

CONFORMED COPY

CREDIT NUMBER 3354-SE

Development Credit Agreement

(Urban Mobility Improvement Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 2000

CREDIT NUMBER 3354-SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 5, 2000, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter dated September 25, 1996, from the Borrower describing a program of actions, objectives and policies designed to strengthen the Borrower's urban transport sub-system, and a letter, dated December 31, 1999, describing a program of actions, objectives and policies designed to strengthen the Borrower's urban railways system (both the letters are collectively called the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower has requested that the Association support its execution of the Program through a series of Credits over a period of seven years, the proceeds of such Credits to be utilized by the Borrower for implementing the Program;

(D) Part B of the Project will be carried out by Société Nationale de Chemins de Fer du Sénégal (SNCS) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit provided for in Article II of this Agreement (the Credit) available to SNCS, as set forth in this Agreement;

(E) the Borrower intends to contract from the Agence Française de Développement (AFD) and the Nordic Development Fund (NDF) (the cofinanciers) loans and grants in an approximate amount of \$24,800,000 to assist in financing the Project on the terms and conditions set forth in the agreements to be entered into between the Borrower and AFD, and the Borrower and NDF respectively (the Cofinancing Agreements); and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows;

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement:

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Association de Financement" or "AF" means the association to be created, pursuant to Section 6.01(b) of this Agreement, for the purpose of assisting the Borrower to carry out Part C of the Project, and which shall include private operators' groups;

(b) "AWPB" means the annual work program and budget prepared by the Borrower for the purpose of the Project pursuant to paragraph 2 of Schedule 4 to this Agreement;

(c) "CETUD" means Conseil Exécutif des Transports Urbains de Dakar, a professional public institution established pursuant to the Borrower's law No. 97-01, dated February 24, 1997, for the purpose of implementing and monitoring the Borrower's public transport policy;

(d) "Environmental Mitigation Plan" means the environmental mitigation plan to be prepared and adopted by the Borrower pursuant to Section 6.01 (g) of this Agreement detailing the measures proposed to address the adverse environmental impact of investments under the Project;

(e) "Fiscal Year" means the fiscal year of the Borrower

starting January 1 and ending December 31, each calendar year;

(f) "Franc de la Communauté Financière Africaine" or FCFA" mean the currency of the Borrower;

(g) "Investment Enterprise" means groups of operators with which the AF has signed a Lease Agreement (as hereinafter defined);

(h) "Investment Project" means a leasing scheme implemented by an Investment Enterprise under a Lease Agreement;

(i) "Lease Financing" or "Lease Agreement" means an agreement entered into between the AF and an Investment Enterprise whereby the AF leases to the Investment Enterprise a vehicle or vehicles, financed from the proceeds of the Credit, against the payment of rent;

(j) "Performance Indicators" means the indicators referred to in Schedule 6 to this Agreement;

(k) "Project Account" means each of the accounts referred to in Section 3.05 of this Agreement;

(l) "Project Agreement" means the agreement between the Association and SNCS of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(m) "Project Implementation Manual" means the manual adopted by the Borrower pursuant to Section 6.01(f) of this Agreement containing, inter alia, work plans, training plans and procedures, and accounting and financial management, and procurement procedures, to be used for the purpose of implementation of the Project, and such term includes any schedules to the Project Execution Manual;

(n) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 13, 1999 and on behalf of the Borrower on May 25, 1999;

(p) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(q) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and SNCS pursuant to Section 3.01(b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement; and

(r) "Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and the AF pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty-two million two hundred thousand Special Drawing Rights (SDR 52,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the

Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2010, and ending March 15, 2040. Each installment to and including the installment payable on March 15, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts A, D and E of the Project through CETUD, and Part C of the Project through the Association de Financement, with due diligence and efficiency and in conformity with appropriate technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall cause SNCS to perform in accordance with the provisions of the Project Agreement all the obligations of SNCS therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SNCS to perform such obligations, and shall not take or permit to be taken any action which would prevent or

interfere with such performance.

(c) The Borrower shall make available, on a non-reimbursable basis, the proceeds of the Credit withdrawn from Categories 1 (b), 1 (c), 2 (b) and 3 (b) of the table in paragraph 1 of Schedule 1, to SNCS under a subsidiary agreement to be entered into between the Borrower and SNCS, under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall relend part of the proceeds of the Credit to the AF under a subsidiary financing agreement to be entered into between the Borrower and the AF, under terms and conditions which shall have been approved by the Association which shall include, inter alia, that the proceeds of the Credit withdrawn from Category 2 (c) of the table in paragraph 1 of Schedule 1 to be onlent with: (i) an interest rate of not less than 6% per annum; (ii) a repayment period not exceeding 6 years, and (iii) a provision that the AF shall keep a margin of 2% maximum.

