

CONFORMED COPY

CREDIT NUMBER 3393-MLI

Development Credit Agreement

(National Rural Infrastructure Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 18, 2000

CREDIT NUMBER 3393 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 18, 2000, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter, dated May 26, 2000, describing a program of actions, objectives and policies designed to reduce rural poverty within its territory (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support the execution of the Program through a series of credits over a period of ten years, the proceeds of such credits to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility

and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) the Borrower has contracted from the Kingdom of the Netherlands (The Netherlands) a grant in the amount of 15,037,000 Dutch Guilders equivalent to \$6,300,000 (the Dutch Grant) to assist in financing Part A.1 (d) (ii) of the Project on the terms and conditions set forth in the agreement entered into between the Borrower and the Netherlands (the Dutch Grant Agreement) dated April, 1999;

(E) Parts A.1, D.4 (a) and F.1 of the Project will be carried out by Office du Niger (ON) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ON part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis of, inter alia, the foregoing, to extend the Credit to the Borrower, in support of the Project, upon the terms and conditions set forth in this Agreement and the Project Agreement of even date herewith between the Association and ON;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Accord Cadre" means a contract to be signed between the Borrower and AGETIER (as hereafter defined) pursuant to Section 6.01 (b) of this Agreement;

(b) "AGETIER" means Agence d'Exécution de Travaux d'Infrastructure et d'Équipements Ruraux, an Agency for rural works and equipment, established in conformity with Récipissé de Déclaration

d'Association du Haut Commissariat de la Région de Segou No. 06/HCRA-CAS-C.A.A, dated May 2, 2000, and pursuant to Ordonnance No. 41/PCS dated March 28, 1999, of the laws of the Borrower;

(c) "AIDS" means acquired immune deficiency syndrome;

(d) "Authorized Allocation" means the amount set forth in paragraph 1 (a) of Annex A to Schedule 1 to this Agreement;

(e) "Beneficiary Organization" means a farmer's organization or association, established and operating in accordance with the laws of the Borrower, in charge of onlending loans to Beneficiaries under Part A. 3 of the Project;

(f) "Beneficiary" means a member of a Beneficiary Organization (as hereafter defined);

(g) "Canal Costes-Ongoiba" means the fresh water adduction canal for the irrigation schemes M'Bewani and Koumouna;

(h) "CES" means Cadre de Concertation, an advisory council to DNACPN (as hereafter defined) on environmental and social issues affecting the Delta (as hereafter defined), referred to in paragraph 7 (a) (v) of Schedule 4 to this Agreement;

(i) "CNRA" means Comité National de Recherche Agronomique, the Borrower's independent agricultural research institute, established pursuant to Decree No. 93-384/PEM, dated October 14, 1993;

(j) "CNRA-Convention" means an agreement to be signed between CNRA and ON (as hereafter defined) pursuant to paragraph 1 (c) of Section 6.01 of this Agreement;

(k) "Collectivités Locales" means the Communes and Cercles as defined in the Borrower's decentralization law (Loi No. 95-034, dated April 12, 1995, as amended by Loi No. 98-066, dated December 30, 1998);

(l) "Delta" means the inland delta of the river Niger in the territory of the Borrower, as delineated by the boundaries of potential maximum inundation by the river Niger;

(m) "DNACPN" means Direction Nationale de l'Assainissement et du Contrôle des Pollutions et des Nuisances, the Directorate in MEATEU (as hereafter defined) in charge of environmental issues;

(n) "DNAER" means Direction Nationale pour l'Aménagement et de l'Équipement Rural, the National Directorate for Rural Works and Equipment in MDR (as hereafter defined);

(o) "DNCN" means Direction Nationale pour la Conservation de la Nature of MEATEU (as hereafter defined);

(p) "DNH" means Direction Nationale de l'Hydraulique, the National Directorate for Water in MMEE (as hereafter defined);

(q) "DNSP" means Direction Nationale pour la Santé Publique, the National Directorate for Public Health in MS (as hereafter defined);

(r) "DNTP" means Direction Nationale des Travaux Publics, National Directorate for Public Works in MEATEU (as hereafter defined);

(s) "Eligible Categories" means the categories set forth in paragraph 4 of Part B of Schedule 1 to this Agreement;

(t) "Eligible Expenditures" means, in respect of the MDR Special Account for Parts A.2 and A.3, B, C, D.1, D.2, D.3, D.4 (b) and (c) and D.5, E, and F.2 and F.3 of the Project, the expenditures for goods, works

and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories; and in respect of the ON Special Account for Parts A.1, D.4 (a) and F.1 of the Project, the expenditures for goods, works and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories;

