

CONFORMED COPY

**CREDIT NUMBER 3869 MLI
GRANT NUMBER H075 MLI**

Development Financing Agreement

(Transport Corridors Improvement Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 18, 2004

**CREDIT NUMBER 3869 MLI
GRANT NUMBER H075 MLI**

DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated March 18 2004, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated February 11, 2004, describing a program of objectives and actions designed to improve the transport sector of the Borrower (the Program) and declaring the Borrower's commitment to the execution of the Program, and requested assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain from the African Development Bank (AfDB), the *Agence Française de Développement* (AFD), the West African Development Bank (BOAD) and other donors (hereafter cumulatively referred to as Donors) loans or grants, as the case may be, in an aggregate amount equivalent to approximately forty-three million US Dollars (\$43,000,000), to assist in the financing of the Program on the terms and conditions set forth in the respective loan or grant agreements (the Co-financing Agreements) to be entered into between the Borrower and each of the Donors;

(D) Part B of the Project will be carried out by TRANSRAIL S.A. (TRANSRAIL) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Financing provided for in this Agreement (the Financing) available to TRANSRAIL as set forth in this Agreement;

and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit and the Grant to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and TRANSRAIL (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Financing Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “AGEROUTE” means the agency of the Borrower to be established in the course of Project implementation and to be responsible, as contractor, for management of road maintenance works;

(b) “Beneficiary” means the recipient of a Severance Payment (as hereafter defined) pursuant to the SCAP (as hereafter defined);

(c) “CARCHEM” means *Cellule d’Appui à la Réinsertion des Cheminots*, the Unit in charge of provision of assistance to the Beneficiaries of said payments pursuant to the SCAP (as hereafter defined), established pursuant to a Certificate of Business Registration issued by the Ministry for Administration and Decentralized Government Authorities;“

(d) “Concessionaire” means TRANSRAIL (as hereinafter defined);

(e) “The Concession” means the operation of railway activities along the railway link between Dakar, Senegal and Bamako, Mali pursuant to the regulations defined in the Concession Agreement (as hereafter defined);

(f) “Concession Agreement” means the Agreement dated September 23, 2003 between the Borrower, the Republic of Senegal and the Concessionaire, setting forth the rules and regulations governing the carrying out of the Concession;

(g) “The Concession Date” means September 23, 2003;

(h) “CSC” means *Comité de Suivi de la Concession*, the Concession Monitoring Committee to be established following a joint decision of the Borrower’s Minister of Equipment and Transport and the Minister of Infrastructure, Equipment and Transport of the Republic of Senegal;

(i) “DNR” means *Direction Nationale des Routes*, the National Directorate in charge of road maintenance in MET (as hereafter defined);

(j) “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Financing allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(k) “Environmental Audit” means the environmental audit of the concession of railway services between Bamako and Dakar to be carried out during Project implementation;

(l) “Environmental and Social Management Plan” or “ESMP” means the Borrower’s document dated January 19, 2003 containing the set of mitigation, enhancement, monitoring, and institutional measures that have been identified by the Borrower to eliminate, offset, or reduce any adverse environmental and social impacts related to Project activities, or to enhance positive impacts;

(m) “Euro” means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (as hereafter defined);

(n) “European Union”, means the European Union having adopted as single currency the Euro, in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(o) “Financial and Administrative Procedures Manual” or “FAPM” means the manual referred to in paragraph 5 of Schedule 1 to this Agreement containing, *inter alia*, financial and administrative procedures to be used under the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Financial and Administrative Procedures Manual;

(p) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement and the Project Agreement;

(q) “Fiscal Year” and “FY” means the fiscal year of the Borrower and the Concessionaire, commencing January 1 and ending December 31 in the same year;

(r) “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(s) “IAPSO” means the United Nations Procurement Agency;

(t) “IEC” means information, education and communication campaigns;

(u) “MDT” means *Ministère délégué auprès du Ministère de l'Équipement et des Transports, chargé des Transports*, the Borrower’s Ministry of Transport in charge of supervising the Concession (as hereafter defined);

(v) “MET” means *Ministère de l'Équipement et des Transports*, the Borrower’s Ministry for Equipement and Transport;

