

CONFORMED COPY

CREDIT NUMBER 4915-SN

Financing Agreement

(Public Financial Management Technical Assistance Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2011



CREDIT NUMBER 4915-SN

FINANCING AGREEMENT

AGREEMENT dated June 28, 2011, entered into between REPUBLIC OF SENEGAL (“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 or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nine million six hundred thousand Special Drawing Rights (SDR 9,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 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 and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following:
- (a) The Recipient has recruited within the PFM Reform Secretariat, a procurement specialist, in accordance with the provisions of Section III of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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 years after the date of this Agreement.

ARTICLE V— REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister in charge of finance.
- 5.02. The Recipient's Address is:

Ministry of Economy and Finance
Rue René N'diaye
B.P. 4017
Dakar
Senegal

Cable address:	Telex:	Fascimile:
MINIFINANCES	3203 G	221-33-821-1630

Dakar

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Washington, D.C., United States of America, as of the day and year first above written.

REPUBLIC OF SENEGAL

By /s/ Fatou Danielle Diagne

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ McDonald P. Benjamin

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to enhance the credibility, transparency, and accountability in the management and use of central government finances.

The Project consists of the following parts:

Part A: Strengthening Fiscal Policies and Planning

Improving the Recipient's expenditures allocation policies and the reduction of potential deficit financing by:

1. Supporting the Recipient's reform of its legal and institutional framework and extension of the MTEF through: (i) the assessment of the impact of the WAEMU Directives and update of the PFM legal framework and reform action plan to incorporate the changes introduced thereby; (ii) the update and dissemination of the MTEF; (iii) the development and implementation of a framework for the assessment of the economic viability of public investment projects; and (iv) carrying out of economic management studies to inform budget preparation processes and sectoral analysis.
2. Supporting the improvement of debt management, through: (i) the development and dissemination of a debt management strategy and a manual of debt management procedures; (ii) the enhancement and deployment of the debt management information system; and (iii) capacity building of staff in key areas of debt management.

Part B: Improving Budget Execution and reporting Processes

1. Strengthening Budget Execution Processes

Supporting the Recipient in the implementation of the WAEMU Directives through: (i) carrying out of capacity building of line ministries' staff; (ii) supporting decentralization of commitment authority to line ministries; (iii) the development and dissemination of a budget execution manual; (iv) conducting capacity building activities for accountants; (v) the development of a harmonized financial and accounting regime for public agencies; and (vi) the development of change management activities aimed at creating broad consensus and identification of key incentives around the PFM reforms above.

2. Enhancing Budget Management Information Systems

Developing a secured interface between the budget management information systems and enhancing the accounting and budget modules (ASTER and SIGFIP) through: (i) the carrying out of a technical assistance study of the specific requirements for systems enhancement and interfacing; (ii) the acquisition of servers for enhancement of hard disc storage and processing capacities; (iii) review of the business processes; (iv) improvement of the electronic data transfer systems; (v) identification of the financial reporting requirements and establishing reporting tools; (vi) implementation of the required upgrading and interfacing; and (vii) carrying out of a program of training and other capacity building activities for end users and support teams on the enhanced and upgraded systems.

3. Strengthening Internal Audit Processes

Supporting the Recipient in enhancing the performance of its internal control systems, through: (i) the development of an internal audit framework and strategy and internal audit manuals; (ii) initiation of training in the use of CAATs; (iii) strengthening internal Audit Units on audit follow-up; and (iv) elaboration and implementation of change management activities to create broad consensus and identify key incentives around this reform.

Part C: Strengthening the capacity of external audit and legislative oversight

1. Strengthening External Audit Processes

Accelerating the modernization and capacity building of the *Cour des Comptes* by: (i) providing technical assistance to the *Cour des Comptes* in completing the auditing and certification of the audit backlog and developing an action plan to prevent future audit backlogs; (ii) developing and implementing an auditing risk-based approach; (iii) introducing CAATs and assisting the *Cour des Comptes* in implementing its master plan; and (iv) developing auditor capacity in conducting performance and special audits.

2. Strengthening the Legislative Oversight by:

- (i) building capacity of members of the Parliamentary Oversight Committee to carry out reviews of audit reports and audited accounts;

- (ii) reinforcing interaction between the *Cour des Comptes* and the Parliamentary Oversight Committee through the elaboration of a planning and communications framework and the carrying out of related training and workshops; and

- (iii) reinforcing public access to information by updating and maintaining the website of the Parliamentary Oversight Committee reports and reviewing current methods of informing the media about the Parliament's proceedings on public financial management matters.