(u) "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

(v) "Grant" means a grant made, or to be made, to any one of the Beneficiary Organizations pursuant to Part A.3 of the Project;

(w) "Initial Deposit" means the deposit referred to in Section 3.05 (b) of this Agreement;

(x) "Koumouna" means the irrigated area of approximately 1,115ha bordering the M'Bewani Irrigation Scheme (as hereafter defined) towards the direction of Ségou-Niono; and Koumouna I and Koumouna II mean the respective development stages of said irrigated area;

(y) "M'Bewani Irrigation Scheme" means the irrigated fields of the community of the same name in the territory of the Borrower;

(z) "MDR" means Ministère du Développement Rural, the Borrower's Ministry for Agriculture;

(aa) "MEATEU" means Ministère de l'Équipement, de l'Aménagement du Territoire, de l'Environnement et de l'Urbanisme, the Borrower's Ministry of Equipment, Territorial Planning and Engineering, Environment and Urban Planning;

(bb) "MMEE" means Ministère des Mines, de l'Énergie et de l'Eau, the Borrower's Ministry of Mining, Energy and Water;

(cc) "MS" means Ministère de la Santé, the Borrower's Ministry of Health;

(dd) "MS-Convention" means an agreement to be entered into between MS and MDR defining MS's intervention in the territory of the Borrower under the Project;

(ee) "NGO" means an independent private non-profit organization, established and operating under the laws of the Borrower;

(ff) "Office du Niger" and "ON" mean Office du Niger, an industrial and commercial entity (Etablissement Public à Caractère Industriel et Commercial) of the Borrower, established pursuant to Ordinance No. 81-3/P-RM, dated April 28, 1981 and operating pursuant to Decree No. 217PG-RM, dated August 31, 1981 of the laws of the Borrower, as amended to the date of this Agreement;

(gg) "PCC" means Project Coordinating Committee, referred to in paragraph 3 of Schedule 4 to this Agreement, an inter-ministerial Committee established pursuant to Decree No. 99-084/PM-RM, dated April 15, 1999;

(hh) "PCU" means the Project Coordination Unit, the unit established pursuant to Decree No. 99-84/PM-RM, dated April 15, 1999;

(ii) "Project Account" means the account referred to in Section 3.05 (a) of this Agreement;

(jj) "Project Agreement" means the agreement between the Association and Office du Niger of even date herewith, as the same may be

amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(kk) "Project Implementation Manual" or "PIM" means a manual referred to in paragraph 2 (d) of Section 6.01 of this Agreement including, inter alia, institutional arrangements, work-plans, participatory monitoring and performance indicators and procedures to be used for the purpose of the Project, and terms of reference for the elaboration of the Borrower's rural transport strategy, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Manual;

(ll) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(mm) "Project Preparation Advance" means the two cumulative project preparation advances granted by the Association to the Borrower, pursuant to an exchange of letters dated February 10, 1998, March 12, 1998, and June 17, 1998, September 11, 1998, respectively, between the Borrower and the Association;

(nn) "Road Authority" and "RA" means an entity to be established pursuant to paragraph 3 (b) of Schedule 1 to this Agreement, in accordance with the laws of the Borrower, to finance and manage routine road maintenance in the territory of the Borrower;

(oo) "Sokolo Irrigation Scheme" means the irrigated field of the community of the same name in the territory of the Borrower;

(pp) "Special Account" means any one of the accounts referred to in Part B of Schedule 1 to this Agreement, and "Special Accounts" means all such accounts collectively;

(qq) "Subloan Agreement" means an agreement concluded between a Beneficiary Organization and a Beneficiary pursuant to paragraph 11 of Schedule 4 to this Agreement;

(rr) "Subloan" means a Subloan made by a Beneficiary Organization to a Beneficiary pursuant to paragraph 11 of Schedule 4 to this Agreement;

(ss) "Subproject" means an activity financed under Part A.3 of the Project;

(tt) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and Office du Niger, pursuant to Section 3.01 (a) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement; and

(uu) "Subsidiary Grant Agreement" means a grant agreement concluded between the Borrower and a Beneficiary Organization pursuant to paragraph 9 and 10 of Schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighty six million seven hundred thousand Special Drawing Rights (SDR 86,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to

this Agreement for expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works or services, required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 2005, 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 Credit 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 Credit Account or cancelled; 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 1 and August 1 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 1 and August 1, commencing August 1, 2010 and ending February 1, 2040. Each installment to and including the installment payable on February 1, 2020 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 creditworthy 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 Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit

