<td></td>
</tr>
<tr>
<td>(b) Under Parts A.2, B.2 and B.3 of the Project</td>
<td>400,000</td>
<td>140,000</td>
<td></td>
</tr>
<tr>
<td>(c) for Studies under Part C of the Project</td>
<td>650,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Operating costs, including audits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for PCU</td>
<td>80,000</td>
<td>35,000</td>
<td>95%</td>
</tr>
<tr>
<td>(b) for GAMWORKS</td>
<td>1,100,000</td>
<td>270,000</td>
<td>85%</td>
</tr>
<tr>
<td>5. Refunding of Project Preparation Advance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Unallocated</td>
<td>0</td>
<td>195,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10,700,000</td>
<td>2,700,000</td>
<td></td>
</tr>
</tbody>
</table>
Attachment II

“SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
   (a) the term “eligible Categories” means the Categories 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, works 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 $1,200,000 in respect of Special Account A to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $600,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR1,000,000.

2. Payments out of Special Account A 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 Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish Special Account A shall be made as follows:
   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account A of an amount or amounts 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 into Special Account A such amount or amounts as the Borrower shall have requested.
   (b) (i) For replenishment of Special Account A, the Borrower shall furnish to the Association requests for deposits into Special Account A 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 Special Account A 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 Special Account A 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 Special Account A, 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 Special Account A:

   (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;

   (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for Special Account A;

   (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for Special Account A minus the total amount of all outstanding special commitments 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 Special Account A 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 Special Account A: (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 Special Account A (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 Special Account A 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 Special Account A 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 Special Account A.

(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.”
“SCHEDULE 6

Performance Indicators

<table>
<thead>
<tr>
<th>Project Development Objectives</th>
<th>Project Outcome Indicators</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to improved living conditions of the urban population, and the poor in particular:</td>
<td>- Access to services: Number of persons benefiting of at least one subproject</td>
<td>- 300,000 persons</td>
</tr>
<tr>
<td>- Provision of public infrastructure and services based on demand and on fulfillment of clearly defined criteria</td>
<td>- Level of resource mobilization (percentage of revenue increase in LGA’s account). Base: 2000 Actual revenues</td>
<td>- 5% increase of actual revenues per year in real terms until 2004 and +6% increase per year in real terms in 2005 and 2006</td>
</tr>
<tr>
<td>- Implementation of a capacity building program aimed at improving the LGA’s resource mobilization and management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Project Outputs Indicators</th>
<th>Without supplemental</th>
<th>With supplemental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of local authorities', consultants' and contractors' capacities (financial and other) to efficiently provide public infrastructure and services</td>
<td>- Number of persons trained in LGAs</td>
<td>110</td>
<td>20 persons</td>
</tr>
<tr>
<td></td>
<td>- % of persons satisfied by the training</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>- Number of LGA/Consultants/Contractors entering in the request-driven program</td>
<td>LGA: 8 LGA</td>
<td>LGA: 8 LGA</td>
</tr>
<tr>
<td></td>
<td>- Number of LGAs entering in a self assessment program</td>
<td>8 LGA</td>
<td>8 LGA</td>
</tr>
<tr>
<td>Provision or rehabilitation of</td>
<td>- Number of subprojects</td>
<td>75</td>
<td>79</td>
</tr>
<tr>
<td>essential public infrastructure and services</td>
<td>- Amount disbursed</td>
<td>- SDR6.7 million</td>
<td>- SDR8.7 million</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-------------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>- % of project in poor areas</td>
<td>- 45%</td>
<td>- 50%</td>
<td></td>
</tr>
<tr>
<td>Job creation and poverty alleviation</td>
<td>- Number of temporary jobs created, unskilled labor and 6,500 person-months for skilled labor</td>
<td>- 20,000 person-months of unskilled labor and 6,500 person-months for skilled labor</td>
<td>- 7,500 person-months unskilled and 2,400 person-months skilled labor</td>
</tr>
<tr>
<td>- Amount of salaries paid</td>
<td>- 20%</td>
<td></td>
<td>- 23%&quot;</td>
</tr>
</tbody>
</table>