

**CONFORMED COPY**

**CREDIT NUMBER 4224-SE**

# **Financing Agreement**

**(Local Authorities Development Project)**

**between**

**REPUBLIC OF SENEGAL**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 26, 2006**

**CREDIT NUMBER 4224-SE**

**FINANCING AGREEMENT**

AGREEMENT dated July 26, 2006, 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 the Financing 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 fifty-three million eight hundred thousand Special Drawing Rights (SDR 53,800,000) (“Credit”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Euros.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives 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.
- 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 Program, or a significant part thereof, has been abrogated, amended, repealed, suspended or waived, at the instance of the Recipient, so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration is that any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

- (b) The Recipient has entered into a management contract with a CMA in form and substance satisfactory to the Association.
  - (c) The CMA has recruited an external auditor with terms of reference, qualifications and experience satisfactory to the Association.
  - (d) The Recipient has recruited key staff and consultants at CADAK and CAR with terms of reference, qualifications, and experience satisfactory to the Association.
  - (e) The Recipient has hired technical advisors with terms of reference and qualifications acceptable to the Association to strengthen the capacities of the Project Implementation Entity.
  - (f) The Recipient has hired a long term technical adviser, with terms of reference acceptable to the Association, to strengthen the capacities of CADAK and CAR.
  - (g) The Recipient has adopted regulations, in form and substance acceptable to the Association, to set out the modalities of the implementation of its *Code des Marchés Publics* by CMA and the Project Implementation Entity.
- 5.02. The Additional Legal Matter is that 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.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is Minister at the time in charge of economy and finance.

6.02. The Recipient's Address is:

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

Cable:	Telex:	Facsimile:
MINIFINANCES	3203 G	221-821-1630

6.03. 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) or 64145 (MCI)	1-202-477-6391

AGREED at Dakar, Senegal, as of the day and year first above written.

REPUBLIC OF SENEGAL

By: /s/ Abdoulaye Diop  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Madani M. Tall  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (a) strengthen the urban municipalities' capacity to improve resource mobilization, municipal and urban management; and (b) improve the provision of infrastructure and services in urban areas.

The Project consists of the following parts:

#### **Part A. Institutional Development and Capacity Building**

1. Strengthening the Eligible Municipalities' capacity to implement the MAP, through the improvement of resource mobilization, municipal management, urban programming, and municipal financial management.
2. Strengthening the institutional capacity of CADAK and CAR through the provision of technical advisory services.
3. Strengthening the institutional capacities of the ministries in charge of finance and local development and AMS, through the improvement of: (i) mobilization and transfer of local resources from the central to the local authorities; (ii) municipal management; and (iii) MDA's capacity for implementing municipal development programs.

#### **Part B. Municipal and Inter-communal Physical Investments**

1. Implementation of the PIP in Eligible Municipalities through rehabilitation, maintenance and construction of social, administrative and economic infrastructure.
2. Implementation of an inter-communal investment program, covering major roads, including drainage and street lighting in the Dakar, Pikine, Guediawaye, Rufisque and Bargny municipalities.

#### **Part C. Implementation, Monitoring and Evaluation**

Strengthening the capacity of the MDA to carry out the implementation, monitoring and evaluation of the Project, through the acquisition of equipment and provision of technical advisory services.

## SCHEDULE 2

### Project Execution

#### Section I. Subsidiary Financing; Institutional and Other Arrangements

##### A. 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 of any of its provisions.
3. MDA
  - a. The Recipient shall at all times during Project implementation, maintain the MDA as the Project Implementing Entity, with staffing, mandate and resources satisfactory to the Association, to be responsible for overall coordination and implementation of the Project.
  - b. Except as the Association shall otherwise agree, the MDA shall implement the Project in accordance with the guidelines and procedures specified in the Manual of Procedures and shall not amend, abrogate or waive any provision of any of the said manual, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project
4. CMA
  - a. The Recipient shall employ a CMA, under terms of references, and with staffing and resources satisfactory to the Association, to be responsible for the implementation of Part B of the Project.



- b. Except as the Association shall otherwise agree, the Recipient shall cause CMA to implement Part B of the Project in accordance with the guidelines and procedures specified in the Manual of Procedures.