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

(x) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(y) "Project Implementation Manual" and “PIM” mean the *Manuel de Mise en Oeuvre* referred to in Section 6.01 and paragraph 1 of Schedule 4 of this Agreement containing, *inter alia*, procedures to be used for the purpose of implementing the Project, including a Project implementation plan, eligibility criteria of Beneficiaries for the distribution of Grants, monitoring and performance indicators, the Environmental Management Plan, the Resettlement Policy Framework, and other technical, administrative, and organizational procedures, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Project Implementation Manual;

(z) “RCFM” means *Régie des Chemins de Fer du Mali*, the Borrower’s railway company;

(aa) “Road Authority” means an entity to be created under the Project in charge of administering the funds dedicated for road maintenance pursuant to the Borrower’s law No. 51 dated August 4, 2000;

(bb) “Severance Payments” means payments made to staff made redundant as a result of restructuring and concessioning of railways services between Bamako and Dakar paid under Part A 1. of the Project;

(cc) “SCAP” or Social Compensation Plans” means the protocol agreed upon between the *Régie des Chemins de Fer du Mali* and the unions representing its personnel, dated July 30, 2003, outlining the Beneficiaries of Severance Payments;

(dd) Subsidiary Grant Agreement means the agreement set forth in Section 3.01 (d) A of this Agreement;

(ee) Subsidiary Loan Agreement means the agreement set forth in Section 3.01 (d) B of this Agreement;

(ff) “Special Accounts” means the special deposit accounts opened for withdrawals by the Borrower and TRANSRAIL in respect of expenditures made under

the Project and referred to in Section 2.02 (b) of this Agreement, and the singular and the plural may be used interchangeably;

(gg) “Transport Observatory” means an entity established by the Borrower under its laws to monitor Project performance;

(hh) “Transport Sector Project Unit” and “TSPU” means the entity established in accordance with Regulation No. 95-175/PM-RM of the Borrower, dated April 24, 1995, in charge of Project coordination; and

(ii) “TRANSRAIL” means TRANSRAIL S.A., a commercial company established on September 23, 2003 and operating under the laws of the Borrower.

ARTICLE II

The Financing

Section 2.01. The Association agrees to:

(a) lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement an amount in various currencies equivalent to twenty-two million two hundred thousand Special Drawing Rights (SDR 22,200, 000) (the Credit); and

(b) make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement an amount in various currencies equivalent to ten million eight hundred thousand Special Drawing Rights (SDR 10,800,000) (the Grant).

Section 2.02. (a) The amount of the Financing may be withdrawn from the Financing Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) on account of withdrawals made for the purposes of a Grant to meet the reasonable cost required for Severance Payments pursuant to Part A of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for all Parts of the Project with the exception of Part A of the Project and to be financed out of the proceeds of the Credit and the Grant.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA three special deposit accounts: the first in the name of TSPU for the purpose of Parts A, B.4, B.5, C.1 (a), and D of the Project (TSPU Special Account A), the second in the name of TSPU for the purpose of Part C.1 (b) of the Project (TSPU Special Account B), and the third in the name of TRANSRAIL for the purpose of Part B.1, B.2 and B.3 of the Project (TRANSRAIL Special Account), all three in commercial banks 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 Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2008, 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 Financing 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 Financing Account or canceled; 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 15 and August 15 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 15 and August 15 commencing August 15, 2014 and ending February 15, 2044. Each installment to and including the installment payable on February 15, 2024 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 worthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the 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 Financing shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Financing 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 Financing 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 European Union is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09 The President of TRANSRAIL is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Categories (1) (a) and (2) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts A, B.4, B.5, C and D of the Project, with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A, B.4, B.5, C and D of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts A, B.4, B.5, C and D of the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement;

(c) Without any limitation or restriction upon any of its obligations under the Development Financing Agreement, the Borrower shall cause TRANSRAIL to carry out Parts B.1, B.2 and B.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, in accordance with the provisions of the Project Agreement, and the implementation program set forth in Schedule 4 to this Agreement, and the obligations of TRANSRAIL therein set forth; shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable TRANSRAIL to perform such obligations; and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall

(A) make available to TRANSRAIL on a non-reimbursable basis out of the proceeds of the Credit the amounts allocated from time to time to Categories (1) (a) and (2) (a) (ii) of the table in paragraph 1 of Schedule 1 to this Agreement under an agreement to be entered into between the Borrower and TRANSRAIL (the Subsidiary Grant Agreement) under terms and conditions satisfactory to the Association, in an amount not exceeding four hundred and fifty thousand Special Drawing Rights equivalent (SDR 450,000);