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 Credit 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Director General of ON 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) (c); (2) (b); (3) (b) and (5) (b), set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project Use of the Proceeds of the Credit

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:

(i) shall, through MDR, carry out Parts A.2 and A.3, B, C, D.1, D.2, D.3, D.4 (b) and (c), D.5, E, F.2 and F.3 of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and technical practices, and in accordance with the implementation program set forth in Schedule 4 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project;

(ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause ON to perform, in accordance with the provisions of the Project Agreement, all the obligations of ON therein set forth, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ON to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;

(iii) make the proceeds of the Credit allocated from time to time to Categories (1) (c), (2) (b), (3) (b) and (5) (b)

of the table set forth in paragraph 1 of

Schedule 1 to this Agreement available to ON under the Subsidiary Agreement to be entered into between the Borrower and ON comprising terms and conditions approved by the Association.

(b) The Borrower shall exercise its rights under the Subsidiary 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 the Subsidiary Agreement or any provision thereof.

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

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association no later than three (3) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the continuation of the Program; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. 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 goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by ON in respect of Parts A.1, D.4 (a) and F.1 of the Project pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

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

(b) pay into the Project Account an initial amount of \$250,000 equivalent (the Initial Deposit) to finance the Borrower's contribution to the expenditures required under the Project;

(c) thereafter during each following quarter deposit into the Project Account the amount required to cover the Borrower's counterpart contribution for each such following quarter, as determined by the Borrower and the Association; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a form acceptable to the Association, adequate to reflect

the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have: (A) the records, accounts and financial statements referred to in paragraph (a) of this Section, (B) the records and accounts for the Special Accounts for each fiscal year, and (C) the accounts for AGETIER, semiannually audited in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each such year, and in the case of the semiannual audit of AGETIER, one month following said audits: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have; and

(iii) furnish to the Association such other information concerning such records and accounts, 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 Credit Account were made on the basis of Project Management Reports, or 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 fiscal year 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 are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, 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, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, no later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications 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, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

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

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association, no later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) 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;

(b) ON shall have failed to perform any of its obligations under the Project Agreement or the Subsidiary Agreement;

(c) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ON will be able to perform its obligations under the Project Agreement or the Subsidiary Agreement; and

(d) (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 (including the Dutch Grant) shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, 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
Agreement.

Borrower under this

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 (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (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 Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions that:

1. The following agreements, in form and substance acceptable to the Association, have been executed among the respective parties and are binding upon them in accordance with their terms:

- (a) the Subsidiary Agreement between the Borrower and ON;
- (b) the Accord Cadre between the Borrower and AGETIER;
- (c) the CNRA-Convention between CNRA and ON; and
- (d) the MS Convention between MS and MDR.

2. The Borrower has:

(a) opened the Project Account and deposited therein the Initial Deposit;

(b) appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement: (i) the auditors referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association; and (ii) in PCU and AGETIER, respectively, staff acceptable to the Association, in charge of: (A) financial management and accounting; (B) procurement; and (C) monitoring and evaluation;

(c) established in PCU and AGETIER, respectively, in form and substance acceptable to the Association, computerized management systems for the following tasks: (i) accounting and financial information; (ii) procurement; and (iii) monitoring and evaluation; and

(d) furnished to the Association the Project Implementation Manual, in form and substance acceptable to the Association.

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 and executed by ON and is legally binding upon ON in accordance with its terms; and

(b) that the Subsidiary Agreement has been duly authorized, or ratified, respectively and executed by the Borrower and ON and is legally

binding upon the Borrower and ON in accordance with its terms.

Section 6.03. The date one hundred and 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 in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
BP 234
Bamako
Republic of Mali

Facsimile:

22.88.53

(223)

For the Association:

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

Facsimile:

477-6291

Cable address:

INDEVAS

Washington, D.C.