Part D: Project Management

Provision of technical and operation support to the PFM Reform Secretariat to carry out the overall coordination, training in communication, administration, financial management, procurement, monitoring and evaluation and activities required for the implementation of the Project, including change management activities, where necessary.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall establish the PFM Steering Committee, and maintain throughout Project implementation the PFM Steering Committee, the Joint Committee of Harmonization and Monitoring, the PFM Reform Secretariat and the Technical Monitoring Committees in form and substance and with resources and functions satisfactory to the Association, including with staff with qualifications, experience and terms of reference satisfactory to the Association:

(a) The Joint Committee of Harmonization and Monitoring

- (i) The Joint Committee of Harmonization and Monitoring shall be comprised of representatives of the Recipient, civil society and the donors, be maintained pursuant to the CCH Ministerial Order and shall meet at least three times a year.
- (ii) Without limitation upon provision of subparagraph (a) (i) of this Section, the Joint Committee of Harmonization and Monitoring shall be responsible for:
 - (A) overseeing and providing overall guidance, on a strict advisory role, on the execution of the Program; and
 - (B) monitoring the progress of the Program and discussing any coordination issue in the funding of the Program.

(b) The PFM Steering Committee

- (i) The PFM Steering Committee shall be maintained in accordance with the *Arrêté* No 002754 dated March 15, 2011.

- (ii) Without limitation upon provision of subparagraph (b) (i) of this Section, the PFM Steering Committee shall be responsible for:
 - (A) discussing the strategic direction and orientation of PFM reforms, including progress in the execution of the Project;
 - (B) reviewing the implementation status of the PFM reform action plan;
 - (C) providing guidance and addressing policy related issues; and
 - (D) approving the proposed Annual Work Plans for the Project, as well as the updated Procurement Plan and related budgets prepared by the PFM Reform Secretariat.

(c) **The PFM Reform Secretariat**

- (i) The PFM Reform Secretariat shall be maintained in accordance with the PFM Ministerial Order and shall be headed by a senior public servant specialized in public finances and implementation of PFM Reforms.
- (ii) Without limitation upon provision of subparagraph (c) (i) of this Section, the PFM Reform Secretariat shall be responsible for day-to-day Project coordination and implementation, including:
 - (A) the day-to-day implementation of the Project;
 - (B) preparing proposed Annual Work Plans for inclusion in the Project, and updating the Procurement Plan and related budgets and consolidated Project reports, and sending same to the PFM Steering Committee; and
 - (C) carrying out Project procurement, financial management and disbursement activities.

(d) **The Technical Monitoring Committees**

- (i) The Technical Monitoring Committees shall be maintained pursuant to the PFM Ministerial Order and the TC Directive, and shall meet monthly under the chairmanship of the head of the PFM Reform Secretariat.
- (ii) Without limitation upon provision of subparagraph (d) (i) of this Section, the Technical Monitoring Committees shall be responsible for operational monitoring of the implementation of the reforms of the Project.

B. Anti-Corruption

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

C. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Project Operational Manual and the Administrative and Financial Manual; and (ii) except as the Association shall otherwise agree in writing, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof. In the event of any inconsistency between this Agreement, on the one hand, and the Project Operational Manual and the Administrative and Financial Manual, on the other hand, the provisions of this Agreement shall prevail.

D. Annual Work Plans

- 1. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than February 15 in each calendar year, for the Association's consideration, a proposed work plan of activities to be included in the Project for the following calendar year, such plan to include an implementation schedule and budget and financing plan therefor.
- 2. The Recipient shall afford the Association a reasonable opportunity to review and exchange views with the Recipient on such proposed plan, and thereafter, shall implement such work plan as shall have been approved by the Association, with due diligence.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall 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 the indicators acceptable to the Association set forth in the Project Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one 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 six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall 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 prepare and furnish to the Association 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 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>	
(a)	National Competitive Bidding
(b)	Shopping
(c)	Direct contracting

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Selection under a Fixed-Budget
(b)	Least-Cost Selection
(c)	Selection Based on the Consultants' Qualifications
(d)	Single-Source Selection
(e)	Selection of Individual Consultant

- 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants’ services and Operating Costs for Parts A, B, C and D of the Project	9,600,000	100%
TOTAL AMOUNT	9,600,000	

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 June 30, 2015.

Section V. Other Undertakings

1. The Recipient shall:
 - (a) not later than two (2) months after the Effective Date, update the financial management information accounting software of the PFM Reform Secretariat for the Project, in a manner satisfactory to the Association;
 - (b) in furtherance of the provisions of Section II B of this Schedule, and not later than four (4) months after the Effective Date, recruit, in accordance with the provisions of Section III of this Schedule, the external auditor which shall conduct the audits of the Financial Statements under Section II B of this Schedule; and
 - (c) not later than three (3) months after the Effective Date recruit within the PFM Secretariat in accordance with the provisions of Section III of this Schedule, a monitoring and evaluation specialist for the Project.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2021 to and including March 15, 2031	1%
commencing September 15, 2031 to and including March 15, 2051	2%

* 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

1. “Administrative and Financial Manual” means the manual dated March 21, 2011 adopted by the Recipient and annexed to the Project Operational Manual, outlining administrative, financial management, and accounting arrangements, as such manual shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior approval of the Association, and such term includes any schedules to the Administrative and Financial Manual.
2. “Annual Work Plans” means the annual work plans for the Project approved by the Association in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and “Annual Work Plan” means any of the Annual Work Plans.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
4. “ASTER” means *Application des Services du Trésor en Réseau*, an accounting information system tracking public finances.
5. “Audit Units” means the internal audit audits of the various institutions of the Recipient, including the: (i) State Inspector General (*Inspection Général d’État*), (ii) Inspector General of Finance (*Inspection Général des Finances*), (iii) Internal Audit Department of Treasury; and (iv) Internal Audit Department of Customs.
6. “CAAT” means computer aided auditing technique.
7. “CCH Ministerial Order” means *Arrêté* No. 05425/MEF dated June 25, 2004, as amended by the *Arrêté* No. 02775 dated March 22, 2010 establishing the Joint Committee of Harmonization and Monitoring.