(B) on lend to TRANSRAIL the proceeds of the Credit from time to time allocated to Category (2) (a) (i) set forth in the table in paragraph 1 of Schedule 1 to this Agreement under an agreement (the Subsidiary Loan Agreement) in an amount not exceeding two million eight hundred thousand Special Drawing Rights equivalent (SDR 2,800,000), to be entered between the Borrower and TRANSRAIL under terms and conditions which shall have been approved by the Association, including provisions requiring: (aa) repayment of the principal in semi-annual installments over twenty years, including five years of grace on the principal amount; (bb) payment of interest at a rate of four percent per annum on the principal amount withdrawn and outstanding from time to time; and (cc) the costs of fluctuations in the currencies on-lent under the Subsidiary Loan Agreement to be borne equally by the Borrower and TRANSRAIL.

(d) The Borrower shall exercise its rights under the Subsidiary Grant Agreement and the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Grant Agreement or the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the works, goods and consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of works, goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by TRANSRAIL in respect of Part B.1, B.2 and B.3 of the Project pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter, deposit into the Project Account an amount of FCFA 88,000,000 (eighty-eight million FCFA) to finance the Borrower's initial contribution to the Project;

(c) deposit into the Project Account, in quarterly installments, until Completion Date, such amounts as shall be required to timely replenish the Project Account to finance the Borrower's subsequent contribution to the Project; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit or the Grant.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Parts A, B.4, B.5, C and D of the Project.

(b) The Borrower shall:

- (i) commencing with the FY in which the Effectiveness Date falls to and including the FY in which the last withdrawal from the Credit Account is made, have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each Fiscal Year or other period agreed upon by the Association, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year or other period agreed upon by the Association, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year or other period agreed upon by the Association as so audited, and (B) an opinion on such statements and a report of such audit, by said auditors, of such scope and in

such detail as the Association shall have reasonably requested;
and

- (iii) furnish to the Association such other information concerning such financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, and the Borrower's progress reporting obligations set out in paragraphs 3, 4 and 5 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation targets; and

(iii) sets forth the status of procurement under the Project as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(b) TRANSRAIL shall have failed to perform any of its obligations under the Project Agreement; and

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Co-financing Agreement providing therefore; or

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its

obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) The Borrower and the Concessionaire have appointed the consultant to be charged with preparation of the PIM.

(b) The Borrower has established the Project Account and deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement.

(c) The Subsidiary Grant Agreement and the Subsidiary Loan Agreement have been signed and executed on behalf of the Borrower and TRANSRAIL.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized by TRANSRAIL, and is legally binding upon TRANSRAIL in accordance with its terms; and

(b) that the Subsidiary Grant Agreement and the Subsidiary Loan Agreement have been duly authorized by the Borrower and TRANSRAIL and are legally binding upon the Borrower and TRANSRAIL in accordance with their terms;

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

Facsimile:

(223) 222 88 53

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS

248423 (MCI) or

(202) 477

6391

Washington, D.C.

64145 (MCI)

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/ Bassary Touré
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Grant

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works			76%
(a) Part B.2	310,000		
(b) Part C.1 (b)		9,100,000	
(c) Part C.1 (a)	8,300,000		
(2) Goods foreign			100% of expenditures and 80% of local expenditures
(a) Part B			
(i) Part B.1	2,400,000		
(ii) Part B.2	90,000		
(b) Part C	150,000		
(3) Consultants' services, audits	2,400,000		80%
(4) Training, seminars and workshops	120,000		100%
(5) Severance payments	6,700,000		100%

under Part A.1

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Operating Costs	330,000		80 %
(7) Unallocated	1,400,000	1,700,000	
	-----	-----	
TOTAL	22,200,000 =====	10,800,000 =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs, salaries, benefits and training of contractual staff, but excluding salaries of officials of the Borrower’s civil service.

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,

except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 6,700,000 may be made in respect of Category (5) on account of payments made for expenditures before that date but after September 30, 2003.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures under Categories (1) (b), (2) (b), (3), (4), (5), and (6) until the Borrower has reimbursed the Association amounts outstanding under Credit Numbers 021 MLI and 3318 MLI in the order of FCFA 30,771,517 and FCFA 100,000,000, respectively.

5. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made in respect of payments made for expenditures under Categories (1) (b), (2) (b), (3), (4), and (6) until the Borrower has: (i) adopted and furnished to the Association the FAPM and PIM, in form and substance acceptable to the Association; (ii) appointed the auditor referred to in Section 4.01 (b) of this Agreement, for the purposes of said Section, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (iii) established a computerized accounting and financial management system in TSPU, acceptable to the Association; and (iv) appointed to the TSPU: (a) a chief financial officer, (b) an accountant, and (c) an environmental and social expert, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

6. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made in respect of payments made for expenditures under Categories (1) (a) and (2) (a) until the Concessionaire has appointed the auditor referred to in Section 4.01 (b) of this Agreement, for the purposes of said Section, and CSC has been established in form and substance satisfactory to the Association.

7. The Association may require withdrawals from the Financing Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$500,000 equivalent each; for (ii) goods under contracts costing less than \$150,000 equivalent each, (iii) for expenditures for services under contracts with firms costing less than \$100,000 or with individuals costing less than \$50,000 equivalent each, and (iv) for small equipment supply and office supply contracts, and training; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (a) enhance international transport through improvement of transport corridors linking Mali to the coastal countries of West Africa by rail and road, respectively, and (b) sustain accessibility of the northern regions of the Borrower's territories.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Severance Payments and Social Support

1. Financing of Severance Payments supporting staff made redundant as a result of the restructuring and concessioning of railway services between Dakar and Bamako.
2. Support to redundant RCFM staff in: (i) establishing economically viable activities and (ii) mitigating adverse social impacts through the provision of training and technical advisory services through CARCHEM.

Part B: Rehabilitation of Rail Infrastructure and Equipment

1. Acquisition of equipment and materials for the rehabilitation of rolling stock used for rail freight services between Bamako and Dakar and for the rehabilitation of deteriorated railway tracks between Bamako and the Senegalese border.
2. Carrying out works, acquisition of equipment and materials and provision of technical advisory services to mitigate environmental degradation resulting from railway operations prior to the Concession Date.
3. Carrying out works, acquisition of equipment and materials and provision of technical advisory services to mitigate environmental degradation resulting from railway operations after the Concession Date.
4. Monitoring of the carrying out of the ESMP through the provision of technical advisory services.
5. Carrying out a technical and financial audit of the Concessionaire's and the Borrower's compliance with the Concession Agreement through the provision of technical advisory services.

Part C: Road Rehabilitation

1. Carrying out of, and provision of technical advisory services for, periodic maintenance of road works, including implementation of environmental and social mitigation and road safety measures described in the ESMP as related to such activities:

- (a) Bamako - Bougouni on the length of approximately 154 km; and
- (b) Sévaré – Gao on the length of approximately 407 km.

2. Provision of technical advisory services to selected road working crews and neighboring villagers of the roads referred to under paragraph 1 of this Part C in environmental and social impact mitigation measures and road safety measures.

3. Provision of training and IEC to selected road working crews and neighboring villagers of the roads referred to under paragraph 1. of this Part C on the risks of HIV/AIDS infection.

4. Provision of training and technical advisory services to *Service des Données Routières* of MET in support of the carrying out of the Borrower's reform of road maintenance management and the carrying out of social and environmental impact assessments, preparation of mitigating measures and action plans as per the ESMP, and the acquisition of equipment.

Part D: Project Management and Supervision

1. Administration, coordination, financial and technical monitoring, supervision and evaluation of Project implementation, through the provision of technical advisory services and training programs for selected staff in TSPU and the acquisition of equipment.

2. Acquisition of equipment to the Transport Observatory for the monitoring of indicators to measure the performance of the project.

