Development Credit Agreement

(Forestry Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 25, 1979
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 25, 1979, between the REPUBLIC OF MALI (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Borrower intends to contract from the Caisse Centrale de Coopération Economique (CCCE) a loan (hereinafter called "the CCCE Loan") in the amount of 6,160,000 French Francs to assist in financing the Project;

(C) the Borrower intends to transfer the CCCE Loan to OAPF as a contribution to its capital;

(D) the Borrower has requested a grant from the French Republic acting through its Fonds d'Aide et de Coopération (FAC) (hereinafter called "the FAC Grant") in an amount valued at the date hereof at 5,720,000 French Francs to assist in financing the Project by furnishing to OAPF the services of expatriate personnel; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "OAPF" means the Borrower's Operation Aménagement et Productions Forestières, the agency for the development and management of forests, established under Decree No. 114 PG/RM of the Borrower dated September 16, 1972;

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

(c) "Financing Agreement" means the agreement referred to in Section 3.01 (b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to four million five hundred thousand dollars ($4,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, 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 and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, cause OAPF to open a Special Account in the Development Bank of Mali (BDM) on terms and conditions satisfactory to the Association. Disbursements from the Special Account shall be made exclusively to finance the costs of goods and services required to carry out the Project.

(c) The Association shall, promptly after the Effective Date, withdraw on behalf of the Borrower from the Credit Account and deposit in the Special Account an initial amount in the currency of the Borrower equivalent to $175,000 and shall thereafter, at the request of the Borrower, further withdraw from the
Credit Account and deposit in the Special Account such amounts as shall be required to reimburse the Borrower for payments made out of the Special Account for expenditures for the Project eligible for financing under the Development Credit Agreement, but only to the extent that the amount of any such deposit, together with any amount already on deposit in the Special Account as of the date of such request, shall not exceed in the aggregate the equivalent of $1,732,000.

(d) The Borrower shall furnish to the Association in respect of each payment out of the Special Account such documents and other evidence as the Association shall reasonably request, showing that the payment was made on account of the reasonable cost of goods or services required for the Project and to be financed out of the proceeds of the Credit.

(e) If the Association shall have determined that any payment out of the Special Account: (i) was made for any expenditure not eligible for financing by withdrawal from the Credit Account; or (ii) was not justified by the evidence furnished pursuant to paragraph (d) of this Section, the Borrower shall, promptly upon notice from the Association and prior to any further deposit in the Special Account by the Association, deposit in the Special Account an amount equal to the amount of such payment.

(f) Notwithstanding the provisions of paragraph (c) of this Section, no further deposit in the Special Account shall be made when the Association shall have determined that all further withdrawals can be made under paragraph (a) of this Section or when the total amount withdrawn from the Credit Account shall have reached the equivalent of $4,325,000, whichever shall be sooner. Withdrawal of the remaining amount of the Credit shall follow procedures agreed between the Borrower and the Association.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1984 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.
Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-sixths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing May 15, 1989, and ending November 15, 2028, each installment to and including the installment payable on November 15, 1998, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Borrower hereby designates OAPF as its representative to take all action required or permitted to be taken under Article II of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out the Project through OAPF with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, forestry and agricultural practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose. The Director of OAPF will act as Project Director.

(b) The Borrower shall make available to OAPF the proceeds of the Credit as a contribution to its capital pursuant to a financing agreement (the Financing Agreement) under terms and conditions satisfactory to the Association.

Section 3.02. In order to assist the Borrower in carrying out the Project, the Borrower shall employ such consultants and other experts, whose qualifications, experience and terms and
conditions of employment shall be satisfactory to the Association, as shall be agreed between the Borrower and the Association.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall cause OAPF to maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) shall enable the Association's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event 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 and initial operation of the Project, its cost and the benefits derived and to be derived from it, 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.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall cause OAPF: (a) to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations and financial condition of OAPF including, without limitation to the foregoing, separate accounts reflecting by category all investments in, and operating expenses and income related to, the Project; (b) to retain, until one year after the Closing Date, all records (orders, invoices, bills, receipts and other documents) evidencing the expenditures for the Project paid out of the Special Account or on account of which withdrawals are requested from the Credit Account on the basis of certificates of expenditures, and to enable the Association's accredited representatives to examine such records.

Section 4.02. The Borrower shall cause OAPF to:

(a) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year 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 months after the end of each such year: (i) certified copies of its financial statements for such year as so audited; and (ii) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, without limitation to the foregoing, separate opinions by said auditors: (A) on the separate Project accounts referred to in Section 4.01 (a) of this Agreement; and (B) in respect of the expenditures and records referred to in Section 4.01 (b) of this Agreement, as to whether the proceeds of the Credit made available to OAPF and withdrawn from the Credit Account on the basis of certificates of
expenditures have been used to make payments for goods received or works or services performed and that such goods, works and services were eligible for financing under this Agreement and were used in the carrying out of the Project; and

(c) furnish to the Association such other information concerning the accounts and financial statements of OAPF and the audit thereof as the Association shall from time to time reasonably request.

