

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4617-ML

Project Agreement

(Energy Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ENERGIE DU MALI S.A.

Dated June 26, 2009

CREDIT NUMBER 4617-ML

PROJECT AGREEMENT

AGREEMENT dated June 26, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and *ENERGIE DU MALI S.A.* (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the same date between the REPUBLIC OF MALI (“Recipient) and the Association.

The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts A and C.1 of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its Managing Director.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Energie du Mali S.A.
Square Patrice Lumumba BP 69
Bamako, Republic of Mali

Facsimile:

223-20-228430

AGREED at Bamako, Mali, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Alassane Diawara

Authorized Representative

ENERGIE DU MALI S.A.

By /s/ Sékou Alpha Djitèye

Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain throughout Project implementation, a team of specialized staff within the Project Implementing Entity with terms of reference, composition, qualifications and experience and resources satisfactory to the Association, including staff specialized in environmental and social safeguards.
2. The Project Implementing Entity specialized staff shall be responsible for the day-to-day: (a) oversight of all technical, procurement, social, and environmental matters relating to Parts A and C.1 of the Project; and (b) monitoring and evaluation of Parts A and C.1 of the Project.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Manual

Except as the Association shall otherwise agree, the Project Implementing Entity shall carry out, Parts A and C.1 of the Project in accordance with the Project Implementation Manual.

F. Safeguards

1. The Project Implementing Entity shall ensure that Part A of the Project is implemented in accordance with the provisions of the Environmental and the Social Management Framework and the Resettlement Policy Framework.

2. In cases of any Annual Work Plan under Part A of the Project requiring the adoption of an Environmental Management Plan (EMP) and/or Resettlement Action Plan (RAP): (i) proceed to have such EMP or RAP as the case may be developed, submitted to the Association for review and approval, and, thereafter, adopted, prior to the implementation of the Annual Work Plan; and (ii) thereafter take such measures as necessary or appropriate to comply with the requirements or such EMP or RAP, as the case may be; and
3. If any activity proposed to be included in an Annual Work Plan under the Project would involve any involuntary restriction or access to legally designated parks or protected areas, the Project Implementing Entity shall ensure that:
 - (a) a process framework acceptable to the Association (PF) is prepared in accordance with the RPF, describing:
 - (i) the participatory process by which: (A) the activity will be prepared and implemented; (B) the criteria for eligibility of Displaced Persons will be determined; (C) measures to assist the Displaced Persons in their efforts to improve their livelihoods, or at least to restore them, in real terms, while maintaining the sustainability of the park or protected area, will be identified; and (D) potential conflicts involving the Displaced Persons will be resolved; and
 - (ii) the arrangements for implementing and monitoring the process; and
 - (b) thereafter, the Annual Work Plan is implemented in accordance with such PF.
4. Without limitation upon its reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Recipient/CCP on a quarterly basis reports on the status of compliance with the ESMF, RPF, ESIA, EMPs, RAPs, and PF, if any, and give details of:
 - (a) measures taken in furtherance of such ESMF, RPF, ESIA, EMPs and RAPs, if any,
 - (b) conditions, if any, which interfere or threaten to interfere with the implementation of such ESMF, RPF, ESIA, EMPs, RAPs, and PF, if any, and
 - (c) remedial measures taken or required to be taken to address such conditions.
5. In the event of any conflict between the provisions of the ESMF, or the RPF, or ESIA, or EMPs, or RAPs, if any, and those of this Agreement, the provisions of this Agreement shall prevail.

6. The Project Implementing Entity shall ensure that all legal and administrative urban planning and environmental permits and authorizations necessary to carry out Part A of the Project are secured in a timely manner and with due diligence in compliance with the laws of the Recipient.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association in the Financing Agreement. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of a Fiscal Year. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

C. Restructuring Plan

1. (a) The Project Implementing Entity shall implement with due diligence the Restructuring Plan, in form and substance satisfactory to the Association. Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend, abrogate; or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, without the prior written agreement of the Association.

(b) The Restructuring Plan shall set forth the Project Implementing Entity's financial ratios, three-year working plan, measures to fight fraud and corruption, measures to improve operating costs management, measures to improve the company's liquidity, measures to enhance technical and management capacity and a draft adjustment tariff designed to achieve the sustainable operation of the Project.
2. (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall not incur any debt unless a reasonable forecast of its revenues and expenditures shows that its estimated net revenues for each Fiscal Year during the term of the debt to be incurred shall be at least 1.3 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred.

(b) Before January 31 in each of its Fiscal Years, the Project Implementing Entity shall, on the basis of annual forecasts prepared by the Project Implementing Entity and satisfactory to the Association, review *ex-ante* whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year, and shall furnish to the Association the results of such review upon its completion.

(c) If any such review shows that the Project Implementing Entity did not meet or would not meet the requirements set forth in paragraph (a) for the Project Implementing Entity's Fiscal Years covered by such review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:
 - (i) The term "debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.

- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Bank has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.
- (vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.