3. Carrying out technical and financial audits of activities under Part B and Part C of the Project.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of works and Goods

Part A: General

Works and goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Financings" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, works and goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

1. Preference for domestically manufactured goods

The provisions of paragraph 2.55 and 2.56 of the guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

2. Grouping of contracts

To the extent practicable, contracts for goods, shall be grouped into bid packages estimated to cost \$250,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods, other than vehicles, estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods, other than vehicles, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement through International Agencies

Office equipment estimated to cost less than US\$50,000 equivalent or less per contract and vehicles may be procured from IAPSO.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$500,000 or more and for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

With respect to an amendment to each contract for works raising its value above the \$500,000 threshold and an amendment to each contract for goods raising its value above the \$250,000 threshold, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for: (a) research activities and activities requiring specialized expertise, estimated to cost less than \$50,000 equivalent per contract, and (b) training under Part B of the Project, estimated to cost more than \$50,000 equivalent per contract, all may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for the provision of training which are estimated to cost less than \$15,000 equivalent per contract for individual consultants, and estimated to cost less than \$50,000 equivalent per contract for consultant firms, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for individual consultants: (a) meeting the requirements set forth in paragraph 5.1 of the Consultant Guidelines, and (b) employed under contracts concluded with TPSU, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2, 3, and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for training, workshops, conference attendance and study tours, the Bank's non-objection to the annual activity- and procurement program shall be deemed approval of said activity.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

The exception to post review in the preceding paragraph does not apply to the terms of reference for such contracts, to single-source hiring, to assignments of a critical nature as determined by the Borrower and the Association, or to amendments to contracts raising their value above the US\$100,000 equivalent threshold for consultant firms and the US\$50,000 equivalent threshold for individual consultants.

SCHEDULE 4

Implementation Program

Section I. General

1. The Borrower shall implement Parts A, B.4, B.5, C and D of the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual, and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision of said Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of Parts A, B.4, B.5, C and D of the Project.

Section II. Management, Reviews and Reporting

2. The Borrower shall furnish to the Association, without limitation to the Borrower's obligations under Section 4.02 of this Agreement, through TSPU:

(a) not later than one month after the end of each calendar year quarter the quarterly reports on implementation of the Project, including references to the carrying out of the actions pursuant to the ESMP, prepared by, respectively: (i) DNR; (ii) AGEROUTE; and (iii) TRANSRAIL. The third quarter report shall contain an updated procurement plan for the next FY as well as a disbursement forecast.

(b) not later than six months after the end of any FY, the last being the FY of the Closing Date: (A) the annual audited financial statements of the Concessionaire and the AGEROUTE; (B) the technical audit of works under Parts B and C of the Project, including audits of the environmental and social action plans related to the execution of said works.

(b) not later than two months following the last payment of Severance Payments a financial audit on said payments.

(c) not later than six months following the third year of the Concession an audit, initiated and supervised by CSC, of the terms of the Concession, including the carrying out of the respective environmental plan pursuant to the ESMP.

Monthly Review

3. The Borrower shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association through TSPU, monthly until the completion of the Project, for the first time by the fifteenth day of the second month following the Effectiveness Date, or such other date as the Association shall agree, for its review and

comments, (A) a bank reconciliation statement; (B) a statement of cash position; (C) a statement of expenditures; and (D) a statement of sources and uses of funds.

Annual Review

4. 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 set forth in the Project Implementation Manual and summarized in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association through TSPU, annually until the completion of the Project, for the first time by April 30, 2005, or such other date as the Association shall agree, for its review and comments, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph 4, on the progress achieved in the carrying out of the Project during the fiscal year preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(ii) In particular the report shall comprise detailed information on, and comments upon: (A) the updated procurement plan for the ongoing fiscal year; (B) progress made towards the feasibility to transfer procurement under Part C of the Project from DNR onto the AGEROUTE; (C) the carrying out of SCAP by CARCHEM; (D) the compliance with the regulations set forth in ESMP by the Borrower and TRANSRAIL; (E) the annual audited financial statements of the Concessionaire, and the AGEROUTE, if available at the time of furnishing the report; and (F) the technical audit of works under Parts B and C of the Project, including audits of the environmental and social action plans related to the execution of said works, if available at the time of furnishing the report;

(c) review with the Association, within four weeks following the submission of the report referred to in subparagraph (b) of this paragraph, said report (Annual Review), and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report, the Association's views on the matter and in accordance with the PIM.

MidTerm Review

5. The Borrower shall:

(a) By June 30, 2006, or such other date as the Association shall agree upon, carry out jointly with the Association, a midterm review (Midterm Review). The Borrower shall invite CSC and its other agencies active in the transport sector to participate, and take all actions it considers necessary to ensure the participation of the management of TRANSRAIL and representatives of the AGEROUTE, the Road Authority, CARCHEM, and private sector transporters, importers and exporters in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project under an agenda encompassing the agenda of the Annual Reviews, and, more specifically, the achievements under Part A of the Project.

