

CONFORMED COPY

CREDIT NUMBER 2758 SE

Development Credit Agreement

(Water Sector Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 12, 1995

CREDIT NUMBER 2758 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 12, 1995, 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 June 12, 1995, from the Borrower, describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's water sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to contract from the Kingdom of Belgium (Belgium), Banque Arabe pour le Developpement en Afrique (BADEA), Banque Europeenne d'Investissement (BEI), Banque Ouest Africaine de Developpement (BOAD), Caisse francaise de developpement (CFD), Kreditanstalt fur Weideraufbau (KfW), and Nordic Development Fund (NDF) loans and grants in an aggregate amount equivalent to approximately one hundred ninety-two million four hundred thousand dollars

(\$192,400,000) to assist in financing the Project on the terms and conditions set forth in the respective loan and grant agreements (the Cofinancing Agreements) to be entered respectively between the Borrower and Belgium, BADEA, BEI, BOAD, CFD, KfW, and NDF;

(D) the Borrower intends to contract from various donors, loans or grants in an aggregate amount equivalent to approximately twenty million five hundred thousand dollars (\$20,500,000) to assist in financing the Project on the terms and conditions set forth in the loan or grant agreements (the Additional Financing Agreements) to be entered into between the Borrower and the donors;

(E) Part B of the Project will be carried out by Societe Nationale des Eaux du Senegal (SONES) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SONES a portion of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and SONES;

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, with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "MEFP" means the Borrower's Ministry of Economy, Finance and Planning;

(b) "MH" means Ministere de l'Hydraulique, the Borrower's Ministry of Hydraulics;

(c) "SGPRE" means Service de gestion et de planification des ressources en eaux, the water resources management and planning services of the MH;

(d) "MEAVF" means Mission d'Etude et d'Amenagement des Vallees Fossiles, a department of the MH;

(e) "ONAS" means Office National d'Assainissement, an autonomous entity to be established by the Borrower for the purpose of developing, operating and maintaining urban and peri-urban sanitation structures within the territory of the Borrower;

(f) "SONES" means Societe Nationale des Eaux du Senegal, a company established pursuant to Law No. 95.10 of the Borrower, dated April 7, 1995, to replace the Societe Nationale d'Exploitation des Eaux du Senegal (SONEES);

(g) "SDE" means Societe d'Exploitation, the company to be established within the territory of the Borrower pursuant to Section 6.01 (b) of this Agreement for the purpose of operating and managing the water sector;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to exchanges of letters dated, May 5, 1994, and May 26, 1994, and June 1, 1995, and June 12, 1995, between the Borrower and the Association;

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

(j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SONES pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement and the terms "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement;

(k) "Implementation Manual" means the manual adopted by the Borrower pursuant to Section 6.01(i) and to be used by the Borrower, SONES and ONAS for the purposes of the implementation of the Project;

(l) "Contrat-Plan" means the contract entered into between the Borrower and SONES establishing functional relations between the Borrower and SONES and defining the commitments of the Borrower and SONES as the same may be amended from time to time, and such term includes all schedules to each Contrat-Plan;

(m) "Concession contract" means the contract to be entered into between the Borrower and SONES, for the purposes of granting to SONES the exclusive right to manage the urban water supply facilities including the right to acquire and construct facilities for production, transportation, storage and distribution of drinking water within the territory of the Borrower, as the same may be amended from time to time, and such term includes all schedules to each Concession Contract

(n) "Contrat d'Affermage" means the tripartite contract to be entered into between the Borrower, SONES and SDE, granting to SDE, the exclusive right to produce and distribute drinking water; as the same may be amended from time to time, and such term includes all schedules to each Contrat d'Affermage;

(o) "Performance Contract" means the contract to be entered into between SONES and SDE, for the purpose of specifying the quantitative and qualitative objectives to be met by SDE in the production and distribution of drinking water, and granting SONES an authority of control over SDE, as the same may be amended from time to time, and such term includes all schedules to each Performance Contract;

(p) "Project Agreement" means the agreement between the Association and SONES, 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;

(q) "Implementation Agreement" means the agreement referred to in paragraph 2 of Schedule 4 to this Agreement and to be entered into between the Borrower and ONAS pursuant to Section 6.01 (d) of this Agreement;

(r) "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

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

(t) "Fiscal Year" means the fiscal year of the Borrower starting January 1 and ending December 31, each year.

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 sixty-three million five hundred thousand Special Drawing Rights (SDR 63,500,000).

