Financing Agreement
(Deployment of State Resource for Better Service Delivery)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
GRANT NUMBER D471-ML

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MALI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

The Recipient and the Association hereby agree as follows:

ARTICLE I

GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II

FINANCING

2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirty-six million, one hundred thousand Special Drawing Rights (SDR 36,100,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Payment Dates are April 15 and October 15 in each year.

2.05. The Payment Currency is Euro.
ARTICLE III

PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV

EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has prepared and adopted the Project Implementation Manual ("PIM"), in form and substance satisfactory to the Association.

(b) The Recipient has established the Project Coordination Unit ("PCU") with functions and terms of reference, satisfactory to the Association, and has recruited to said PCU a project coordinator, financial management specialist, two accountants, a procurement specialist, a monitoring and evaluation specialist, an administrative assistant, and other key staff, all in accordance with the provisions of the Procurement Regulations.

(c) The Recipient has consulted upon and redisclosed in-country the Healthcare Waste Management Plan in form and substance satisfactory to the Association.

4.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

4.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V

REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister responsible for finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:
Ministry of Economy and Finance
P. O. Box 234
Bamako
Republic of Mali; and

(b) the Recipient’s Electronic Address is:

Facsimile:

+223 20 22 19 14

5.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF MALI

By

Authorized Representative

Name: Dr. Bouhou Cisse
Title: Prime Minister, Head of Government
Date: July 12th, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Soukeyna Kane
Title: Country Director
Date: July 16th, 2019
SCHEDULE 1

Project Description

The objective of the Project is to improve the availability and timeliness of resources from the Recipient's central government to Local Governments (LGs) and Service Centers, as well as the management and accountability of these resources by LGs and Service Centers.

The Project consists of the following parts:

Part A: Supporting Deployment to and Management of Resources to Local Governments

1. Financing of an Eligible Expenditure Program ("EEP") for Selected Local Governments ("LGs") to: (a) increase the availability and timeliness of intergovernmental transfers (conditional and unconditional) to LGs, thereby enabling the LGs to deliver public services; and (b) increase the availability, timeless, and efficient use of resources, to improve LG level service delivery, including in health and education.

Part B: Strengthening Institutions and Capacity for More Inclusive and Accountable Local Governance

Strengthening institutions and capacity for inclusive and accountable local governance, through:

1. Implementing the decentralization framework, through, \textit{inter alia}:

(a) Strengthening the capacity of the central government and Local Governments for:

(i) implementing budget decentralization, including communication of the budget decentralization framework to stakeholders, and implementation of tools to identify those involved in the process, decentralizing financial decision-making, and implementing results-based management tools at the local commune level;

(ii) improving the deployment and management of resources for improved service delivery in the education sector, including building the capacity of managing committees of schools at the commune level, and providing relevant training to members of such committees; and

(iii) improving the deployment and management of resources for improved service delivery in the health sector.
(b) Facilitating: (i) the introduction of a digital solution to improve timeliness and predictability for funding Local Governments including, implementation of a new formula for calculation of intergovernmental transfers and incorporation of the Local Government performance grant mechanism; and (ii) the regionalization of the National Local Government Investment Agency.

(c) Strengthening the capacity for expansion of the Local Government performance grant mechanism, including establishing a monitoring and evaluation unit within the General Directorate of Local Governments, finalizing evaluation procedures, and establishing a digital solution for collection and sharing Local Governments’ performance information at the government levels, including civil societies and other stakeholders.

2. Strengthening the capacity and functionality of Local Governments for effective management of public finance, through, *inter alia*:

(a) Strengthening and digitalizing the administrative capacity of Local Governments, including creating mechanisms to empower Local Governments to better manage resources and develop comprehensive training programs in key areas such as budgeting, resource management, procurement and construction management, and change management activities, including reinforcing the archiving system and tools at the decentralized level, and deploying a technological solution to improve decision making and management of activities at the local commune level;

(b) Strengthening technical services to Local Governments and coordination, including clarifying the role and competencies for Regional Development Agencies and their links to deconcentrated services, through the provision of training, technical advisory services, and acquisition of goods and equipment for Local Governments and local training committees; and

(c) Strengthening: (i) the internal control mechanisms of Local Governments including, the internal central procedures for execution of monitoring of local budgets; and (ii) the advisory functions provided by deconcentrated units to Local Governments.