Section 4.03. The Borrower shall cause OAPF to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate commercial practice.

Section 4.04. The Borrower shall cause OAPF to set aside in a separate account for exclusive use in carrying out the Project all revenue from the sale of wood derived from the clearing of forest areas under the Project.

Section 4.05. The Borrower shall ensure that OAPF be managed at all times by qualified and experienced staff.

Section 4.06. Prior to the completion of the Project, no change in the organizational structure of OAPF shall be made without the prior agreement of the Borrower and the Association.

Section 4.07. The Borrower shall ensure that OAPF remain responsible for the operation and maintenance of the plantations and managed forests resulting from the Project.

ARTICLE V

Remedies of the Association

Section 5.01. (a) For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that subject to paragraph (b) of this Section:

(i) the right of the Borrower or of OAPF to withdraw the proceeds of any grant or loan made to the Borrower or to OAPF for the financing of the Project shall have been suspended, cancelled
or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) This Section shall not apply if: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or OAPF to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower or OAPF from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (d) thereof, namely, the event specified in Section 5.01 (a) (ii) shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Special Account has been opened;

(b) the Association has been informed by the FAC that all conditions precedent to the assignment of expatriate personnel for the first two years of the Project have been met;

(c) the Association has been informed by the CCCE that all conditions precedent to the disbursement to OAPF of the CCCE Loan have been met;

(d) the Financing Agreement has been signed by the parties thereto; and

(e) a report, satisfactory to the Association, on the financial position of OAPF as at December 31, 1978 has been approved by the Board of Directors of OAPF.
Section 6.02. The date August 23, 1979, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Article IV of this Agreement and the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance 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:

Ministère des Finances et du Commerce
Koulouba
Republic of Mali

Cable address: MINIFINANCES
Telex: 972559 Koulouba

For the Association:

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

Cable address: INDEVAS
Telex: 440098 (ITT)
Washington, D.C. 248423 (RCA) or 64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ Maki K. Aguibou Tall
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger Chaufournier
Regional Vice President
Western 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Plantation establishment, rural nursery and natural forest management:</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>(a) Civil works</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>(b) Vehicles and equipment</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>(c) Operating costs</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>(2) Consultants' services; experts' services; training and audits of accounts</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Initial deposit in Special Account</td>
<td>175,000</td>
<td></td>
</tr>
<tr>
<td>(4) Unallocate</td>
<td>525,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes.
levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

5. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.
SCHEDULE 2

Description of the Project

The Project, designed to increase the production of wood for fuel and for construction, comprises the following, to be carried out over the period 1980-1984:

**Part A:** the establishment of 3,400 ha of rainfed tree plantations in two forest reserves near Bamako;

**Part B:** the application of modern management techniques on a trial basis over 1,000 ha of natural forest near Bamako, and 200 ha of natural forest near Segou;

**Part C:** the creation, on a trial basis, of 60 ha of rainfed tree plantations near Segou and of 70 ha of partially irrigated tree plantations near Mopti;

**Part D:** the establishment of three rural forestry nurseries at Bamako, Segou and Mopti, and the rehabilitation of the old nursery at San; and

**Part E:** the execution of studies to investigate more efficient wood uses, to examine the set up of rural forestry activities providing sufficient incentives for the population to participate and to prepare a follow-up project.

* * *

The Project is expected to be completed by June 30, 1984.
A. International Competitive Bidding

1. Except as provided in Parts C and E hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in
the territory of the Borrower may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following three groups:

   (1) **Group A**: bids offering goods manufactured in the territory of the Borrower if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in the territory of the Borrower equal to at least 20% of the ex-factory bid price of such goods.

   (2) **Group B**: all other bids offering goods manufactured in the territory of the Borrower.

   (3) **Group C**: bids offering any other goods.

3. All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the evaluated bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to: (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such
price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph 3 is the lowest evaluated bid shall be selected.

C. Other Procurement Procedures

1. Contracts for the construction of houses, workshops and offices may be awarded on the basis of competitive bidding advertised locally.

2. Contracts estimated at less than the equivalent of $20,000 may be negotiated following the solicitation of competing quotations.

D. Review of Procurement Decisions by the Association

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

   With respect to all contracts estimated to cost the equivalent of $120,000 or more:

   (a) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

   (b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.
(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two certified copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

2. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two certified copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 15% of the original price, the Borrower shall inform the Association of the proposed modification, waiver, extension or change order and the reasons therefore. The Association, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

E. Procurement Without Contracting

Plantation works, natural forests and rural nursery management, will be carried out by OAPF on force account.