

CONFORMED COPY

CREDIT NUMBER 1906 MLI

Development Credit Agreement

(Office du Niger Consolidation Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 1988

CREDIT NUMBER 1906 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 11, 1988, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Borrower and by ON and BNDA (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ON and BNDA part of the proceeds of the Credit as provided in this Agreement;

(C) the Borrower has requested the Association as Administrator of the African Facility to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and, said Administrator (the African Facility Credit Agreement), the Administrator has agreed to provide such assistance in an aggregate principal amount of seven million one hundred thousand Special Drawing Rights (SDR 7,100,000) (the African Facility Credit);

(D) the Borrower intends to contract from Kreditanstalt fur Wiederaufbau (KfW) under the Special Joint Financing Agreement for the African Facility a loan (the KfW Loan) in an amount of thirty-seven million nine hundred fifty thousand Deutsche Marks (DM 37,950,000) to assist in the financing of part of the Project on the terms and conditions set forth in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(E) by an agreement dated December 31, 1987 (the FAC Grant Agreement) the French Republic, through Fonds d'Aide a la Cooperation (FAC),

has agreed to make a grant (the FAC Grant) to the Borrower in an aggregate amount of seven million French francs (FF 7,000,000) to assist in financing part of the Project on the terms and conditions set forth in the FAC Grant Agreement;

(F) by an agreement dated November 11, 1986 (the CCCE Loan Agreement) Caisse Centrale de Cooperation Economique (CCCE) has agreed to make a loan (the CCCE, Loan) to the Borrower in an aggregate principal amount of forty million French francs (FF 40,000,000) to assist in financing part of the Project on the terms and conditions set forth in the CCCE Loan Agreement;

(G) the Borrower intends to contract from The Netherlands through the Directoraat General voor Internationale Samenwerking (DGIS) a grant (the DGIS Grant) in an aggregate principal amount of twenty-nine million four hundred fifty thousand Dutch Guilder (Dfls 29,450,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the DGIS Grant Agreement) to be entered into between the Borrower and DGIS; and

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

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, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Project Agreement" means the agreement between the Association and ON and BNDA 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;

(b) "ON" means Office du Niger, an Etablissement Public a Caractere 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. 217 PG-RM, dated August 31, 1981 of the Borrower as amended to date;

(c) "ON Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ON pursuant to Section 3.01 (c) (i) of this Agreement and Section 3.01 (c) (i) of the African Facility Credit Agreement, as the same may be amended from time to time, and such term includes all schedules to the ON Subsidiary Loan Agreement;

(d) "BNDA" means Banque Nationale de Developpement Agricole a Societe d'economie mixte of the Borrower established pursuant to Law No. 81-08 dated February 11, 1981 and operating pursuant to Decree No. 63 PG-RM dated March 25, 1981 of the Borrower;

(e) "BNDA Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BNDA pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time and such term includes all schedules to the BNDA Subsidiary Loan Agreement;

(f) "CAA" means Caisse Autonome d'Amortissement, an Etablissement Public a Caractere Industriel et Commercial of the Borrower established pursuant to Law No. 82/26 dated February 25, 1982 and operating pursuant to Decree No. 60 PG-RM dated March 11, 1982 of the Borrower;

(g) "Contract-plan" means the contract to be entered into between the Borrower and ON, setting forth the mutual rights and obligations of the Borrower and ON to strengthen the carrying out of ON's operations, as the same may be amended from time to time;

(h) "Special Account" means any of the accounts referred to in Section 2.02 (a) and (b) of the Project Agreement;

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated May 5, 1986 and June 23, 1986 between the Borrower and the Association;

(j) "CFAF" means the currency of the Borrower;

(k) "VA" means the Village Association, a group of farmers in the Project Area jointly carrying out activities of an economic and social nature recognized by ON;

(l) "Project Area" means an area of about 53,000 hectares of land entrusted to ON and comprising perimeters irrigated through the Macina Moldo and Sahel Canals;

(m) "DNACOOP" means Direction Nationale de l'Action Cooperative, a directorate within the Ministry of Agriculture of the Borrower, responsible for promoting the activities of cooperatives;

(n) "DNAFLA" means Direction Nationale de l'Alphabetisation Fonctionnelle et de la Linguistique Appliquee, a directorate within the Ministry of Education of the Borrower, responsible for alphabetization and functional literacy operations; and

(o) "DNE" means Direction Nationale de l'Elevage, a directorate within the Ministry of Natural Resources and Livestock of the Borrower, responsible for the promotion of livestock development.