3. Strengthening oversight and citizens engagement mechanisms of Local Governments, through, *inter alia*:

(a) Strengthening the oversight frameworks of Local Governments, including roles and responsibilities of various oversight entities, such as
the Bureau du Vérificateur Général, the Supreme Audit Institution, and the Contrôle Général des Services Publics.

(b) Improving accountability and citizens engagement, including clarifying coordination mechanisms between the Direction Nationale du Contrôle Financier and General Directorate of Local Governments, promoting citizens engagements with civil society organizations, and establishing a grievance redress mechanism.

Part C: Project Management

1. Strengthening the capacity for Project management and implementation, including:

(a) building the capacity of the Project Coordination Unit for day-to-day management of the Project, procurement, financial management, monitoring and evaluation, reporting, communication and coordination of Project activities;

(b) developing a change management strategy, a communication strategy, and Project operational manuals at the Local Government levels; and

(c) verifying the DLIs through an Independent Verification Agent; and

all through the provision of technical advisory services, Training, Operating Costs, and acquisition of goods and equipment.
Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Technical Steering Committee
   (a) The Recipient shall, not later than forty-five (45) days after the Effective Date, establish the Project Technical Steering Committee with a mandate, resources, terms of reference and functions satisfactory to the Association, and thereafter, maintain said Project Technical Steering Committee throughout Project implementation.
   
   (b) Without limitation to the provisions of paragraph 1(a) immediately above, the Project Technical Steering Committee shall be responsible for providing overall policy and strategic guidance for the Project, including: (i) approval of annual work plans and budgets and Project Reports, including financial management reports; (ii) reviewing progress in Project implementation; and (iii) identifying challenges and agreeing on actions to address such challenges in Project implementation.

2. Project Coordination Unit
   (a) The Recipient shall, throughout Project implementation, maintain the Project Coordination Unit within the Ministry responsible for finance, with resources, terms of reference and staffing satisfactory to the Association, including a project manager, a financial management specialist, two accountants, a procurement specialist, a monitoring and evaluation officer, an administrative assistant, all of said staff with terms of reference, qualifications and experience satisfactory to the Association.
   
   (b) Without limitation to paragraph 2(a) immediately above, the PCU shall be responsible for day-to-day management and administration of the Project, overall coordination of the Project, preparation of and consolidation of the Annual Work Plans and Budgets, the fiduciary aspects (financial management and procurement), environmental aspects, communication of Project activities and monitoring and evaluation.
B. Project Implementation Manual

1. The Recipient shall carry out the Project in accordance with the provisions of the Project Implementation Manual, containing, inter alia, detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) monitoring, evaluation, reporting and communication; (e) arrangements and procedures for the results framework, DLIs and verification protocols for such DLIs; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of said manual.

3. In case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Annual Work Plan and Budget

1. The Recipient shall, not later than November 30 of each year, prepare and furnish to the Association a consolidated annual program of activities proposed for implementation under the Project during the following fiscal year, together with a proposed budget for the purpose.

2. The Recipient shall exchange views with the Association on each such proposed consolidated annual work plan and budget, and shall thereafter adopt, and carry out such program of activities for such following fiscal year as shall have been agreed with the Association, as such plan may be subsequently revised during such following fiscal year with the prior written agreement of the Association ("Annual Work Plan and Budget").