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 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 CFAF 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 2001, 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 per cent ($3/4$ 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2005, and ending June 1, 2035. Each installment to and including the installment payable on June 1, 2015, 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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:

- (i) shall carry out Parts A and C of the Project through MH and ONAS respectively with due diligence and efficiency and in conformity with

appropriate administrative, financial, management and environmental practices and in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts A and C of the Project;

- (ii) shall cause SONES to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, management and environmental practices, and in accordance with the provisions of the Subsidiary Loan Agreement; and
- (iii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause SONES to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SONES to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall:

(A) relend, out of the proceeds of the Credit, an amount not exceeding the equivalent of SDR 24,300,000, to SONES under a subsidiary loan agreement to be entered into between the Borrower and SONES, under terms and conditions which shall have been approved by the Association, including the following principal terms and conditions: (i) an interest rate of 7.1% per annum on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time; (ii) the terms of the Subsidiary Loan shall be of twenty (20) years including a five-year grace period; and (iii) the principal amount of the Subsidiary Loan shall be the equivalent in CFAF of the amount of the Credit withdrawn from the Credit Account under Part B of the Project (such equivalent to be determined as of the date, or respective date of repayment); and

(B) transfer, out of the Credit, an amount not exceeding the equivalent of SDR 29,700,000 to SONES as equity contribution.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement 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 Loan Agreement or any provision thereof.

(d) The Borrower shall enter into the Implementation Agreement with ONAS, on terms and conditions satisfactory to the Association, including those set forth in paragraph 2 of Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A and C of 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of Parts A and C of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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 SONES pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) Without limitation or restriction on the provisions of Section 3.01, the Borrower and the Association, at the request of either party, shall exchange views on the progress achieved in the carrying out of Parts A and C of the Project. The first such exchange of views shall take place not later than six months after the Effective Date.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out Parts A and C of the Project, in such detail as the Association shall reasonably request.

Section 3.06. The Borrower shall:

- (i) through MH, report to the Association, quarterly on the progress of Parts A and C of the Project including the status of the specified monitoring indicators agreed between the Borrower and the Association; and
- (ii) take all necessary measures to implement the Environmental Mitigation Plan.

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 Parts A and C of the Project of the departments or agencies of the Borrower responsible for carrying out Parts A and C of 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, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall take all necessary measures to increase, annually, the tariff of water, except for water for market gardening, starting January 1, 1996, so as to allow SONES to achieve a targeted financial equilibrium in the water supply sub-sector by December 31, 2003.

(b) The Borrower shall, not later than October 31 of each year, commencing October 31, 1996, review the updated financial projections, and if necessary, readjust the annual tariff increase, so as to permit the realization of the targeted financial equilibrium referred to in paragraph (a) above.

(c) For the purposes of paragraph (a) above, the increase of water tariff, in 1996 and 1997, shall be across the board to all tariff categories.

(d) For the purpose of this Section, targeted financial equilibrium shall mean the equilibrium where the cash shortfall of the water supply sub-sector resorbed by SONES is equal to zero or positive; and cash shortfall shall mean the net income after taxes plus depreciation and provisions minus recovery or reinstatement of depreciation or provisions for depreciation plus other non-cash expenses.

Section 4.03. Without limitation to Section 4.02 of this Agreement, the Borrower shall, not later than July 1, 1997, prepare and furnish to the Association:

(a) a proposal on a new tariff structure for water, except for market gardening, to be implemented as of January 1, 1998;

(b) a proposal on a mechanism to apply the annual percentage increase of the water tariff differentially to the various tariff categories, excluding market gardening; and

(c) subject to approval from the Association, implement the proposals referred to in paragraphs (a) and (b) above.

ARTICLE V

Remedies of the Association

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

(a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) SONES shall have failed to perform any of its obligations under the Project Agreement.

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

(d) Law No. 95.10 of the Borrower dated April 7, 1995, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SONES to perform any of its obligations under the Project Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ONAS or SONES or for the suspension of their operations.

(f) The Additional Financing Agreements shall have failed to become effective by December 31, 1997, or such later date as the Association may agree; provided however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(g) The Performance Contract, the Contrat-Plan, the Concession Contract, the Contrat d'Affermage or the Implementation Agreement shall have been modified so as to affect materially and adversely, in the opinion of the Association, the ability of SONES, SDE or ONAS, as the case may be, to carry out their respective responsibilities under the Project.

(h) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Agreement providing therefor, or (B) any such loan shall have become due and payable prior to

the agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or premature ending is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (h) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (h) (ii) of that Section.