## 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 thirty-one million Special Drawing Rights (SDR 31,000,000).

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 and 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 2.13. The Closing Date shall be June 30, 1997 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 a 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 or 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 as of the next payment date in that year, specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 1998 and ending March 1, 2028. Each installment to and including the installment payable on March 1, 2008 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms and repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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 review shall not change the grant element obtained under the abovementioned repayment modification.

(c) 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. (a) 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 all Categories except for Category (5) of the table set forth in Schedule 1 to this Agreement; and (b) BNDA is so designated in respect of Category 5.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A.1 of the Project through its Ministry of Agriculture with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall

provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) The Borrower shall: (i) relend the proceeds of the Credit which may from time to time be allocated to Categories 1 (a), 1 (b), 2 (a), 2 (b), 3 (c), 3 (d) and 4 of the table set forth in Schedule 1 to this Agreement to ON under a subsidiary loan agreement to be entered into between the Borrower and ON, under terms and conditions which shall have been approved by the Association and which shall include interest at a rate of three (3%) percent per annum and a thirty-year repayment period including a grace period of ten years; (ii) relend the proceeds of the Credit which may from time to time be allocated to Category 5 of the table mentioned above to BNDA under a subsidiary loan agreement to be entered into between the Borrower and BNDA, under terms and conditions which shall have been approved by the Association and which shall include interest at a rate of three (3%) percent per annum and a fifteen-year repayment period including a grace period of five years; and (iii) make the proceeds of the Credit which may from time to time be allocated to Categories 1 (c), 2 (c), 3 (a) and 3 (b) of the table mentioned above, and an amount equivalent to that allocated to Category 6 of the same table, available to ON on a grant basis.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements 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 1 to the Project Agreement.

Section 3.03. The Borrower shall take all necessary measures required on its part to:

(a) ensure that ON: (i) at all times buys paddy and sells rice in accordance with the provisions of the Contract-plan; (ii) charges custom-mill services at full cost at all times; (iii) collects water charges at the rate of CFAF 28,000 per hectare on all rehabilitated perimeters commencing with the first crop harvested on said perimeters after their rehabilitation; and (iv) increases water charges each year by a percentage agreed upon with the Association so as to achieve: (A) on any rehabilitated perimeter three years after its rehabilitation an overall increase of 25% over and above the level of charges collected on such perimeter as of the first year of its rehabilitation, plus the required adjustment for inflation as determined by the Borrower's consumer price index or any other measure of inflation satisfactory to the Association; and (B) on any rehabilitated perimeters seven years after its rehabilitation an overall increase of 70% over and above the level of charges collected on such perimeter as of the first year of its rehabilitation, plus the required adjustment for inflation determined as provided in subparagraph (A) above;

(b) further to the provisions of paragraph (a) (iv) above, cause ON to increase water charges no later than January 1 of each subsequent year so as to generate funds sufficient to cover ON's cost attributable to water distribution operations;

(c) not later than September 30, 1988 conclude with ON an agreement satisfactory to the Association to determine the legal, financial and accounting regime of fixed assets belonging to the public domain but whose operation and maintenance is entrusted to ON including a detailed inventory of such assets;

(d) cause ON to: (i) implement the Contract-plan; and (ii) review with the Borrower and the Association no later than November 30 of each year the progress achieved in executing said Contract-plan; and

(e) without any limitation to the provisions of paragraph (a) (i) above, from time to time, at the request of either party, exchange views with the Association on the Borrower's rice pricing policies and its plans in respect of the overall development of the rice sector.

Section 3.04. Not later than September 30, 1988 the Borrower shall cause:

(a) ON, DNACOOOP, DNFLA and DNE to conclude an agreement satisfactory to the Association to integrate their activities in the Project Area in the training and extension programs devised by ON; and

(b) ON and CAA to conclude an agreement satisfactory to the Association to restructure ON's long-term debt due to the Borrower.

Section 3.05. the Borrower shall: (a) not later than December 31, 1988 or any other date agreed upon with the Association, on the basis of a plan proposed by the Borrower, review with the Association all ways and means appropriate for privatizing one or several rice mills; and

(b) take all measures required on its part to implement the results and recommendations derived from the review referred to in paragraph (a) above.

Section 3.06. 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) in respect of Parts A.2, B, C and D of the Project shall be carried out by ON and in respect of Part E by BNDA pursuant to Section 2.04 of the Project Agreement.

Section 3.07. Without limiting the generality of Section 3.06 above, the Borrower shall under arrangements satisfactory to the Association cause the Markala and Selimgue Dams and all electromechanical and regulating structures thereof to be periodically inspected in accordance with sound engineering practice in order to determine whether there are any deficiencies in the condition of such structures or in the quality and adequacy of maintenance or methods of operations of the same which may endanger their safety. To this end, the Borrower shall propose to the Association appropriate arrangements for the Association's review no later than December 31, 1988.