D. Eligible Expenditure Programs and Technical Controls; DLI Monitoring and Reporting

1. The Recipient shall, not later than three (3) months after the Effective Date, recruit the Independent Verification Agents, and thereafter, cooperate with said Independent Verification Agents, acting as third-party monitoring and evaluation experts to assess the proper fulfillment of DLIs as set forth in Schedule 3 to this Agreement. Such independent verification shall be conducted in accordance with the verification protocols established in the Project Implementation Manual and, inter alia, confirm the actual spending status of the EEPs, said assessment and confirmation to be included in the bi-annual EEP Spending Reports together with
a request for disbursement under each Withdrawal, prepared in accordance with
the Project Implementation Manual.

2. The EEPs will comply with the eligibility criteria and procedures set forth in the
Project Implementation Manual.

3. Without limitation on its other reporting obligations under this Agreement, the
Recipient shall, not later than June 30 of each year, furnish reports to the
Association on the status of achievement of the relevant DLIs in accordance with
the verification protocol set out in the Project Implementation Manual.

E. Safeguards

1. The Recipient shall carry out the Project in accordance with the Healthcare
Waste Management Plan ("HWMP").

2. Except as the Association shall otherwise agree, the Recipient shall not amend,
abrogate or waive any provision of the HWMP.

3. Without limitation upon its other reporting obligations under this Agreement and
under Section 5.08 of the General Conditions, the Recipient shall monitor the
implementation of the HWMP and thereafter shall include in the Project Reports
referred to in Section II of this Schedule 2, adequate information on the
implementation of the HWMP, giving details of: (a) measures taken in
furtherance of such HWMP; (b) conditions, if any, which interfere or threaten to
interfere with the smooth implementation of such HWMP; and (c) remedial
measures taken or required to be taken to address such conditions and to ensure
the continued efficient and effective implementation of such HWMP.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than
forty-five (45) days after the end of each calendar semester covering the calendar
semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

1. Without limitation upon the provisions of Article II of the General Conditions
and in accordance with the Disbursement and Financial Information Letter, the
Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible
Expenditures; and (b) repay the Preparation Advance in the amount allocated
and, if applicable, up to the percentage set forth against each Category in the
following table:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditure Program under Part A of the Project</td>
<td>23,250,000</td>
<td>Up to 100% of the amount for each DLI as set forth in Schedule 3 to this Agreement</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consulting services and Training for Part B of the Project</td>
<td>11,552,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consulting services, Operating Costs and Training for Part C of the Project</td>
<td>722,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>576,000</td>
<td>Amount payable pursuant to Section 2.07(a) of the General Conditions</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>36,100,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
   (a) for payments made prior to the Signature Date; or
   (b) under Category (1) for any DLI unless the Association has received from the Recipient an EEP Spending Report for the period at issue.

2. With respect to the withdrawals under Category (1), payments shall be made on a bi-annual basis each year during Project implementation upon timely submission by the Recipient of a withdrawal request acceptable to the Association. Such withdrawal request shall include evidence in form and substance acceptable to
the Association of: (a) EEPs incurred for the period preceding the withdrawal request as presented in the EEP Spending Reports; and (b) supporting documentation confirming that the Recipient has achieved the respective DLIs, as verified by the Independent Verification Agents.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Section, if the Association is not satisfied that a particular DLI has been fully achieved, the Association may, at its discretion: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds allocated to said DLI, which in the opinion of the Association corresponds to the degree of achievement of such DLI; (b) authorize the unwithdrawn amount by which such disbursement has been reduced due to partial achievement of a DLI to be carried forward to subsequent Withdrawals; and/or (c) cancel or reallocate a portion of the proceeds of the Financing allocated to such DLI.