Telex:

248423 (MCI) or (202)

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/ Cheick Oumar Diarra

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works		90%
(a) MDR for Part B of the Project	15,000,000	
(b) other	12,400,000	
(c) ON	26,000,000	
(2) Vehicles, Equipment, and Materials		100% of foreign expenditures and 90% of local expenditures
(a) MDR	1,300,000	
(b) ON	400,000	
(3) Consultants' services, studies and training		100%
(a) MDR	11,150,000	
(b) ON	6,800,000	
(4) Grants and Subloans	300,000	100% of amounts disbursed
(5) Operating costs		80%
(a) MDR	3,800,000	
(b) ON	150,000	
(c) AGETIER	500,000	
(6) Refunding of Project Preparation Advance	1,000,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	7,900,000	
TOTAL	86,700,000	

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:

(i) for the purposes of Category 5 (a) the incremental expenses incurred on account of implementation of Parts A.2 and A.3, B, C, D.1, D.2, D.3, D.4 (b) and (c) and D.5, E, and F.2 and F.3 of the Project, audits, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs but excluding salaries of officials of the Borrower's civil service;

(ii) for the purposes of Category 5 (b) the incremental expenses incurred on account of implementation of Parts A.1, D.4 (a) and F.1 of the Project, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs and audits of Office du Niger; and

(iii) for the purposes of Category (5) (c) audit costs of AGETIER, and its overhead costs as follows: (A) until December 31, 2001: costs pertaining to the total of administrative overhead, including office supplies, administrative support, communication and utility services, travel and supervision, fuel and lubricants and salaries of staff appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement; (B) until December 31, 2002: costs pertaining to travel and supervision, fuel and lubricants and salaries of staff appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement; and (C) until December 31, 2003: costs pertaining to travel and supervision and salaries of staff appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement; and until December 31, 2004: costs pertaining to salaries of staff appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made:

(a) for expenditures prior to the date of this Agreement; and

(b) for expenditures in respect of Category (1) (a) of paragraph 1 of this Schedule 1 unless the RA has been established pursuant to regulations, acceptable to the Association, in accordance with the laws of the Borrower, and staffed with qualified and experienced management personnel acceptable to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$150,000 equivalent each, for expenditures for works under contracts costing less than \$300,000 equivalent each, and for expenditures for services under contracts with firms costing less than \$100,000 or with individuals costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall, for the purposes of the Project, open and maintain in CFAF two separate special accounts: one for Parts A.2 and A.3, B, C, D.1, D.2, D.3, D.4 (b) and (c) and D.5, E, and F.2 and F.3 of the Project (the MDR Special Account) and one for Parts A.1, D.4 (a) and F.1 of the Project (the ON Special Account), all in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited into the respective Special Account in accordance with the provisions of this Schedule.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Accounts shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. 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.

4. For the purposes of this Schedule, the term "Eligible Categories" means, in the case of the MDR Special Account Categories (1) (a) and (b), (2) (a), (3) (a), (4) and (5) (a) and (c) set forth in the table in paragraph 1 of this Schedule 1, and in the case of the ON Special Account Categories (1) (c), (2) (b), (3) (b), and (5) (b) set forth in the table in paragraph 1 of this Schedule 1.

5. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) 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 (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

6. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: (i) in the case of the MDR Special Account an amount equivalent to CFAF 1,500,000,000 (one billion five hundred million CFAF) to be withdrawn from the Credit Account and deposited into the MDR Special Account pursuant to paragraph 2 of this Annex; and (ii) in the case of the ON Special Account an amount equivalent to CFAF 700,000,000 (seven hundred million CFAF) to be withdrawn from the Credit Account and deposited into the ON Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation for:

(b) the MDR Special Account shall be limited to an amount of CFAF 750,000,000 (seven hundred fifty million CFAF) until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)

(a) and (b), (2) (a), (3) (a), (4) and (5) (a) and (b) set forth in the table in paragraph 1 of Schedule 1 to this agreement, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.2, and 3, B, C, D.1, D.2, D.3, D.4 (b) and (c) and 5, E, and F 2 and F 3 of the Project shall equal or exceed the equivalent of SDR 10,000,000 (ten million Special Drawing Rights); and

(c) the ON Special Account shall be limited to an amount of CFAF 350,000,000 (three hundred fifty million CFAF) until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (c), (2) (b), (3) (b) and (5) (b) set forth in the table in paragraph 1 of Schedule 1 to this agreement, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.1, D.4 (a) and F.1 of the Project shall equal or exceed the equivalent of SDR 3,000,000 (three million) Special Drawing Rights.

2. Withdrawals of each of the Special Account's Authorized Allocations and subsequent withdrawals to replenish said respective Special Accounts should be made as follows:

(a) For withdrawals of said Special Account's Authorized Allocations, the Borrower shall furnish to the Association a request or requests for deposit into said Special Accounts of an amount or amounts which in the aggregate do not exceed said Authorized Allocations. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Accounts such amount, as the Borrower shall have requested.