5. **Environmental and Social Safeguards**

The Recipient shall carry out the Project or cause the Project to be carried out in accordance with the provisions of the Environmental and Social Management Framework and the Resettlement Policy Framework, and shall not, except as the Association shall otherwise agree, amend or waive any provision of the aforementioned if such amendment or waiver may, in the opinion of the Association, adversely and materially affect Project implementation.

**B. Execution Covenants for Part B of the Project**

6. Eligibility Criteria for Municipalities

Without limitation upon the criteria specified in the Manual of Procedures, and except as the Association shall otherwise agree, to be eligible for financing under Part B of the Project, a municipality, shall have:

- (a) submitted a request to MDA;
- (b) completed an urban audit to prepare a PIP;
- (c) completed a financial and organizational audit to determine the financial capacity of the municipality and the content of its MAP;
- (d) identified the PIP consistent with the procedures and guidelines described in the Manual of procedures, including the environmental-related procedures and guidelines;
- (e) evaluated and made arrangements for the timely availability of the contribution of the Eligible Municipality, in accordance with the guidelines specified in the Manual of procedures; and
- (f) signed a Municipal Contract.

7. Eligibility of PIP

Without limitation upon the criteria specified in the Procedures Manual, and except as the Association shall otherwise agree, no PIP shall be eligible for financing unless MDA has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Manual of procedures, that all the Municipal Sub-Projects included in the PIP satisfy the eligibility criteria specified below and in more detail in the Manual of procedures, which shall include, *inter alia*, the following:

- (a) the Municipal Sub-Project is consistent with the municipal priorities as defined in the urban audit;
- (b) the Municipal Sub-Project is compatible with the financial capacity of the Eligible Municipality;
- (c) if applicable, the Municipal Sub-Project provides for the contribution of the Eligible Municipality, in accordance with criteria specified in the Manual of Procedures;
- (d) the Municipal Sub-Project is environmentally sound and socially sustainable; and
- (e) in the case of Municipal Sub-Projects involving involuntary resettlement of population, an action plan for the resettlement of the affected population, satisfactory to the Association, has been agreed upon.

8. Terms and Conditions for the carrying out of the Municipal and Inter-communal Investment Sub-Projects

Municipal and inter-communal investments shall be carried out pursuant to Municipal and Inter-communal Contracts and, under terms and conditions satisfactory to the Association, which, *inter alia*, shall include the following:

- (a) the obligation of the Eligible Local Authority to carry out the Municipal and Inter-communal Sub-Projects in accordance with the Manual of procedures, with due diligence and efficiency, and in accordance with sound technical, financial, environmental and management standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of Municipal and Inter-communal Sub-Projects;

- (b) the requirement that: (i) the goods, works and services to be financed out of the proceeds of the Municipal Sub-Grant shall be procured in accordance with the procedures set forth in Section III of this Schedule and the Manual of Procedures; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Municipal and Inter-communal Sub-Projects;
- (c) provisions regarding the disbursement of the Sub-Grants to be made in accordance with the Manual of Procedures;
- (d) the right of MDA to inspect, by itself, or if the Association shall so request, jointly with the Association, the goods, works and services included in the Municipal or Inter-communal Sub-Project, the operations thereof and any relevant records and documentation;
- (e) the right of MDA to obtain all information as MDA or the Association shall reasonably request regarding the administration, operations and financial conditions of the Municipal and Inter-communal Sub-Project;
- (f) the right of MDA to suspend or terminate the right of the Eligible Local Authority to use the proceeds of the Credit for the Municipal or Inter-communal Sub-Project, upon failure by the Eligible Local Authority, to perform any of its obligations under its Municipal or Inter-communal Contract; and
- (g) for loans made by MDA to municipalities, a repayment term not to exceed twelve (12) years and an interest rate of 4.25 %.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. (a) 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 indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) level of resource mobilization (percentage of revenue increase in urban municipalities' account). Base: 2005 Actual revenues;
  - (ii) part allocated annually through the local authorities' budget to finance infrastructure and maintenance. Base: 2005 Actual; and
  - (iii) number of persons benefiting directly from at least one sub-project. Base: 2005.
- 2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2009, or such later date as the Association shall request, a mid term report incorporating: (a) the progress achieved in carrying out the Project during the period preceding the report; (b) a review of the strategic vision for MDA; and (c) an assessment of the technical assistance program to CADAK and CAR.

