

CONFORMED COPY

CREDIT NUMBER 2850 MLI

Development Credit Agreement  
(Selingue Power Rehabilitation Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 13, 1996

CREDIT NUMBER 2850 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 13, 1996, 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 Energie du Mali (EDM) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EDM part of the proceeds of the Credit as provided in this Agreement; 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 between the Association and EDM;

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 modifications set forth below (the General Conditions) constitute an

integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted;
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank 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) "EDM" means Energie du Mali, a public corporation established and operating under Ordonnance No. 26/PGP, dated October 14, 1960 and status modified on December 6, 1989, of the laws of the Borrower;
- (b) "MMEH" means the Borrower's Ministry of Mining, Energy, and Hydraulics;
- (c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (d) "Project Implementation Plan" means the plan described in the Borrower's letter dated March 28, 1996, specifying, inter alia, procedures and other arrangements agreed upon between the Borrower and the Association for the purpose of the implementation of the Project;
- (e) "Project Agreement" means the agreement of even date here-with between the Association and EDM, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (f) "Subsidiary Financing Agreement" means the agreements to be entered into between the Borrower and EDM pursuant to Section 3.01 (b) and (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Subsidiary Financing Agreement;
- (g) "EDM Financial Restructuring Plan" means the action plan described in the Borrower's letter dated October 24, 1995; and
- (h) "FCFA" means the currency of the Borrower.

## 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 eighteen million five hundred thousand Special Drawing Rights (SDR 18,500,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA a special deposit account (the Special Account) in a

commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against setoff, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001, 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 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 March 15 and September 15 commencing September 15, 2006 and ending March 15, 2036. Each installment to and including the installment payable on March 15, 2016 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 of 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 revision shall not change the grant element obtained under the above-mentioned 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.

### 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, without limitation or restriction upon any of its other obligations under this Agreement, shall cause EDM to perform, in accordance with the provisions of the Project Agreement, all its obligations 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 EDM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend out of the proceeds of the Credit the amount allocated from time to time to Categories (1), (2), (3) (a) and (4) (b) of the table in paragraph 1 of Schedule 1 to this Agreement to EDM under an agreement to be entered into between the Borrower and EDM, under terms and conditions which shall have been approved by the Association and which shall include: (i) a repayment period of twenty five years, including a grace period not to exceed five (5) years, (ii) an interest rate of 7.7 percent per annum, and (iii) provisions requiring EDM to bear the foreign exchange risk.

(c) The Borrower shall make available, out of the proceeds of the Credit, the amount allocated to Categories (3) (b) and (4) (a) of the table in paragraph 1 of Schedule 1 to this Agreement, to EDM, on grant basis, under an agreement to be entered into between the Borrower and EDM, and under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the Subsidiary Financing Agreement 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 amend, abrogate, or waive the Subsidiary Financing 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 1 to the Project Agreement.

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

Section 3.04. The Borrower shall:

(a) participate in the midterm review referred to in paragraph 4 (a) of Schedule 2 to the Project Agreement, and thereafter, take all actions necessary on its part for the implementation of the action plan referred to in paragraph 4 (c) of Schedule 2 to the Project Agreement.

(b) Not later than three (3) months prior to the midterm review referred to in paragraph (a) above, furnish to the Association for its review an action plan for the strengthening of the institutional framework of its power sector, and thereafter, take all measures necessary on its part for the implementation of said action plan, taking into account the Association's comments thereon.

### ARTICLE IV

#### Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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, or payment out of the Special Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section, including those for the Special Account, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as possible, but in any case not later than six (6) months after the end of such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the 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; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall: (a) not later than December 31, 1997, ensure that all arrears due to EDM from its ministries and other agencies, are reduced to not more than the amount billed for the previous three months, and maintain such arrears at not more than that level thereafter; and (b) take all action necessary on its part to implement the EDM Financial Restructuring Plan.

#### ARTICLE V

##### Remedies of the Association

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

- (a) EDM shall have failed to perform any of its obligations under the Project Agreement;
- (b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that EDM will be able to perform its obligations under the Project Agreement;
- (c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EDM or for the suspension of its operations; and
- (d) the Statutes or by-laws of EDM shall have been amended, suspended, abrogated, repealed or waived so as to affect

materially and adversely the ability of EDM to perform any of its obligations under the Project Agreement.

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

(a) any event specified in paragraph (a) 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) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Subsidiary Financing Agreement has been duly executed by the Borrower and EDM.

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 or ratified by EDM and is legally binding upon EDM in accordance with its terms; and

(b) that the Subsidiary Financing Agreement has been duly authorized or ratified by the Borrower and EDM, and is legally binding upon the Borrower and EDM.

Section 6.03. 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.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister in charge of Finance of the Borrower 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 Finance  
Bamako  
Mali

Telex:

2559

For the Association:

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

Cable address:

Telex:

INDEVAS

197688 (TRT),

Washington, D.C. 248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

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/ Stephen Denning  
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	3,700,000	85%
(2) Equipment and installation under Part A of the Project	7,500,000	85%
(3) Equipment		100% of foreign expenditures and 90% of local expenditures
(a) under Parts A.3 and C of the Project	1,300,000	
(b) under Parts B.2 and D of the Project	600,000	
(4) Consultants' Services		100%
(a) under Parts B.2 and D of the Project	2,300,000	
(b) under the other Parts of the Project	200,000	
(5) Unallocated	2,900,000	

TOTAL 18,500,000  
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2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 1,800,000 may be made on account of payments made for such expenditures before that date but after the date four (4) months before the date of this Agreement.

3. 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.

4. 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 the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify by notice to the Borrower, for expenditures for: (a) goods and works under contracts not exceeding \$100,000 equivalent, and (b) consultants' services under contracts not exceeding \$100,000 equivalent for consulting firms and \$50,000 for individual consultants.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to improve the Borrower's supply of electric power and to strengthen the institutional and regulatory framework of its power sector.

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: Selingue Dam, Power Plant and Transmission System

1. Carrying out repairs and rehabilitation of the Selingue dam.
2. Carrying out repairs of the Selingue Power Plant, including the acquisition of equipment for the powerhouse and the overhaul of four generators.
3. Strengthening of the capacity of EDM to operate and maintain its Selingue-Bamako transmission line and sub-stations, through provision of technical advisory services, spare parts and maintenance and the rehabilitation of the electrical protection system.
4. Carrying out a feasibility study on a dispatching center for the Borrower's interconnected power system.

##### Part B: Electricity Supply and Demand

1. Upgrading the thermal generation capacity of the Borrower's power system, through the acquisition of about nine 1 megawatt capacity diesel units.
2. Carrying out of an energy efficiency program designed to reduce distribution system technical losses and promote more efficient uses of electricity, through the acquisition of equipment and provision of technical advisory services.

##### Part C: Capacity Building

Strengthening the management capacity of EDM through: (a) training



of staff in the operation and maintenance of power generation facilities, (b) carrying out of studies for future power sector development programs, and (c) acquisition of equipment and computer software.

Part D: Institutional Development

Provision of technical advisory services and acquisition of equipment for the preparation of a new institutional and regulatory framework for the development of the Borrower's power sector.

\* \* \*

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 375,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 250,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

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

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

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

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

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for

subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