(b) For replenishment of said Special Accounts, the Borrower shall furnish to the Association requests for deposit into said Special Accounts at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Accounts 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 said Special Accounts for Eligible Expenditures. Each such deposit into said Special Accounts shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Accounts, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by

the Association into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Accounts shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Accounts shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed: (i) the equivalent of \$5,000,000 (five million dollars) in the case of the MDR Special Account and the equivalent of \$2,000,000 (two million dollars) in the case of the ON Special Account.

SCHEDULE 2

Description of the Project

The objective of the Project is to reduce poverty and improve the living conditions of the rural population in the territory of the Borrower through provision, and enhanced financial and environmental sustainability of basic rural infrastructure, including: (a) irrigation infrastructure; (b) rural transport infrastructure; (c) safe drinking water supply; and (d) sanitation facilities.

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: Strengthening of the Institutional Framework for the Irrigation Sector

1. Large Scale Irrigation under Management of Office du Niger.

(a) Carrying out of studies and workshops for the establishment of a cost-recovery based funding mechanism to finance agricultural irrigation schemes.

(b) Testing of the financing mechanisms in Koumouna I, pursuant to the recommendations of the studies referred to under paragraph 1 (a) of this Part A.

(c) Testing of private sector capacity to carry out secondary and tertiary land development for irrigation agriculture in Koumouna II, including the development of 507 ha primary infrastructure works.

(d) Carrying out of infrastructure works for irrigated agriculture including: (i) rehabilitation of the Sokolo Irrigation Scheme; (ii) extension of the M'Bewani Irrigation Scheme; (iii) expansion of the Costes-Ongoïba canal, and; (iv) preparation of approximately 280 ha irrigation schemes for the Zafina and Komola villages.

(e) Carrying out engineering studies for irrigation schemes for approximately 7,000 ha to be executed during the second phase of the Program.

(f) Carrying out of applied research to: (i) adapt farm

equipment to large scale farming; (ii) test the viability of simple hand-held motorized equipment with potential for enhancing labor productivity; and (iii) design a reference guide in irrigation agriculture including topics on: (A) cultural practices, (B) alternative irrigation methods, and (C) the use of adaptable farm equipment.

(g) Strengthening of the management capacity of ON in the sectors of financial management, technical expertise in irrigated agriculture, and supervision, through the carrying out of training of selected staff of ON.

(h) Provision of technical advisory services and the acquisition of equipment for this Part A 1 of the Project.

2. Small-Scale Irrigation

(a) Strengthening by the Borrower of the administrative and technical capacity of NGOs, local consulting firms, Beneficiary Organizations, and selected staff of DNAER; through the provision of: (i) technical advisory services, and (ii) training for selected staff of the NGOs, local consulting firms, Beneficiary Organizations and DNAER and the carrying out of study tours for selected staff of DNAER.

(b) Carrying out of small-scale irrigation infrastructure works in selected areas including: (i) rehabilitation or construction, of irrigation schemes including: (A) irrigation and drainage canals and (B) land leveling; (ii) construction of storage facilities for agricultural inputs; (iii) provision and installation of water pumps; and (iv) the provision of training to selected farmers.

(c) Carrying out of studies pertaining to the feasibility of farming cost reduction through the import of equipment from developing countries or local production.

3. Small-Scale Irrigation Subprojects

Provision by the Borrower of Grants to Beneficiary Organizations for onlending, as Subloans to Beneficiaries for the acquisition of agricultural inputs for Subprojects by the Beneficiaries and the creation of a revolving fund.

Part B: Strengthening of Roads Infrastructure and Maintenance

1. Strengthening by the Borrower of the administration of RA in logistics, financial management and supervision, including: (i) the provision of technical advisory services; (ii) the training of selected staff of the RA; and (iii) the purchase of equipment for RA.

2. Provision of technical advisory services for the carrying out of studies to define a national rural transport strategy and the carrying out of test applications of said strategy on approximately 200 km in selected areas prior to its adoption.

3. Rehabilitation of three feeder roads, namely the routes between Nara-Niono, Bnamba-Niono and Djenne-Mougna-Saye, respectively, of approximately 500 km, including the provision of technical advisory services.

Part C: Strengthening of Rural Water Supply and Sanitation Sector

1. Capacity Building

(a) Strengthening of the administrative capacity and technical skills of DNH.

(b) Provision of training to selected staff in DNH, DNSP and DNACPN, in Collectivités Locales, NGOs and selected entities of the

private sector, in procurement, supervision and evaluation of hydraulic communal works, including the provision of training for selected staff in said administrations and said entities of the private sector.

(c) Provision of technical advisory services for Part C. 1 (a) of the Project.