(e) The Borrower shall exercise its rights under the Subsidiary Agreement and the Subsidiary Financing Agreement respectively in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or the Subsidiary Financing Agreement, or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by SNCS pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Without limitation to the provisions of Section 3.01, the Borrower shall: (a) open and maintain until the completion of the Project, an account (the Project Account), on terms and conditions acceptable to the Association; (b) annually, by June 30 each year, deposit into the Project Account, an amount equivalent to a minimum of \$800,000, representing the Borrower's counterpart contribution to the Project for that year; and (c) ensure that the amounts deposited into the Project Account shall be used exclusively for the purposes of defraying the cost of expenditures incurred for the execution of the Project, and not otherwise financed out of the proceeds of the Credit.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, 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 six months after the end of each such year, 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 and accounts and 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account 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 Project Management Reports or 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 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial

management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SNCS will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional

conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and SNCS;

(b) the AF has been established in accordance with the laws of the Borrower and its Statuts have been adopted;

(c) the Subsidiary Financing Agreement has been executed on behalf of the Borrower and AF;

(d) the Borrower has established a financial accounting and procurement management system acceptable to the Association;

(e) the Borrower has appointed the auditors referred to in Section 4.01 (b) of this Agreement, with terms of reference and qualifications acceptable to the Association, and in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(f) the Borrower has adopted the Project Implementation Manual, in form and substance acceptable to the Association;

(g) the Borrower has adopted the Environmental Mitigation Plan, satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

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

(b) that the Subsidiary Agreement has been duly authorized by the Borrower and SNCS and is legally binding upon the Borrower and SNCS in accordance with its terms; and

(c) that the Subsidiary Financing Agreement has been duly authorized by the Borrower and AF and is legally binding upon the Borrower and AF in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
B. P. 4017
Rue René Ndiaye
Dakar,
Senegal

Cable address: Telex:
MINIFINANCES 3203G

For the Association:

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

Cable address: Telex:
Facsimile: INDEVAS 248423 (MCI) or (202)
477-6391 Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SENEGAL

By /s/ Mamadou Mansour Seck
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works		90%

	(a)	Under Parts A, D D and E of the Project	11,150,000	
	(b)	Under Part B (excluding Part B.1 (ii)) of the Project	5,500,000	
	(c)	Under Part B.1 (ii) of the Project	6,300,000	
(2)	Goods			90%
	(a)	Under Parts A, D and E of the Project	750,000	
	(b)	Under Part B of the Project	500,000	
(3)	Public transport vehicles		11,950,000	75%
(4)	Consultants' services, including training			100%
	(a)	Under Parts A, D and E of the Project	7,400,000	
	(b)	Under Part B of the Project	600,000	
	(c)	Under Part C of the Project	300,000	
(5)	Operating Costs		450,000	85%
(6)	Refunding of Project Preparation Advance		450,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated		6,850,000	
		TOTAL	52,200,000	

2. For the purposes of this Schedule:

(a) the term "operating costs" means incremental expenditures incurred on account of Project implementation, management and monitoring including office consumables (including communication expenses), staff travel and associated subsistence allowances, salaries for incremental contractual and temporary staff, office rental, office supplies and maintenance, fuel and maintenance for vehicles and equipment and audits but excluding salaries of the Borrower's civil servants; and

(b) the "public transport vehicles" means the vehicles, new or second-hand, procured for leasing under Part C of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals

shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments made for expenditures Categories 1 (b), 2 (b) and 3 (b):

(i) a contract, between SNCS and the concessionaire selected by SNCS to operate the sub-urban line, has been entered into and said contract has entered into force; and

(ii) the Borrower has completed the transfer of the market in the Thiaroye Station to a new location and freed the right of way of the said station; and

(c) expenditures for goods and services supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance under any other credit or grant.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$500,000 equivalent each; (ii) goods under contracts costing less than \$100,000 equivalent each; (iii) services of consulting firms under contracts costing less than \$100,000 equivalent each; and (iv) services of individual consultants under contracts costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to contribute to the improvement of the safety, efficiency and the quality of the urban mobility in the metropolitan area of Dakar and, road safety in Thiès and Kaolack, by promoting public transport services and facilitating the safe movements of pedestrians.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Road Infrastructure, Road Safety and Traffic Management

1. Rehabilitation and construction of road infrastructure, including drainage improvements, primarily for the development of public transport and pedestrian safety in the Dakar metropolitan area.

