Financing Agreement

(Bamako Water Supply Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 23, 2013
CREDIT NUMBER 5317-ML

FINANCING AGREEMENT

AGREEMENT dated December 23, 2013, entered into between REPUBLIC OF MALI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth in this Agreement, a credit in an amount equivalent to fifty two million five hundred thousand Special Drawing Rights (SDR 52,200,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule I to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Euro.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) The Lease Contract has been amended, suspended, abrogated, repealed or waived so as to adversely affect the implementation of the Project.

(c) The Concession Contract has been amended, suspended, abrogated, repealed or waived so as to adversely affect the implementation of the Project.

(d) The Performance Contract and the Framework Agreement have been amended, suspended, abrogated, repealed or waived or, after its expiration, a new performance contract has been entered into, but the form or substance of said new performance contract is not acceptable to the Association.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity; and

(b) The Recipient shall have caused the Project Implementing Entity to establish the designated Account for the Subsidiary Financing.
5.02. The Additional Legal 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 consist of the following:

(a) The Project Agreement has been duly authorized or ratified by the Project Implementing Entity, and is legally binding upon the Project Implementing Entity in accordance with its terms; and

(b) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity, and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Economy and Finance.

6.02. The Recipient’s Address is:

Ministry of Economy and Finance
BP 234
Bamako
Republic of Mali
Facsimile: 223 20 22 19 14 / 223 20 23 16 54

6.03. The Association’s Address is:

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

Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Bamako, Mali, as of the day and year first above written.

REPUBLIC OF MALI

By

Authorized Representative

Name: Bouare Fily Sissoko
Title: Minister of Economy and Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Ousmane Diao
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to increase access to sustainable water services in Bamako.

The Project consists of the following parts:

Part 1. Water Storage and Transmission

1.1 Expand the availability of water and improve the quality of water services in Bamako's districts located on the right bank of the Niger river through: (i) expanding water storage infrastructure by approximately 20,000 m$^3$ through the installation of two groundwater storage tanks in the Bacodjicoroni district; (ii) the supply and installation of approximately 13 km of water transmission pipes to connect the storage tanks in the Bacodjicoroni district with the Badalabougou and Faladié districts; and (iii) the provision of design and supervision services for (i) and (ii).

Part 2. Water Distribution

2.1 Increase access to water services in Bamako's districts located on the right bank of the Niger river through: (i) expansion of the water distribution networks; (ii) installation of approximately 30,000 social household connections; (iii) construction of approximately 300 standposts; and (iv) provision of design and supervision services for (i), (ii) and (iii).

Part 3. Institutional Strengthening and Capacity Building

3.1 Strengthen the urban water sub-sector institutions through the provision of technical assistance and resources, including: (i) assistance to SOMAPEP and SOMAGEP in information technology, communication and workshop organization; (ii) updates of business plans and financial forecasts; (iii) financial audits, technical audits and independent assessment of the reform; (iv) customer satisfaction surveys; (v) technical assistance and impact studies; and (vi) institutional and technical studies.

3.2 Provision of capacity building assistance and development of regulatory skills for SOMAPEP, SOMAGEP, CREE and the staff of the MEW involved in sector reform.

3.3 Support for the environmental and social management of the Project and capacity building for safeguard requirements.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest responsibility for implementation of the Project in the Société Malienne de Patrimoine de l'Eau Potable (SOMAPEP).

2. Steering Committees. The Recipient shall, at all times during Project implementation, maintain the Steering Committee of the Programme sectoriel eau potable et assainissement (PROSEA) with a mandate, composition and resources acceptable to the Association for the purposes of overseeing the execution of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

3. The principal amount of the Financing made available under the Subsidiary Agreement ("Subsidiary Financing") shall be provided under the same terms and conditions as for the Financing under this Agreement.

C. Project Implementation Manual and Annual Work Plan

1. Project Implementation Manual (PIM). The Recipient shall cause the Project Implementation Entity to carry out the Project in accordance with the PIM.

2. Annual Work Plan. The Recipient shall cause the Project Implementing Entity to prepare and furnish to it, no later than October 30 of each year: (i) a draft annual work plan and budget for the Project (including Training) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and (ii) the Safeguard Documents which may be required for the implementation of the activities included in the draft annual work plans and budgets.
3. The Project Implementing Entity shall carry out the Project in accordance with the Annual Work Plans and Budgets and in compliance with the Safeguards Documents.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguards Documents, including the ESIA and RPF.