#### ARTICLE IV

##### Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The Borrower shall have failed to perform any of its obligations under the Contract-plan.

(b) ON or BNDA shall have failed to perform any of their obligations under the Project Agreement or in the case of ON under the Contract-plan.

(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 or BNDA will be able to perform their obligations under the Project Agreement or in the case of ON under the Contract-plan.

(d) Ordinance No. 81-3/P-RM dated April 28, 1981 relating to ON, or Law No. 81-08 dated February 11, 1981 relating to BNDA, or Decree No. 217 PG-RM dated August 31, 1981 relating to ON, or Decree No. 63 PG-RM dated March 25, 1981 relating to BNDA, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ON or BNDA to perform any of their respective obligations under

the Project Agreement, or in the case of the Borrower and ON, their respective obligations under the Contract-plan.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ON or BNDA or for the suspension of their respective operations.

(f) The Borrower or ON shall have amended, suspended, abrogated, repealed or waived the Contract-plan without prior approval of the Association.

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

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled 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 Borrower under this Agreement.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 4.01 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;

(b) the events specified in paragraphs (c), (d) and (e) of Section 4.01 of this Agreement shall occur; and

(c) the event specified in paragraph (g) (i) (B) of Section 4.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of that paragraph.

## ARTICLE V

### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the KfW Loan Agreement has been executed on behalf of the Borrower and KfW;

(b) the DGIS Grant Agreement has been executed on behalf of the Borrower and DGIS;

(c) the Contract-plan has been executed on behalf of the Borrower and ON;

(d) the ON Subsidiary Loan Agreement has been executed on behalf of the Borrower and ON;

(e) the BNDA Subsidiary Loan Agreement has been executed on behalf of the Borrower and BNDA; and

(f) all conditions precedent to the effectiveness of, or initial

disbursements under the KfW Loan Agreement, FAC Grant Agreement, CCCE Loan Agreement, DGIS Grant Agreement, have been fulfilled, other than the effectiveness of this Agreement.

Section 5.02. 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 or ratified by ON and BNDA, and is legally binding upon ON and BNDA in accordance with its terms;

(b) that the ON Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ON and is legally binding upon the Borrower and ON in accordance with its terms; and

(c) that the BNDA Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and BNDA and is legally binding upon the Borrower and BNDA in accordance with its terms.

Section 5.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.04. The obligations of the Borrower under Section 3.03 (a), (b) and (e) of this Agreement and the provisions of paragraphs (a), (b) and (c) of Section 4.02 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date thirty years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances et du Commerce  
Bamako  
Republic of Mali

Cable address:

Telex:

MINIFINANCES  
Bamako

2559 MINFINANCE

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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/ Nouhoum Samassekou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed	
(1)	Civil works:		
(a)	maintenance unit under Part B.2 of the Project	780,000	100%
la	(b) Gruber/Siengo canals and main drain under Part C.3 (i) of the Project	8,480,000	85%
(c)	Siengo perimeters under Part C.3 (ii) of the Project	8,945,000	85%
(2)	Vehicles, equipment materials and spare parts:		
(a)	maintenance unit under Part B.2 of the Project	1,945,000	100%
(b)	support to ON under Part C.5 of the Project	855,000	100%
(c)	Markala Dam (Phase II) under Part C.1 (ii) of the Project	4,355,000	100%
(3)	Consultants' services:		

(a) Gruber/ Siengo canals, main drain and perimeters under Part C.3 of the Project	235,000	100%
(b) Markala Dam (Phase II) under Part C.1 (ii) of the Project	650,000	100%
(c) applied research under Part D.1 of the Project	150,000	100%
(d) other parts of the Project	320,000	100%
(4) Training and Studies under Part A.2 and D.3 of the Project	315,000	100%
(5) Agricultural Credit under Part E of the Project	1,550,000	100%
(6) Refunding of Pro- ject Prepara- tion Advance	1,170,000	Amount due pur- suant to Section 2.02 (b) of this Agreement
(7) Unallocated	1,250,000	
TOTAL	31,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments for expenditures: (i) in respect of Category (3) (c) until ON and Institut d'Economie Rurale have concluded an agreement satisfactory to the Association on the modalities of their collaboration for carrying out Part D.1 of the Project; (ii) in respect of Category (5) until ON and BNDA have concluded an agreement satisfactory to the Association on the modalities of their collaboration concerning delivery of agricultural credit and other financial services within the Project Area; and (iii) in respect: of Categories 1 (a) and 2 (a) until the Association has approved the results and recommendations of the study referred to in Section 2.07 (c) of the Project Agreement.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to increase agricultural productivity and farmers' income in the Project Area and to protect investments already made in irrigation and in agriculture, all within the framework of a long-term program to rehabilitate and strengthen the operations of ON.