2. Design and implementation of a road safety action plan for the Dakar, Thiès, and Kaolack areas, including inter alia: (i) management of accident-prone junctions identified as traffic accident blackspots; (ii) improvement of road infrastructure, inter alia, through construction of pedestrian sidewalks, pedestrian bridges over roads with heavy traffic, installation of upright and surface signing, lighting, and markings, installation of speed-reducing devices at busy locations such as schools and hospitals and protection of non-motorized traffic through the construction of paths separated from motorized traffic, construction of

road median dividers; and (iii) carrying out of awareness campaigns to raise the awareness of transport users and operators about road safety and the provision of training of traffic police.

3. Development and implementation of traffic management strategies to make better use of existing facilities for movement of persons and goods including (i) the construction and support to the management of terminals for mass transit vehicles and road-rail feeder stations at selected urban locations; (ii) the construction of bus stop areas to enable mass transit vehicles to load and unload passengers safely; (iii) the construction of road terminals for mass transit vehicles at selected urban areas; (iv) the construction of stations on the outskirts of Dakar to alleviate downtown congestion from interurban traffic and heavy vehicles; (v) the construction of taxi terminals and parking facilities; (vi) the preparation of an Urban Mobility Plan for Dakar area (Plan de Déplacement dans l'Agglomération de Dakar) for inter-modal transport, urban planning and housing, including the purchase of mapping equipment; and (vii) the preparation of a plan to increase public transport services commercial speed.

4. Provision of technical advisory services for the carrying out of engineering studies, and supervision works.

Part B: Pedestrians' Movement and Traffic Security along the Suburban Railway Line

1. Upgrading of suburban railway infrastructure through, inter alia, (i) the construction of a third track between the localities of Hann and Fass Mbaou; (ii) the fencing of the railway right-of-way between Cynnos and Fass Mbaou (24 kilometers) as well as in densely-populated areas such as Mbaou and Rufisque and construction of about 15 footbridges; (iii) the elimination of the most-trafficked rail-road level grade crossings through construction of four overpasses and underpasses in Hann, Marché aux Poissons, Thiaroye and Rufisque, and the improvement of other level grade crossings between Dakar and Rufisque; (iv) the transfer of the freight terminal from its present location in Dakar Center to a new location in Bel Air; (v) the rehabilitation of the signaling between Dakar and Rufisque; (vi) the rehabilitation of the central railway station of Dakar and the railway station of Rufisque; and (vii) carrying out of studies, engineering, and supervision tasks related to the activities described in (i) through (vi) above.

2. Acquisition of technical advisory services required for implementing the process of concessioning of suburban railway services including, pre-selection of potential strategic shareholders in the concession company, preparation of Requests for Technical Proposals, preparation of Requests for Financial Proposals, evaluation of technical and financial proposals, and supervision of the implementation of the concession.

3. Provision of technical advisory services including studies, engineering and supervision tasks in connection with the activities carried out under 1 and 2 above.

Part C: Leasing

1. Implementation of a leasing mechanism necessary for the renovation of mass transit vehicles (Car rapides), including inter alia support to strengthen the technical and management capacity of the mass transit vehicles operators and their professionalization.

2. Provision of financing to enable mass transit private operators to have access to credit facility to renew their fleet, and acquisition by

the AF of approximately 300 new vehicles or 600 rehabilitated and refurbished vehicles which meet safety and toxic emissions standards, for leasing.

Part D: Urban Air Quality Management

Carrying out of a program of actions aimed at improving air quality in the Dakar metropolitan area including: (i) construction of three automobile monitoring centers: the Diamniadio pilot station, the Keur Massar station, and the Ex-TPSOM station; (ii) establishment of an observatory to track urban pollution; (iii) support for the introduction and supervision of an urban air quality action plan including but not limited to the gradual introduction of unleaded gasoline, the support for the decentralization of some administrative centers to the outskirts of the city, public awareness campaigns targeting users and sector specialists (for example, automobile and fuel distributors), and a toxic emissions control program for motorized vehicles; and (iv) awareness campaigns and consultation meetings with road users and the transport industry, including the fuel dealers.

Part E: Capacity-Building and Institutional Strengthening

1. Strengthening of the sector capacity with regard to air pollution, road safety, inter-modal policy and promotion of mass transport, urban planning, and tools and techniques for evaluating performance and supervising the Project, through the provision of technical advisory services and training.

2. Carrying out of ad-hoc studies and assessments on urban transport, air pollution, urban planning, consistent with the Dakar's growth and land-use masterplan as well as feasibility studies to prepare the second phase of the Program.

