

CONFORMED COPY

CREDIT NUMBER 1884 SE

(Municipal and Housing Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANQUE DE L'HABITAT DU SENEGAL

Dated May 27, 1988

PROJECT AGREEMENT

AGREEMENT, dated May 27, 1988, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BANQUE DE L'HABITAT DU SENEGAL (BHS).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Senegal (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to thirty-two million five hundred thousand Special Drawing Rights (SDR 32,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BHS agree to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) by a subsidiary loan agreement to be entered into between the Borrower and BHS and by the agreement referred to in Section 3.01 (c) of the Development Credit Agreement, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to BHS on terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS BHS, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project; Management and Operations of BHS

Section 2.01. (a) BHS declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts A and E.2 of the Project and conduct its operations and affairs, in accordance with sound financial standards and practices, with qualified and experienced management and in accordance with its Statutes.

(b) For the purposes of carrying out Part A of the Project, BHS shall:

- (i) apply eligibility criteria acceptable to the Association for activities to be financed under Sub-loans;
- (ii) make Sub-loans to local governments at an annual variable interest rate equal to the discount rate of BCEAO plus two percentage points (2%) with a maturity of seven years, including one year of grace, unless otherwise approved by the Association;
- (iii) make Sub-loans to local governments under agreements containing all provisions of the model agreement approved by the Association under the provisions of paragraph 3 (b) (i) of Schedule 1 to the Development Credit Agreement;
- (iv) present to the Association for approval the first three Sub-loans to be made under Part A of the Project together with a description of the activity to be financed by any such Sub-loan, including a report on the fulfillment of the eligibility criteria and such other information as the Association shall reasonably request; and
- (v) present to the Association, for authorization, each Sub-loan to be made under Part A of the Project, for which no approval by the Association is required pursuant to the provisions of subparagraph (iv) of this Section, together with a summary description of the activity to be financed under the Sub-loan and a report on the fulfillment of the eligibility criteria.

(c) For the purposes of carrying out Part E.2 of the Project, BHS shall:

- (i) in the selection of activities to be financed under Sub-loans and in the selection of beneficiaries, apply the criteria specified in the Annexes I, II and IV to the Statutes of BHS with the exception of

the criteria relating to the size of plots and density of construction; such criteria shall, for the purposes of carrying out Part E.2 of the Project, not be changed without prior approval of the Association;

- (ii) make Sub-loans at an annual interest rate of the privileged discount rate of BCEAO plus three percentage points with a repayment period of at least fifteen years; and
- (iii) make all Sub-loans to beneficiaries under agreements containing all provisions of the model agreement, approved by the Association under the provisions of paragraph 3 (c) of Schedule 1 to the Development Credit Agreement.

Section 2.02. BHS shall exercise its rights in relation to each Sub-loan in such manner as to: (i) protect the interests of the Association and of BHS; (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement, the MCF Agreement and the Tripartite Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. BHS shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, and records and reports) in respect of the Project Agreement and Parts A and E.2 of the Project.

Section 2.04. BHS shall duly perform all its obligations under the Subsidiary Loan Agreement, the Tripartite Agreement, and the MCF Agreement. Except as the Association shall otherwise agree, BHS shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Loan Agreement, the Tripartite Agreement, the MCF Agreement, or any provision thereof.

Section 2.05. (a) BHS shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A and E.2 of the Project, the performance of its obligations under this Agreement, the Subsidiary Loan Agreement, the Tripartite Agreement and the MCF Agreement, and other matters relating to the purposes of the Credit.

(b) BHS shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by BHS of its obligations under this Agreement, the Subsidiary Loan Agreement, the Tripartite Agreement or the MCF Agreement.

Section 2.06. By January 31 of each year during execution of the Project, BHS shall review with the Association, the Ministry responsible for finance, the Ministry responsible for the supervision of local governments, and the Project Unit, the operations of MCF, in particular, the number and aggregate amount of loans made out of the resources of MCF during the previous fiscal year, the amount of resources available to MCF and the actual loan recovery rate of MCF loans.

Article III

Financial Covenants

Section 3.01. (a) BHS shall maintain procedures and separate records for Parts A and E.2, respectively. Such records to be adequate to monitor and record the progress of Parts A and E.2 of the Project (including their cost and the benefits to be derived from them) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of BHS.

(b) BHS shall:

- (i) have its, and MCF's, records, accounts and financial statements (balance sheets, statements of income and expenses, and related statements) audited for each fiscal year in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements and MCF's financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, BHS shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 3.02. BHS shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the various currencies (including CFAF) used in its operations.

ARTICLE IV

Effective Date; Termination Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of BHS thereunder shall terminate on the earlier

of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate; or
- (ii) a date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BHS of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

For BHS:

Banque de l'Habitat du S^{en}Egal
Boulevard du G^{en}eral de Gaulle
B.P. 229
Dakar, S^{en}Egal

Cable address

Telex:

3275-SG

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of BHS, may be taken or executed by its Director General, or by such other person or persons as BHS shall designate in writing, and BHS shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo
Acting Regional Vice President
Africa

BANQUE DE L'HABITAT DU SENEGAL

By /s/ Falilou Kane
Authorized Representative