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: Policy Reforms and Institutional Development

1. Carrying out of a program comprising a package of policy reforms designed to:

- (i) limit the scope of ON's activities during the Project

Period to the operation and maintenance of the Markala Dam and of the primary and secondary irrigation infrastructures; planning, development, and management of land entrusted to ON, provision of extension services to farmers in the Project Area; carrying out of applied agricultural research; and purchasing and milling of paddy and rice marketing;

- (ii) consolidate farmers' land tenure rights;
- (iii) liberalize paddy and rice pricing and marketing policies;
- (iv) increase access of farmers to agricultural credit; and
- (v) promote and attract private investments in the irrigation sector.

2. Strengthening of ON's management capability through:

- (i) streamlining of ON's administrative and operational structure;
- (ii) preparation of staff profiles; assessment of current training needs and formulation of a training program to most said needs;
- (iii) formulation and execution of: (a) a staff redeployment plan; and (b) a career development plan and policies related thereto;
- (iv) execution of a study to assess staff remuneration and design an appropriate staff compensation and benefits scheme; and
- (v) provision of: (a) in-house and formal training in Mali and abroad of ON's staff responsible for carrying out the Project in matters related to agricultural sciences, civil works engineering, accounting and finance, and human resources management; (b) job related training in fields such as mechanics, and rural works for ON's staff to be redeployed; and (c) training of farmers and VA's members in activities related to development and maintenance of irrigated perimeters, agricultural and livestock husbandry, and storage and marketing of agricultural inputs and outputs.

3. Strengthening of ON's accounting and financial management systems,

4. Promotion and establishment of Village Associations.

Part B: Maintenance Unit

- 1. (i) Execution of a study to formulate a maintenance program and assess current needs in fleet and workshop equipment and spare parts required to redress the Maintenance Unit;
- (ii) strengthening the technical and managerial capability of the Maintenance Unit to carry out maintenance programs; and
- (iii) acquisition of required equipment and spare parts.

2. Overhaul and refurbishing of workshops and renewal of maintenance equipment.

Part C: Repairs and Maintenance of Irrigation Infrastructure and Perimeters

- 1. Overhaul and repair of the Markala Dam in two phases:
  - (i) Phase I consisting of the overhaul and repair of the electromechanical equipment and workshops; and

- (ii) Phase II consisting of the overhaul and repair of the gates and pillars of the dam.
- 2. Urgent repairs of the Sahel and Molodo Canals, including consolidation of their embankments, repairs of their regulating structures and construction of an access track along said canals.
- 3. (i) Rehabilitation and modernization of the Gruber-Nord and Siengo canals and the Siengo main drain including an access track; and
  - (ii) rehabilitation of about 3,100 hectares of perimeters in the Siengo command area.
- 4. (i) Carrying out of a rural works pilot scheme at the rate of about 500 hectares per year on perimeters not yet rehabilitated; and
  - (ii) acquisition of equipment required for implementing said scheme.
- 5. (a) Carrying out by ON of: (i) a program to improve water management; (ii) a program to protect the environment, inter alia, through tree planting, periodic water quality controls and implementation of any protective measures required; and (iii) aerial photography and a morphopedological study to update land-use and soil maps with a view to developing a master plan for the Project Area; and
  - (b) computerization of ON's data base and acquisition of equipment required therefor.

Part D: Applied Research and Studies

- 1. Carrying out of applied research programs designed to increase agricultural production in the Project Area and provision of extension services to farmers in the Project Area.
- 2. Formulation of a training program for the Agricultural Training Center.
- 3. Carrying out of studies to:
  - (a) identify: (i) new crops suitable for production in the Project Area and assess the required processing technologies and marketing potential thereof; and (ii) the constraints facing private investments in the irrigation sector and devise appropriate incentives to attract such investments in the said sector;
  - (b) assess the potential for increased taxation of revenues earned by farmers and other economic operators in the Project Area, and determine the modalities required to implement such taxation; and
  - (c) prepare follow up investments required to carry out further rehabilitation programs.

Part E: Agricultural Credit

Provision of short- and medium-term agricultural credit to farmers and VAs.

\* \* \*

The Project is expected to be completed by December 31, 1996.