3. Carrying out of the institutional reform of the sector and support CETUD in its capacity as project executing agency and regulatory authority for urban transport in the Dakar metropolitan area.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1

thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for supply of mass transit vehicles and works estimated to cost \$2,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for works and goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(d) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(e) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$500,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$2,500,000 equivalent, and goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,800,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Contracts for vehicles for the private sector, under Part C of the Project, estimated to cost the equivalent of \$100,000 or less, and \$1,000,000 in the aggregate, may be procured in accordance with established commercial practices, satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$500,000 or more, and for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to

quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for works supervision and financial audit may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for small studies, advisory services, training and tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Project in accordance with the Project Implementation Manual, and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
2. The Borrower shall prepare and furnish to the Association, not later than March 1 each year a draft preliminary annual work program and budget. The Borrower and the Association shall discuss each preliminary AWPB at the joint annual review referred to in paragraph 3 of this Schedule, and, after incorporating the comments of the Association, the Borrower shall, not later than March 30, adopt the annual work program and budget (AWPB).
3. (a) The Borrower shall carry out, not later than December 31 of each year, jointly with the Association, a comprehensive annual project implementation review aimed at: (i) documenting progress toward objectives; (ii) identifying and resolving obstacles to project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review, and ensuring responsiveness to changes to effectively achieve the objectives of the Project.

(b) The Borrower shall, not later than four weeks prior to the review referred to in (a) above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(c) Promptly after completing such reviews, the Borrower shall carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.
4. The Borrower shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about August 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
 - (c) review with the Association, by September 30, 2002, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the

matter.

Part C of the Project (Association de Financement)

5. Except as the Association shall otherwise agree, and without limitation to the provisions of Section 3.01 (c) of this Agreement, the Borrower shall ensure that the Subsidiary Financing Agreement to be entered into with the AF, pursuant to Section 6.01 (c) of this Agreement, shall include, inter alia, provisions whereby the AF:

(i) shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and to this end it shall agree to carry out Part C of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices and criteria, and to provide promptly as needed, the funds, facilities, services and other resources required therefor;

(ii) shall agree that procurement of goods, works and services required for the Project and to be financed out of the proceeds of the Credit under this Agreement shall be carried out in accordance with the provisions of Schedule 3 to this Agreement;

(iii) shall agree to comply with the audit requirements under the Project, inter alia, to prepare financial statements in accordance with standards acceptable to the Association and audit its accounts by independent auditors acceptable to the Association and submit the audited accounts to the Association no later than six months after the close of its fiscal year;

(iv) shall agree to report quarterly to the Borrower and the Association on the progress of Part C of the Project and on the evolution of the monitoring indicators;

(v) shall agree to submit to the Borrower and the Association for review and comments, its annual capital and operating budgets;

(vi) shall participate fully in the Project reviews referred to in paragraph 3 of this Schedule;

(vii) shall agree to prepare and submit to the Association, not later than six months after the Closing Date, a report on the execution and operation of Part C of the Project, in form and substance acceptable to the Association; and

(viii) shall agree to implement, in conjunction with the Borrower, the Environmental Mitigation Plan.

Terms and Conditions for the Investment Projects under Part C

1. For the purpose of the management of the Lease Financing under Part C of the Project, AF shall enter into a Convention with a private management company consistent with the Project Implementation Manual, and which shall specify, inter alia, the mechanism of operation of the

leasing scheme by said private management company, under terms and conditions satisfactory to the Association.

2. Each lease shall have a maturity not exceeding six years including grace periods of up to one year.

3. Eligible Investment Enterprises shall contribute a minimum of 25% of Investment Project costs.

4. Investment Enterprises shall carry out initial preparation of Investment Projects. AF shall cause the private management company to review and approve the Investment Project in accordance with the Cahier de charge, the Project Implementation Manual and its own analysis procedures which shall continue to be satisfactory to the Association. The appraisal evaluation shall cover relevant information about the Investment Enterprise and the Investment Project, including inter alia, its technical soundness, financial viability, economic efficiency and managerial capacity as well as loan security requirements.

Eligibility Criteria of Investment Projects

5. Except as the Association shall otherwise agree, no Investment Projects shall be considered for financing , unless:

(a) it is supported by an appraisal of the Investment Project's technical viability, and market analysis, and the Investment Enterprise's managerial capacity;

(b) it is for a minimum of \$300,000 and a maximum of \$1,000,000; and

(c) present a summary cash flow analysis to indicate the Investment Enterprise's viability and ability to service the debt.

6. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Credit unless the Lease Financing for such Investment Project shall have been approved in accordance with the procedures described in the Project Implementation Manual.

7. Investments shall be made on terms whereby AF shall obtain by appropriate legal means, rights adequate to protect the interests of the AF, the Borrower and the Association, including the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to the Development Credit Agreement and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Projects;

(c) inspect, by itself or jointly with the Borrower and the Association, if the Association shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice;

(e) obtain all such information as the Association or AF shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under the lease agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 2,800,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 1,400,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 8,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request,

refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

**(PLEASE SEE ORIGINAL FOR PERFORMANCE INDICATORS,
THE FORMAT WOULD NOT FIT INTO DATABASE)**