8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
9. “*Cour des Comptes*” is the Recipient supreme audit institution, created pursuant to the *Loi Organique* No. 9970 dated February 17, 1999 and the Constitution of the Recipient dated January 22, 2001.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
11. “Joint Committee of Harmonization and Monitoring” means *Comité Conjoint d’Harmonisation et de Suivi*, the joint-steering committee established and maintained by the Recipient in accordance with provisions of Section I.A.1(a) of Schedule 2 to this Agreement and the CCH Ministerial Order.
12. “MTEF” means Medium Term Expenditures Framework.
13. “Operating Costs” means the incremental operating expenses, based on annual budgets approved by the Association, incurred by the PFM Reform Secretariat on account of the Project implementation, management and monitoring, including operation and maintenance costs of office, vehicles and office equipment, water and electricity utilities, telephone, office supplies, bank charges, additional staff costs, travel and supervision costs, per diem, but excluding the salaries of officials and public servants of the Recipient’s civil service.
14. “Parliamentary Oversight Committee” means *Commission Des Finances*, the Recipient’s parliamentary committee in charge of finance oversight.
15. “PFM” means the Recipient’s public financial management system.

16. “PFM Ministerial Order” means, the *Arrêté* No. 005222 dated July 30, 2003 creating a PFM Steering Committee and the PFM Reform Secretariat, as amended to revise the composition of the PFM Steering Committee by the *Arrêté* No 002754 dated March 15, 2011.
17. “PFM Reform Secretariat” means *Secrétariat Exécutif du Projet de Coordination des Réformes Budgétaires et Financières* (PCRBF), established pursuant to PFM Ministerial Order, and maintained by the Recipient in accordance with provisions of Section I.A.1(c) of Schedule 2 to this Agreement.
18. “PFM Steering Committee” means the *Comité de Coordination et de Pilotage*, the PFM steering committee established pursuant to PFM Ministerial Order, and maintained by the Recipient in accordance with provisions of Section I.A.1(b) of Schedule 2 to this Agreement.
19. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 16, 2011 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. “Program” means the Recipient’s PFM Reform Action Plan adopted on July 23, 2003, as updated on October 20, 2009.
22. “Project Operational Manual” means the manual dated March 21, 2011 adopted by the Recipient, outlining implementation, organizational and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as the same may

be amended from time to time with the prior approval of the Association, and such term includes any schedules or annexes to the Project Operational Manual which includes the Administrative and Financial Manual.

23. “SIGFIP” means *Système Intégré de Gestion des Finances Publiques*, a budget management information system.
24. “TC Directive” means the *Note de Service* dated March 18, 2010 issued by the Minister of Finance of the Recipient governing the functioning of the Monitoring Technical Committees.
25. “Technical Monitoring Committees” means the thematic monitoring technical committees established pursuant to the PFM Ministerial Order and the TC Directive.
26. “Treasury Department” means the General Directorate of the Treasury and Public Accounting of the Recipient.
27. “WAEMU” means the West Africa Economic Monetary Union established by a Treaty signed in Dakar, Senegal, on January 10, 1994, by the heads of state and governments of Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal and Togo.
28. “WAEMU Directives” means the six Directives pertaining to the harmonized framework for public financial management of the WAEMU implemented pursuant to the Decision N° 33/2009/CM/UEMOA entitled *Décision portant adoption du programme d’appui aux réformes du cadre harmonisé des finances publiques au sein de l’UEMOA*, dated December 17, 2009; (i) Directive N° 01/2009/CM/UEMOA entitled *Directive portant Code de Transparence dans la Gestion des Finances Publiques au sein de l’UEMOA*, dated March 27, 2009; (ii) Directive N° 06/2009/CM/UEMOA entitled *Directive portant Lois de Finances de l’UEMOA*, dated June 26, 2009; (iii) Directive N° 07/2009/CM/UEMOA entitled *Directive portant Règlement Général sur la Comptabilité Publique au sein de l’UEMOA*, dated June 26, 2009; (iv) Directive N° 08/2009/CM/UEMOA

entitled *Directive portant Nomenclature Budgétaire de l'Etat au sein de l'UEMOA*, dated June 26, 2009; (v) Directive N° 09/2009/CM/UEMOA entitled *Directive portant Plan Comptable de l'Etat au sein de l'UEMOA*, dated June 26, 2009, and (vi) Directive N° 10/2009 entitled *Directive portant Tableau des Opérations Financières de l'Etat au sein de l'UEMOA*, dated June 26, 2009.