(b) No later than May 31, 2006, the Borrower shall furnish to the Association, through TSPU, for its review and comments, a midterm assessment, in such detail as the Association shall reasonably request, on the implementation of the Project, including the issues raised at the Annual Reviews, and in particular, but not limited to: (i) Project implementation status and use of credit resources; (ii) performance indicators as said forth in the PIM and summarized in Schedule 6 to this Agreement; (iii) progress in the carrying out of the ESMP; and (iv) a draft action plan including revised disbursements and updated procurement plan covering the period through Project Completion Date.

(c) Following such Midterm Review, the Borrower shall act promptly and diligently in order to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project and in accordance with the PIM.

Section III. Individual Covenants

6. The Borrower shall:

(a) appoint within TSPU the following management team with qualifications and experience, satisfactory to the Association, with qualified support staff in sufficient numbers at a date, before three months following Effectiveness Date, and maintain said management team until the Closing Date in conformity with Regulation No. 95-175/PM-RM of the Borrower, dated April 24, 1995: (i) the Project coordinator, (ii) the deputy Project coordinator, (iii) an administrative and financial management specialist; (iv) a social and environmental specialist; and (v) an assistant accountant. The TSPU shall be responsible for the overall coordination, supervision, monitoring of implementation of Project activities; and

(b) maintain CSC in conformity with the nominations and procedures set forth in the joint decision establishing said *Comité* until the Closing Date. Said CSC shall monitor railway activities between Bamako and Dakar pursuant to the terms of the Concession Agreement and the *Concessionaire's* investment program set forth therein, and coordinate and mediate between all parties concerned.

7. The Borrower shall cause TSPU to enter into an agreement with CARCHEM satisfactory to the Association, by the date one month following the Effectiveness Date, setting forth a regular payment mechanism to satisfy CARCHEM's liquidity needs based on a 20% cash reserve pursuant to quarterly budget forecasts.

Section IV. Criteria for the Distribution of Severance Payments

8. The proceeds of the Credit allocated to Category (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement shall have been made available to Beneficiaries under a non-reimbursable basis pursuant to the SCAP.

Section V. Safeguards

9. The Environmental Audit of the concession of railway services between Bamako and Dakar will be prepared and implemented, in form and substance satisfactory to the Association, during Project implementation, at the latest before the Midterm Review.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a)
 - (i) the term “eligible Categories” means, for the purpose of the TSPU Special Account A, Categories (1) (a); (1) (c); (2) (b); (3); (4); and (6), set forth in the table in Schedule 1 to this Agreement;
 - (ii) the term “eligible Categories” means, for the purpose of the TSPU Special Account B, Categories (1) (b) and (5), set forth in the table in Schedule 1 to this Agreement; and
 - (iii) the term “eligible Categories” means, for the purpose of the TRANSRAIL Special Account, Categories (1) (a); and (2) (a), set forth in the table in Schedule 1 to this Agreement.
 - (b)
 - (i) the term “eligible expenditures” means, for the purpose of the TSPU Special Account A, expenditures in respect of the reasonable cost of goods and services required for Parts A, B.4, B.5, C.1 (a), and D of the Project and to be financed out of the proceeds of the Financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;
 - (ii) the term “eligible expenditures” means, for the purpose of the TSPU Special Account B, expenditures in respect of the reasonable cost of goods and services required for Part C.1 (b) of the Project and to be financed out of the proceeds of the Financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (iii) the term “eligible expenditures” means, for the purpose of the TRANSRAIL Special Account, expenditures in respect of the reasonable cost of goods and services required for Parts B.1 and B.2 of the Project and to be financed out of the proceeds of the Financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement.
 - (c)
 - (i) the term “Authorized Allocation” means, for the TSPU Special Account A, an amount equivalent to FCFA

1,300,000,000 to be withdrawn from the Financing Account and deposited into the Special Account 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 FCFA 650,000,000 until the aggregate amount of withdrawals from the Financing 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 SDR 5,000,000;

- (ii) the term “Authorized Allocation” means, for the TSPU Special Account B, an amount equivalent to FCFA 1,200,000,000 to be withdrawn from the Financing Account and deposited into the Special Account 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 FCFA 600,000,000 until the aggregate amount of withdrawals from the Financing 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 SDR 4,000,000; and
- (iii) the term “Authorized Allocation” means, for the TRANSRAIL Special Account, an amount equivalent to FCFA 450,000,000 to be withdrawn from the Financing Account and deposited into the Special Account 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 FCFA 225,000,000 until the aggregate amount of withdrawals from the Financing 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 SDR 600,000.