2. The Recipient shall ensure that Chance Find Procedures are followed in cases where physical cultural resources are found during the course of Project implementation. The Recipient shall further ensure that Chance Find Procedure clause are included in civil works contracts and that such clauses are enforced during the course of Project implementation.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than one (1) month after the end of the calendar year.

3. Thirty six (36) months after the Effective Date or at a later date as established by the Association, the Recipient shall, in conjunction with the Association and the Project Implementing Entity, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. The Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not less than one (1) month prior to the beginning of the Mid-term Review, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in
order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause the Project Implementing Entity to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions provided in section 3 below; (b) Shopping; and (c) Direct Contracting.

3. **Additional Provisions for NCB.** The Additional Provisions for National Competitive Bidding are as follows:

   (a) Even though the Public Procurement Code does not apply to small contracts, the procedures will require that for such contracts, a competitive method be used;

   (b) In addition to the advertisement through a General Procurement Notice in the United Nations Development Business (UNDB) on-line and on the Bank’s external website, bids would be advertised in national widely circulated newspapers;

   (c) All eligible firms, including foreign bidders, shall be allowed to participate in NCB procedures;

   (d) No domestic preference would be granted to domestic bidders or bidders from the West African Economic and Monetary Union (WAEMU) countries and for domestically manufactured goods;

   (e) Bidders would be given at least four weeks to submit bids from the date of availability of the bidding documents;

   (f) The evaluation and award process of alternative bids would be revised to be concordant with the Bank’s Procurement Guidelines;

   (g) Procurement entities would use appropriate standard bidding documents acceptable to the Association;

   (h) Each bidding document and contract financed out of IDA financing would include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of Procurement guidelines;
(i) In accordance with paragraph 1.16(a) of procurement guidelines, each bidding document and contract financed out of the proceeds of the Financing Agreement would provide that:

(a) Bidders, suppliers, contractors and subcontractors would permit the Association, at its request, to inspect their accounts and records relating to the bid submission and contract performance, and to have such accounts and records audited by auditors appointed by the Association, and

(b) Any deliberate and material violation by the bidder, supplier, contractor or sub-contractor of such a provision may be described as obstructive practice, as defined in paragraph 1.16(a)(v) of the Procurement Guidelines; and

(j) The Association may recognize, at the request of the borrower, any exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Association confirms that the particular debarment procedure afforded due process and that the debarment decision is final.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, Consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Single-source Selection of consulting firms; (e) Selection based on Consultants’ Qualifications; and (f) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated expressed in SDR</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, Training and consultants' services for the Project</td>
<td>52,200,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2018.

Section V. Other Undertakings

The Recipient shall:

(a) Ensure that: (i) no later than five (5) months after the Effective Date, SOMAPEP shall have appointed an external financial auditor for the Project; and (ii) no later than three (3) months after the Effective Date, SOMAPEP shall have appointed a procurement specialist for the
Project, both under terms of reference and qualifications, and with experience satisfactory to the Association;

(b) Ensure that no later than two (2) years after the effective date of the Lease Contract, SOMAPEP shall contract an external technical auditor to prepare an Independent Assessment of the performances of SOMAPEP, SOMAGEP and CREE in fulfilling their respective responsibilities and assess their impact on the access to, and the quality of, water services;

(c) no later than six (6) months after the completion of the Independent Assessment, in view of the findings of the Independent Assessment and in consultation with the Association and the Sector Donors, make a determination on the measures to take in view of the reform of the urban water sub-sector, including the possibility of the establishment of a Public-Private Partnership for the delivery of water services; and

(d) take all necessary measures, including any necessary water tariffs revisions in accordance with the water sector legislation, to allow SOMAPEP to maintain Financial Equilibrium in the urban water sub-sector.

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# SCHEDULE 3

## Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2024 to and including November 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2034 to and including November 15, 2053</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “Chance Find Procedures” means the procedures to be followed in cases where Physical Cultural Resources are found during the course of Project implementation the Project which require that the Project Implementing Entity take the appropriate safeguarding measures, including temporary suspension of activity in the site and reporting to the public entity in charge of cultural property.

4. “Concession Contract” means the Contrat de concession du service public de l'eau potable entered into between the Recipient and the Project Implementing Entity to hold develop and manage urban water supply assets in the Recipient’s territory dated September 27, 2013.


7. “Currency” means Francs of the African Financial Community, the currency having tender in the territory of the Recipient.