4. The Closing Date is September 30, 2024.
### SCHEDULE 3

**Disbursement-Linked Indicators**

<table>
<thead>
<tr>
<th>DLIs</th>
<th>DLIs</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DL#1: Selection of participation of Local Governments</td>
<td>DL#1.1: MATD has officialied the selection of Local Governments for the Project by the adoption of a ministerial text</td>
<td>2,300,000</td>
</tr>
<tr>
<td>DL#2: Support the transfer of resources to Local Governments</td>
<td>DL#2.1: From the baseline of 19.77 percent of budgetary revenue transferred to LGs, for each 1 percent increase, USD 1,124,144 shall be available for disbursement, up to the allocated amount of USD 11,500,000, with a minimum payment threshold of USD 2,300,000.</td>
<td>11,500,000</td>
</tr>
<tr>
<td>DL#3: Support the timeliness of availability of resources to Local Governments</td>
<td>DL#3.1: At the end of fiscal year 2020, if payments of participating LG expenditures take place within an average of ninety (90) days between the payment order and the actual payment, USD 920,000 shall be available for disbursement. Amount not disbursed shall be redistributed in subsequent years.</td>
<td>920,000</td>
</tr>
<tr>
<td></td>
<td>DL#3.2: At the end of fiscal year 2021, if payments of participating LG expenditures take place within an average of ninety (90) days between the payment order and the actual payment, USD 920,000 shall be available for disbursement. Amount not disbursed shall be redistributed in subsequent years.</td>
<td>920,000</td>
</tr>
<tr>
<td></td>
<td>DL#3.3: At the end of fiscal year 2022, if payments of participating LG expenditures take place within an average of ninety (90) days between the payment order and the actual payment, USD 920,000 shall be available for disbursement. Amount not disbursed shall be</td>
<td>920,000</td>
</tr>
<tr>
<td>DLR#4: Support better service delivery in health at the local level</td>
<td>DLR#4: For each Selected Local Government signing a mutual assistance contract with ASACO, USD 27,600 will be available, up to the allocated amount of USD 2,760,000, with a minimum disbursement threshold of USD 690,000.</td>
<td>2,760,000</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>DLR#4.2: Upon completion of DLR # 4.1, for each transfer of 25% of the total budgeted amount in participating LGs mutual assistance contract with ASACO, USD 460,000 will be available for disbursement, up to the allocated amount of USD 1,380,000, with a minimum disbursement threshold of USD 460,000.</td>
<td>1,380,000</td>
<td></td>
</tr>
<tr>
<td>DLR#4.3: At the end of the first fiscal year following completion of DLR#4.2, for each 35% average score of health centers’ checklist in participating LGs, USD 920,000 will be available for disbursement, up to the allocated amount of USD 1,840,000, with a minimum disbursement threshold of USD 920,000.</td>
<td>1,840,000</td>
<td></td>
</tr>
<tr>
<td>DLR#4.4: At the end of the second fiscal year following completion of DLR # 4.3, for each 35% average score of health centers’ checklist in participating LGs, USD 690,000 will be available for disbursement, up to the allocated amount of USD 1,380,000, with a minimum disbursement threshold of USD 690,000.</td>
<td>1,380,000</td>
<td></td>
</tr>
</tbody>
</table>

| DLR#5: Support better service delivery in education at the local level | DLR#5.1: for each Selected Local Government signing a management contract with CGS of public primary schools, USD 27,600 will be available, up to the allocated amount of USD 2,760,000, with a minimum disbursement threshold of USD 690,000. | 2,760,000 |
| DLR#5.2: Upon completion of DLR#5.1, for each transfer of 25% of the total budgeted amount in participating LGs and CGS’s management contract, USD 613,333 will be available for disbursement, up to the allocated amount of USD 1,840,000, with a minimum disbursement threshold of USD 613,333. | 1,840,000 |
| DLR#5.3: At the end of the first fiscal year following completion of DLR#5.2, for each 10% tranche of public primary schools in participating LGs equipped with materials as defined in the PIM, by thirty (30) days after the start of the school year, USD 276,000 will be available for disbursement, up to the allocated amount of USD 1,380,000, with a minimum disbursement threshold of USD 828,000. | 1,380,000 |
| DLR#5.4: At the end of the second fiscal year following completion of DLR#5.2, for each 10% tranche of public primary schools in participating LGs equipped with materials, as defined in the PIM, by thirty (30) days after the start of the school year, USD 230,000 will be available for disbursement, up to the allocation amount of USD 1,380,000, with a minimum disbursement threshold of USD 690,000. | 1,380,000 |

**Total Financing Allocated** | 32,200,000 |
APPENDIX

Definitions

1. “Annual Work Plan and Budget” means the annual work plan and budget to be prepared by the Recipient during each calendar year, including a program of activities and budget proposed for inclusion in the Project during the following fiscal year in accordance with the provisions of Section 1.C of Schedule 2 to this Agreement.