2. Rural Water Supply

(a) Provision of safe drinking water to selected areas in the territory of the Borrower, including:

(i) carrying out studies to identify communities in need of safe drinking water supply within such selected areas;

(ii) strengthening of water users' associations in said selected areas, including the provision of training for said associations in the maintenance of water sources and financial management;

(iii) carrying out of studies for the rehabilitation or drilling of bore-holes providing drinking water; and

(iv) carrying out of studies for the rehabilitation of community wells;

(b) construction of bore-holes with hand-operated pumps or solar powered pumps with mini irrigation networks, and the rehabilitation of community wells;

(c) repairing of existing hand-held pumps; and

(d) provision of technical advisory services, the carrying out of works and the acquisition of equipment for this Part C 2. of the Project.

3. Sanitation and Hygiene

(a) Carrying out of information, education and communication campaigns to explain the benefits of the use of safe drinking water and the use of sanitation facilities;

(b) provision of technical advisory services and of training for selected communities and the acquisition of equipment for said communities;

(c) development of appropriate training materials and carrying out of training programs for private masons in the construction of latrine facilities in selected areas; and

(d) construction of latrine facilities for community schools and health centers in selected areas and the making of appropriate arrangements for the maintenance of said facilities.

Part D: Environment

1. Institutional Strengthening

(a) Carrying out of an administrative assessment of DNCN and DNACPM's capacity to manage, monitor and supervise environmentally relevant activities in the Delta, including adherence to the obligations of regional and international agreements and conventions entered into by the Borrower, concerning the natural resource use of the Delta;

(b) implementation of recommendations emanating out of the study referred to in paragraph 1 (a) of Part D, including the provision of training of selected staff of DNCN and DNACPM; and

(c) establishment of CES.

2. Health Protective Measures

(a) Carrying out of monitoring and evaluation activities and studies assessing health impacts on the population in the territory of the Borrower; and

(b) carrying out of information, education and communication campaigns concerning, individual or collective hygiene and the carrying out of actions preventing water borne diseases, AIDS and other sexually-transmitted diseases in the territory of the Borrower.

3. Environmental Investments

(a) Acquisition of fuel-wood-use reducing cooking stoves for selected communities in the territory of the Borrower; and

(b) carrying out a planting program of selected tree species in selected areas of the territory of the Borrower.

4. Environmental and Social Research

(a) Carrying out of studies to improve water management in irrigated lands under ON management and the implementation of the recommendations of said studies;

(b) carrying out of monitoring and evaluation activities on the equity of the devolution of Project benefits on members of each gender; and

(c) establishment of an action plan to improve the use of natural resources and minimize social conflict potential and environmental degradation in the Delta considering: (i) seasonal land and water use by agriculture, herding and fishing; (ii) traditional user rights and (iii) equitable access to said resources for all groups living in the Delta.

5. Provision of advisory services and acquisition of equipment for this Part D of the Project.

Part E: Strengthening of AGETIER

Strengthening by the Borrower of the administrative and financial management capacities of AGETIER, including: (i) the provision of technical advisory services; (ii) the provision of training for selected staff in AGETIER; and (iii) the acquisition of equipment.

Part F: Project Management, Supervision, Monitoring and Evaluation

1. The administration, coordination, supervision, monitoring and evaluation of the implementation of the respective Parts A.1, D.4 (a) and F.1 of the Project by ON, including the provision of technical advisory services.

2. The administration, coordination, supervision, monitoring and evaluation of the implementation of the respective Parts of the Project by PCU, DNAER, DNTP, DNH; DNCN; DNACPN; and DNSP, including the provision of technical advisory services and the acquisition of equipment.

3. The construction or rehabilitation of office space for PCU.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(c) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of

the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$8,700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Works or goods procured in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines through the delegated services of an autonomous agency shall be carried out in accordance with procedures satisfactory to the Association, as defined in the agency's manual of procedures which has been reviewed and found acceptable by the Association.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 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. Direct Contracting

Goods and works which should be procured as an extension of an existing contract or must be purchased from the original supplier to be compatible with existing equipment or must be contracted from the original contractor to be compatible with existing structures, or are of a proprietary nature or must be procured from a particular supplier as a condition of a performance guarantee or are required to respond to natural disasters and costing \$1,000,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2,300,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Community Participation

Goods for Subprojects under Part A.3 of the Project shall be procured in accordance with the provisions of paragraph 3.15 of the

Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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

(a) With respect to: (i) each contract for works estimated to cost the equivalent of \$300,000 or more; (ii) each contract for goods estimated to cost the equivalent of \$150,000 or more; and (iii) each of the first 10 contracts awarded by AGETIER for works or goods, 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 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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. Least-cost Selection

Services for audits estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Single Source Selection

Services for the procurement of civil works under Parts A.2 (b) and (c); C.2 (a) (iv), and C.2 (b) of the Project and small studies 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 selected studies and training that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants 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 \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) 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 the first ten contracts to be awarded by AGETIER for consultant services, the procedures set forth in paragraphs 1, 2

(other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant 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 Consultant Guidelines shall apply.