8. “ESIA” means the Environmental and Social Impact Assessment finalized and disclosed in country and at the Bank Infoshop on December 20, 2012 and February 13, 2013, that includes an assessment of the mitigation, enhancement, monitoring and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts.

9. “ESMP” means an “Environmental and Social Management Plan to be prepared and adopted by the PIE as provided for in the ESIA providing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and social impacts under the Project, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.
10. “Financial Equilibrium” means the situation where the Net Cash Balance of the PIE at the end of year \( n \) is positive or equal to zero. For the purpose of this definition, “Net Cash Balance” at the end of year \( n \) means the net cash balance at the beginning of year \( n \), plus the Net Cash Flow (positive or negative) for year \( n \); and “Net Cash Flow” for year \( n \) means the sum of the net operating cash flow, plus any additional external financing (grants, subsidies, increases in equity capital and drawings under loans of more than one year) received during year \( n \), less the Variation in Net Working Capital Requirements, the repayments of loans of more than one year, and the investments for that year; and “Variation in Net Working Capital Requirements” means the variation of current assets excluding cash minus the variation in current liabilities for year \( n \).


13. “Independent Assessment” means the assessment of the performances of SOMAPEP, SOMAGEP and CREE referred to in Section V.A(b) of Schedule 2 to this Agreement.”

14. “Lease Contract” means the Contrat d’affermage du service public de l’eau potable au Mali, a contract entered into between the Recipient, the Project Implementing Entity and SOMAGEP for the delivery of urban water services dated September 27, 2013.

15. “MEW” means Ministry of Energy and Water (Ministère de l’Énergie et de l’Hydraulique) and any successor thereto.

16. “Mid-term Review” means the review referred to in Section II.A.3 of Schedule 2 to this Agreement.

17. “Performance Contract” means the Contrat de performances entered into between the Recipient, the Project Implementing Entity and SOMAGEP dated September 27, 2013.

18. “Physical Cultural Resources” means movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance.

20. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 9, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. "PROSEA" means Water and Sanitation Sectoral Program (Programme sectorial eau potable et assainissement)

22. "Project Agreement" means the agreement referred to in Sections 3.01, 4.01(a) and 5.02(a) of this Agreement, between the Association and Project Implementing Entity, as may be amended from time to time, including all schedules and agreements supplemental to the Project Agreement.

23. "Project Implementing Entity" means SOMAPEP.

24. "Project Implementation Manual" or "PIM" means the manual approved by the Association and adopted by SOMAPEP on May 28, 2013 in accordance with the provisions of Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules to the PIM.

25. "Project Implementing Entity’s Legislation" means the Recipient’s Ordonnance no. 10-039 dated August 5, 2010 for the establishment and operation of Société Malienne de Patrimoine de l’Eau Potable and Recipient’s Ordonnance no. 10-038 of the same date modifying the organization of water services in Mali.

26. "Public-Private Partnership" means contractual arrangements involving a private operator in the delivery of urban water services.

27. "Resettlement Action Plan" or "RAP" means the plan approved by the Association for the Project, prepared by the PIE on the basis of the RPF, as said document may be amended or supplemented from time to time with the prior written agreement of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

28. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework finalized and disclosed in country on March 6, 2013, which includes the policies and procedures to be implemented in the event that specific activities implemented under the Project have a potentially negative impact on the livelihoods, assets and land of the affected population, as said framework may be amended and/or supplemented from time to time with the prior written agreement of the Association.

29. "Safeguard Documents" means collectively, all documents required in order to meet the safeguards requirements of the Project, including ESIA, ESMP, RPF, RAP and Chance Find Procedures.
30. “Sector Donors” means external financing agencies providing financial support to the development of urban water services.

31. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the Subsidiary Financing available to the Project Implementing Entity.

32. “Subsidiary Financing” means the financing referred to in Section I.B.3 of Schedule 2 to this Agreement.


34. “SOMAPEP” means Société Malienne de Patrimoine de l’Eau Potable S.A, a public company incorporated under the laws of the Recipient, responsible for the development and management of water supply.

35. “Steering Committee” of Programme sectoriel eau potable et assainissement (PROSEA) means the Committee in charge of overseeing the implementation of the PROSEA.

36. “Training” means the reasonable costs for the following expenditures incurred in providing training or workshops: international and domestic travel by participants and presenters to the training or workshop site, per diem allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.