2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

3. “ASACO” means the communal health association established and operating under the Recipient’s laws.


5. “Contrôle Général des Service Publics” means the Recipient’s Controller General of Public Services.

6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

7. “CGS” means the Recipient’s School Management Committees, or any successors thereto.

8. “Disbursement-Linked Indicators” or “DLIs” means a set of indicators as specified in Schedule 3 to this Agreement.

9. “Disbursement-Linked Results” or “DLRs” means a set of results as specified in Schedule 3 to this Agreement.


11. “EEP” or “Eligible Expenditure Program” means a set of defined expenditures for salaries, wages and operating costs paid at the Local Government levels by the Recipient under Part A of the Project as specified in the budget line.
12. "EEP Spending Reports" means the bi-annual reports prepared by the Recipient, including the verification report by Independent Verification Agents, in accordance with the details provided in the Project Implementation Manual to make disbursement recommendations for each Withdrawal based on the spending status of the Eligible Expenditure Programs under Part A of the Project and the compliance with the Disbursement-Linked Indicators.


14. "General Directorate of Local Governments" means the Recipient’s Direction Générale des Gouvernements Locaux within the MATD, or any successor thereto.

15. "Healthcare Waste Management Plan" or "HWMP" means the plan prepared and disclosed by the Recipient in September 2018 and satisfactory to the Association, adapted for the present Project, and to be consulted upon and redisclosed, setting forth the procedures and practices required to ensure proper disposal of all medical and healthcare waste in connection with the Project.

16. "Independent Verification Agent" means a firm retained by the Recipient to verify the achievement of DLIs, as further set forth in the Project Implementation Manual.

17. "Local Government" or "LG" means a local authority, including a metropolitan, municipal of district assembly established pursuant to the Recipient’s Local Governments Law No 2017-051 of October 2, 2017, and the term "Local Governments" means all such local authorities.

18. "MATD" means the Recipient’s Ministry of Land Management and Decentralization, or any successor thereto.

19. "National Local Government Investment Agency" means the Recipient’s agency established and operating pursuant to the Recipient’s Law No. 00-42 of July 10, 2000, or any successor thereto.

20. "Operating Costs" means costs included in the Annual Work Plan and Budget, acceptable to the Association, which includes incremental costs of Project implementation such as vehicle operation and maintenance, including for fuel, insurance and banking charges, office rent, office supplies, utilities, document production, travel costs and per diem for Project related travel and accommodation and subsistence allowances for authorized travel, but excluding salaries of the Recipient’s civil servants.
21. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on April 1, 2019, and on behalf of the Recipient on April 10, 2019.

22. "Project Coordination Unit" or "PCU" means the technical team of the Recipient referred to Section 4.01(b) of this Agreement, and in Section I.A.2 of Schedule 2 to this Agreement.

23. "Project Implementation Manual" or "PIM" means the Recipient’s manual referred to in Section 4.01(a) of this Agreement, and Section I.B of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such Manual.

24. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

25. "Project Technical Steering Committee" means a committee referred to in Section I.A.1 of Schedule 2 to this Agreement.


27. "Selected Local Governments" means those Local Governments selected by the Recipient to participate in the Project and included on the list to be officialized by MATD in a ministerial text pursuant to DLI #1 on Schedule 3 of this Agreement.

28. "Service Centers" means schools and health service centers.

29. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

30. "Supreme Audit Institutions" means the Recipient’s supreme audit agency.

31. "Training" means the reasonable costs, based on the Annual Work Plans and Budget approved by the Association, including seminars, workshops, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation, acquisition and reproduction of training materials, and other costs directly related to training preparation and implementation.