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 Loan Agreement has been executed on behalf of the Borrower and SONES;

(b) SDE has been established, under the terms and conditions acceptable to the Association, and the Borrower has entered into the Contrat d'Affermage with SDE and the Concession Contract with SONES, both under the terms and conditions satisfactory to the Association;

(c) the Borrower has increased the tariff for water by 3% in real terms, and applied the increase as of July 1, 1995, except for the market gardening sub-sector;

(d) the Borrower has established ONAS and has entered into the Implementation Agreement, in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;

(e) the Borrower has adopted the Environmental Mitigation Plan, satisfactory to the Association;

(f) SONES has entered into agreements with commercial banks, under terms and conditions acceptable to the Association, to provide a line of credit in an aggregate amount equivalent to thirty million five hundred thousand dollars (\$30,500,000) for the purpose of financing the temporary cash shortfall of the water supply sub-sector;

(g) the Borrower has appointed an external auditor, with a multi-year contract, in accordance with the provisions of Section II of Schedule 3 to this Agreement, for the purpose of carrying out auditing of Parts A, B and C of the Project;

(h) the Cofinancing Agreements have been executed on behalf of the Borrower and the respective parties and all

conditions, if any, precedent to their effectiveness and initial disbursement of funds thereunder, other than fulfillment of the conditions precedent to the effectiveness of this Agreement, have been satisfied ; and

(i) the Implementation Manual, satisfactory to the Association, has been adopted.

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 SONES, and is legally binding upon SONES in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SONES and is legally binding upon the Borrower and SONES in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister responsible for finance of the Borrower 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, Finance and Planning
Rue Charles Laine
B.P. 4017
Dakar
Senegal

Cable address:	Telex:
MINIFINANCES Dakar	3203 G

For the Association:

International Development Association 1818 H Street, N.W. Washington, D.C. 20433 United States of America	Cable address:	Telex:
INDEVAS Washington, D.C.		248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT)

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/ Edward V.J. Jaycox

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) Civil works		90%
(a) Under Part B of the Project	40,700,000	
(b) Under Part C of the Project	150,000	
(2) Goods and Equipment		
(a) Under Part A of the Project	150,000	100%
(b) Under Part B of the Project	7,700,000	100% of foreign expenditures and 90% of local expenditures
(c) Under Part C of the Project	4,250,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' Services		100%
(a) Under Part A of the Project	3,550,000	
(b) Under Part B of the Project	600,000	
(c) Under Part C of the Project	1,100,000	
(4) Refunding of Project Preparation	1,300,000	Amounts due pursuant to Section 2.02 (c)

Advance		of this Agreement
(5) Unallocated	4,000,000	
TOTAL	63,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. It is understood that the percentages in the table in paragraph 1 of this Schedule have been calculated on the basis of the provisions in Section 3.09 and 1091 respectively of the Law No. 92-40 of the Borrower, dated July 9, 1992 (Code General des Impots), which exempts goods to be financed under the Project from the proceeds of the Credit from taxes and customs duties levied by the Borrower. If any change is made to said law which has the effect of levying taxes or customs duties on such goods, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and equipment under contracts not exceeding \$100,000 equivalent, works under contracts not exceeding \$500,000 equivalent, and services under contracts with consulting firms not exceeding \$100,000, and with individual consultants not exceeding \$50,000, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve management, pricing and cost recovery and reduce subsidy for industrial, domestic and irrigation water in order to increase the sector's sustainability; (ii) increase access to safe potable water and adequate and more affordable sanitation for urban poor in order to alleviate poverty and improve health; (iii) engage a private company to manage urban water supply in order to increase private sector participation; (iv) formulate a national integrated, multi-sectoral policy for the shared use of water for households, industry and agriculture in order to develop a water resources management strategy; (v) strengthen MH, SONES and ONAS in sector policy formulation as well as in the development of strategies for urban and peri-urban sanitation in order to strengthen local capacity; (vi) reduce leakages in the water distribution system and increase water production capacity; and (vii) increase the effectiveness of the existing Dakar sewerage system, develop sanitation in secondary towns and promote reuse of treated municipal water for irrigation.

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: Institutional Strengthening and Capacity Building

1. Ministry of Hydraulics

(a) Strengthening of MH through the provision of technical advisory services on matters related to water resources management as well as computer equipment.

(b) Preparation and implementation of a national water resource management strategy.

(c) Organization of short and long-term training for the benefit of MH staff.

(d) Carrying out of specific hydrological and other studies, including studies related to Lac de Guiers, the revitalization of the Vallees Fossiles and the Maestrichtian aquifer.

(e) Organization of training to key staff of SGPRE in the use of PC-based groundwater modelling.