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

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

- (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account 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 Financing Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

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

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

(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 Financing Account pursuant to the provisions of Section 6.02 of the General Conditions; or

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

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

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

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

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

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association as a development credit and development grant to its members. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement.

2. Paragraph 8 of Section 2.01 is amended to read as follows:

8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply; as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement

3. The following new paragraphs are added to Section 2.01:

15. “Grant” means the development grant provided for in the Development Financing Agreement;

16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited;

17. “Financing” means, collectively, the Credit and the Grant; and

18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).

4. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01 (2), 2.01 (12), 3.01, 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01 (d), Article VII, and Article IX.

5. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Section 2.01 (6), 3.01, 4.01, Article V, Article VI, and Section 12.03.

6. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

7. Section 3.01 is modified to read as follows:

“The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

8. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02 (a) (ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”, to Section 6.02 (c) (i) after the words “any development credit agreement” and before the words “with the Association”, and to Section 7.01 (b) (i) after the words “any other development credit agreement” and before the words “between the Borrower and the Association”:

9. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied pro rata to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”

SCHEDULE 7

Implementation and Evaluation Indicators

1. Part B:

Cumulative length of slow down in effect for more than 90 days on the railway track between Dakar and Bamako: less than 30 km by December 31, 2007.

2. Part C:

(a) Roads between Bamako and the borders with Burkina Faso and Côte d'Ivoire passable and in good condition: total surface of potholes on the roads not to exceed 5 sq-m per km by Midterm Review or by June 30, 2006, whichever is the later, in respect of parts of the roads which are not the object of works financed under the Project, and continuously from then onward until completion of the Project in respect of the roads which are the object of works financed under the Project, following completion of the works, as well as of the roads which are not the object of works financed under the Project.

(b) Roads between Bamako and Gao passable and in good condition: total surface of potholes on the roads not to exceed 20 sq-m per km by Midterm Review or by June 30, 2006, whichever is the later, in respect of the roads which are not the object of works financed under the Project, and continuously from then onward until completion of the Project in respect of the roads which are the object of works financed under the Project, following completion of the works, as well as of the roads which are not the object of works financed under the Project.

Outcome/impact indicators:

1. Part B:

(a) Improvement of turnaround time of wagons between Dakar and Bamako (rail component): 14 days in 2004 and 11 days in 2007.

(b) Share of traffic on the Senegalese rail corridor compared to the total of international trade of Mali: 25 percent of total traffic in 2007.

(c) Customer satisfaction survey: 75 percent of the 16 most important clients of the railway, based on their turnover with TRANSRAIL, will express

satisfaction with TRANSRAIL services in every survey from 2005 onward until completion of the Project.

2. Part C:

(a) Increase in price of cereals in Gao is not more than the increase in Mopti, all other parameters being equal, as of June 30, 2008.

(b) Access to Gao is maintained: The average speed between Bamako and Gao not to fall below 65 km/hour as of Midterm Review or by June 30, 2006, whichever is the later, in respect of the roads between Bamako and Gao which are not the object of works financed under the Project, and continuously from then onward until completion of the Project in respect of the roads which are the object of works financed under the Project, following completion of the works, as well as of the roads which are not the object of works financed under the Project.

Output indicators:

1. Part A:

Concession fee: Target values are set out in the Concession Agreement.

2. Part B:

(a) Number of CARCHEM-member railway staff made redundant that followed training courses with support from the Project: to be measured and monitored during Project execution.

(b) Number of CARCHEM-member railway staff made redundant which found a new job or started a personal business: 20 percent by December 31, 2005.

3. Part C:

(a) Bamako-Bougouni: 154 km of roads maintained with project resources by completion of the Project.

(b) Sévaré-Gao: 407 km of roads maintained with project resources by completion of the Project.