Schedule 4

Implementation Program

A. General

1. The Borrower shall carry out Parts A.2 and A.3, B, C, D.1, D.2, D.3, D.4 (b) and (c) and D.5, E, and F.2 and F.3 of the Project through MDR in accordance with 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, cancel or waive any provision thereof if, in the opinion of the Association, such amendment cancellation or waiver may materially and adversely affect the implementation of the Project.

B. Coordination and Management

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it, through MDR, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objective thereof; and

(b) cause the MS-Convention to be implemented by the parties thereto and shall not cause said MS-Convention to be amended, cancelled or any provision thereof waived if, in the opinion of the Association, such amendment, cancellation or waiver may materially and adversely affect the implementation of the Project.

3. The Borrower shall, until the Closing Date, maintain PCU in a form and with functions, staffing and resources satisfactory to the Association, including the following staff with qualifications and experience, satisfactory to the Association, namely: (i) the Project Coordinator, (ii) the Deputy Project Coordinator in charge of monitoring and evaluation of Project implementation; (iii) a specialist in charge of financial management and accounting, and (iv) a procurement specialist. The Project Coordinator shall be responsible for furnishing to PCC and the Association, for review and comment, the Project progress reports.

4. The Borrower shall maintain, until the Closing Date, PCC in a form and with functions, members and resources satisfactory to the Association.

C. Annual Reviews and Midterm Review

5. The Borrower shall:

(a) prepare, through PCU, under terms of reference satisfactory to the Association, and furnish annually to PCC, and the Association, for review and comments, until the receipt by the Association of the Project Management Reports referred to in Section 4.02 (b) of this Agreement, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 of this Schedule 4, on the

progress achieved in the carrying out of the Project during the period preceding the date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve month period following such date (Annual Review). The first such report shall be furnished to the Association no later than December 31, 2001 or such later date as the Borrower and the Association shall determine;

(b) furnish to the Association, within four weeks after the submission of the report referred to in the preceding subparagraph, the comments of PCC and thereon; and

(c) review with the Association, within four weeks following the submission of the report referred to in subparagraph (b) of this paragraph, said report and the report referred to in subparagraph (a) of this paragraph, 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 the said report and the views of PCC, and the Association on the reports.

6. The Borrower shall:

(a) by June 30, 2003, or such other date as the Association shall agree upon, carry out jointly with PCC and the Association, a mid-term review (Midterm Review). The Borrower shall invite ON, AGETIER and RA to participate, and take all actions it considers necessary to ensure the participation of representatives of Beneficiaries and civil society in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project and, more specifically reflect on: (i) the replicability of Project activities throughout the territory of the Borrower; (ii) the draft rural transport strategy referred to under Part B. 2 of the Project; (iii) the performance of ON, AGETIER, RA and Beneficiaries Organizations under the Project; and (iv) the implementation of the MS-Convention;

(b) no later than one month prior to the Midterm Review, furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including the comments of PCC if any, on said report, on the implementation of the Project; and

(c) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by PCC and the Association, to attain the objectives of the Project.

D. Specific Actions

7. The Borrower shall:

(a) no later than twelve months after the Effectiveness Date, or such later date as the Borrower and the Association shall determine:

(i) have caused the lead researcher to be recruited pursuant to the CNRA- Convention under Part A 1 (f) of the Project;

(ii) initiated the study referred to in Part B. 2. of the Project;

(iii) cause RA to have contracted for and have work initiated on at least 500 km of road maintenance, financed out of RA's own resources;

(iv) prepared a procurement portfolio for at least 30 activities to be carried out under Part C. 2. and 3., respectively, of the Project;

(v) caused CES, consisting of national and international experts, acceptable to the Association, to meet at least once; and

(vi) carry out the study referred to under Part D. 1 (a) of the Project;

(b) no later than by the time of the Midterm Review, or such later date as the Borrower and the Association shall determine:

(i) rehabilitate and/or construct, as the case may be, at least 250 ha irrigated land under Part A 2 of the Project;

(ii) cause Beneficiary Organizations to finance at least as many Subprojects for the purpose of the irrigated areas referred to under paragraph 7 (b) (i) of this Annex 4 to this Agreement as needed in conformity with appropriate agricultural practice;

(iii) prepare the first draft of the rural transport strategy and initiated tests pursuant to Part B.2 of the Project;

(iv) sign all contracts referred to under Part B.3 of the Project and start their implementation;

(v) cause at least 100 villages to have access to safe drinking water pursuant to Part C. 2 (a) (i) of the Project; and

(vi) establish the action plan referred to under Part D.4 (c) of the Project.