**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 as part of the Project Report, not later than one month after the end of each calendar quarter, interim un-audited 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 Works.** All goods and works 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 Schedule.
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 Schedule.
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 Works**

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

<b><u>Procurement Method</u></b>
(a) NCB
(b) Shopping
(c) Direct Contracting
(d) Procurement from UN agencies

**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.

<b>Procurement Method</b>
(a) Quality Based Selection
(b) Least Cost Selection
(c) Selection Based on Consultant's Qualification
(d) Single Source Selection

**D. Review by the Bank 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 this Section and such additional instructions as the Bank may specify by notice to the Recipient, 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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Investment Programs under Part B of the Project	42,700,0000	100%
(2) Support for implementation, monitoring and evaluation under Parts A and C of the Project	8,100,000	100% of expenditures excluding taxes
(3) Unallocated	3,000,000	
<b>TOTAL AMOUNT</b>	<u>53,800,000</u> =====	

**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, except that withdrawals up to an aggregate amount not to exceed CFAF 4, 250,000,000 equivalent may be made for payments made prior to this date but on or after November 1, 2005, for Eligible Expenditures.
2. The Closing Date is December 31, 2011.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
commencing January 15, 2017 to and including July 15, 2026	<b>1%</b>
commencing January 15, 2027 to and including July 15, 2046	<b>2%</b>

\*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

### Definitions

1. “AMS” means Mayors Association of Senegal.
2. “CADAK” means *Communauté d’agglomération de Dakar* (the urban community of Dakar).
3. “CAR” means *Communauté d’agglomération de Rufisque* (the urban community of Rufisque).
4. “CMA” means any contract management agency as selected by MDA with approval from the Association.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “Eligible Local Authority” means the CADAK, CAR and Eligible Municipalities.
8. “Eligible Municipality” means a municipality selected by the Recipient on the basis of criteria specified in Section I.6 of Schedule 2 to this Agreement.
9. “Environmental and Social Management Framework” means the Recipient’s document dated November 11, 2005 referred to in Section I.5 of Schedule 2 to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts.
10. “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.

12. “Inter-communal Sub-Project” means a specific physical investment activity or activities to be financed under Part B.2 of the Project.
13. “MAP” means a municipal adjustment program designed by, or for the benefit of, an Eligible Municipality containing, *inter alia*, the financial and technical measures to develop the financial and organizational capacity of such Eligible Municipality.
14. “MDA” means Municipal Development Agency, established on July 8, 1997 under the laws of the Recipient.
15. “Manual of Procedures” means the manual adopted by MDA containing, *inter alia*, work and training program, terms and conditions and eligibility criteria for Municipal Sub-Projects, model Municipal and Inter-communal Contracts, operating procedures and guidelines to be used for the purposes of implementation of the Project, as the same may be amended from time to time with the approval of the Association, and such terms include any schedules to the Manual of procedures.
16. “Municipal or Inter-communal Contract” means the contract signed between the Eligible Local Authority and the MDA for the purpose of carrying out a PIP.
17. “Municipal Sub-Project” means a specific development activity or activities proposed to be financed under Part B.1 of the Project.
18. “Municipal and Inter-Communal Sub-Grant” means a sub-grant made or proposed to be made to finance activities under Part B of the Project.
19. “PIP” means a priority investment program designed by, or for the benefit of an Eligible Municipality.
20. “PMP” means a priority maintenance program designed by, or for the benefit of an Eligible Municipality.
21. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 1, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Program” means the program designed to facilitate the Recipient’s decentralization process and to strengthen the role of municipalities in the Recipient’s territory and set forth or referred to in the letter dated November 22, 1996 from the Recipient to the Association.
24. “Project Implementing Entity” means the MDA.
25. “Project Implementing Entity’s Legislation” means the *statutes* of MDA dated July 19, 1997.
26. “Resettlement Framework Policy” means the framework made public on November 11, 2005, outlining the modalities for land acquisition, resettlement and rehabilitation, impact on assets and / or impact on livelihood, and mitigation of any negative effects relating to resettlement under the Project
27. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.