8. No later than by the time of twelve months prior to the Midterm Review, the Borrower shall have caused AR to have carried out maintenance work on at least 3500 km of roads, financed out of RA's own resources.

9. Terms and Conditions for the Subsidiary Grant Agreement and Subloan Agreement

Subprojects shall not be financed out of the proceeds of the Credit unless the Borrower has entered into an agreement with a Beneficiary Organization in form and substance satisfactory to the Association (Subsidiary Grant Agreement) for the provision, on a grant basis, of financing to the Beneficiary Organization.

10. The Borrower shall exercise its rights under the Subsidiary Grant 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 the Subsidiary Grant Agreement or any part thereof.

11. The Beneficiary Organization shall utilize the proceeds of the Grant to provide Subloans to Beneficiaries and shall, to that end, enter into an agreement in form and substance satisfactory to the Association (the Subloan Agreement) to make a Subloan to the Beneficiary in accordance with the provisions of the Project Implementation Manual and the following provisions of this Schedule:

(a) the amount of the proposed Subloan and the Beneficiary's contribution to the costs of the Subproject should adequately cover the total amount required for the carrying out of the Subproject during the upcoming planting season;

(b) the Subloan Agreement shall provide for the Beneficiary to

repay the Subloan in accordance with a schedule of repayment specified in the Subloan Agreement and payment of annual interest at a rate not exceeding 8%;

(c) the Subloan Agreement shall require the Beneficiary to carry out and maintain the Subproject in accordance with the Project Implementation Manual, with due diligence and efficiency and in accordance with appropriate technical, environmental, and financial criteria, maintain adequate records in such form and detail as the Borrower may reasonably request, procure the goods to be financed out of the proceeds of the Subloan according to the provisions of Section I of Schedule 3 to this Agreement and use such goods exclusively for the carrying out of the Subproject;

(d) the Subloan Agreement shall provide for the exercise by the Borrower or the Association (if the Association shall so request) of the right to inspect the sites relevant to the Subproject, and any relevant documents;

(e) the Subloan Agreement shall: (A) provide for the exercise by the Borrower of the remedies in the Subloan Agreement relating to the carrying out or the maintenance of the Subproject should such carrying out or maintenance not conform to the regulations set forth in the Project Implementation Manual and the Subloan Agreement and thereby unfavorably influence the economic return of the Subproject; and (B) require the Beneficiary to provide the Borrower or the Association with all such information as the Borrower or the Association shall reasonably request, relating to the administration and financial condition of the Subproject;

(f) the Beneficiary Organization shall exercise its rights under the Subloan 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 Beneficiary Organization shall not assign, amend, abrogate or waive the Subloan Agreement or any part thereof; and

(g) the Beneficiary Organization shall utilize the proceeds from the repayment of the Subloans to establish a revolving fund for the purpose of financing future activities of selected Beneficiaries.

SCHEDULE 5

Performance indicators

A. Irrigation

1. Partial cost recovery based irrigation mechanism is functional and recovery rate is at least 90%.
2. About 8,000 ha of land has been developed, of which 1,000 ha pursuant to Part A.1 (c) of the Project.
3. Private sector has rehabilitated and/or constructed at least 500 ha of irrigated land under Part A. 2 of the Project.

B: Rural Transport

1. The Road Authority is operational and has financed the maintenance of at least 10,000 km over a twelve months period;
2. the Borrower has adopted a classification of roads, commensurate with its Borrower decentralization strategy;
3. a rural transport strategy and the respective regulatory framework

has been adopted; and

4. the roads referred to under Part B. 3 of the Project have been rehabilitated.

C: Rural Water Supply and Sanitation

1. At least a 1,300 facilities providing safe drinking water have been constructed or rehabilitated and at least 800 hand-operated pumps have been repaired.

2. At least 95% of the facilities referred to under paragraph C.1 of this Schedule 5 are operational and have an adequate cost recovery system.

3. At least 40% of families living in villages where test latrines have been built under Part C. 3 (d) of the Project have built their own latrines.