2. SONES

(a) Strengthening of SONES in its management of water sector policy including the provision of assistance in auditing and analytical accounting.

(b) Provision of technical advisory services in the area of urban water supply.

(c) Carrying out of a public health education and demand management campaign throughout the territory of the Borrower.

(d) Organization of short and long-term training for the benefit of SONES staff.

3. ONAS

(a) Strengthening of ONAS through the provision of technical advisory services in the area of urban sanitation.

(b) Provision of advisory services in the formulation of a national strategy for sanitation in urban and peri-urban areas.

(c) Organization of short and long-term training for the benefit of ONAS staff.

(d) Carrying out of institutional, technical and financial studies, including, inter alia, a study on the affordability of water and sanitation services and the willingness of the beneficiaries thereof to pay.

(e) Preparation of a public information and consultation process to include non-governmental organizations in the said consultation process.

(f) Organization of short and long-term training for the benefit of ONAS staff.

Part B: Urban Water Supply

1. Drinking Water Production

(a) Carrying out of water treatment works to increase the capacity of the existing Ngnith intake.

(b) Construction of about 11 boreholes in the northern coastal zone including the related pipework.

(c) Installation of piezometers to monitor the groundwater table.

(d) Construction of about 100 km of buried transmission main of 1,000 mm diameter between Ngnith and Thies.

(e) Construction of about 55 km of buried transmission main of 1,200 mm diameter between Thies and Point B.

(f) Construction of a 25,000 cubic meter reservoir at Mamelles.

(g) Construction of two boreholes near Thies including the related pipework linking the said four wells to the existing transmission system.

(h) Installation of a remote control and management system for the Dakar water supply system.

2. Water Supply Distribution

(a) Rehabilitation of the Greater Dakar water distribution network consisting of about 100 km pipe of equivalent diameter (100 mm), and about 30,000 connections.

(b) Extension of the existing water distribution network based on an indicative masterplan prepared by SONES.

(c) Installation of about 34,000 low-income house connections and 400 standpipes in the Dakar Region.

(d) Installation of large water meters in the distribution system of Greater Dakar.

3. Logistical Support, Engineering, Studies and Supervision

(a) Provision of technical advisory services to SONES in the carrying out of final studies, preparation of bid documents, and supervision of works.

(b) Preparation of a future water sector project including designing of a pilot plant as model for a new treatment plant and environmental impact study for the said treatment plant.

(c) Carrying out of maintenance and financial audits of SDE for the period covering 1996-2000.

(d) Provision of computer and laboratory equipment.

(e) Carrying out of environmental impact study for a future water sector long-term project.

(f) Rehabilitation of SONES's office facilities.

Part C: Urban Sanitation

1. Dakar Region

(a) Carrying out of works related to sewerage and urban drainage, including, works to connect to existing sewer system.

(b) Carrying out of works related to the treatment and reuse of peri-urban municipal waste waters in peri-urban areas.

2. Secondary Towns and Riparian Centers

Preparation of sewerage master plans for 13 secondary towns and six centers riparian to the Senegal River.

3. Saint Louis

(a) Carrying out of drainage works in St. Louis.

(b) Carrying out of final studies and supervision of the drainage works in Saint Louis.

4. Rufisques

(a) Carrying out of sewerage and sanitation works in Rufisques.

(b) Carrying out final studies and supervision of the sewerage and sanitation works in Rufisques.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

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 the treatment plants and works 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 for goods shall be grouped in bid packages estimated to cost, respectively, \$500,000 and \$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.

Part C: Other Procurement Procedures

National Competitive Bidding

Works estimated to cost \$500,000 equivalent or less per contract and \$4,700,000 equivalent or less in the aggregate,

and goods estimated to cost \$100,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to

the Association, 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 November 30, 1997, May 31, 1999 and November 31, 2000, 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 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 not later than December 31, 1997, June 30, 1999 and December 31, 2000 respectively, 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.

Implementation Agreement:

2. Except as the Association shall otherwise agree, the Borrower shall ensure that the Implementation Agreement to be entered into with ONAS pursuant to Section 6.01(d) of this Agreement, shall include, inter alia, provisions whereby:

- (i) the Borrower shall make available to ONAS, an amount not exceeding the equivalent of five million seven hundred thousand special drawing rights (SDR 5,700,000) on a grant basis, for the purpose of the implementation of Part C of the Project;
- (ii) ONAS shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and to this end ONAS 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;
- (iii) ONAS 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;
- (iv) ONAS 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;
- (v) ONAS 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;
- (vi) ONAS shall agree to submit to the Borrower and the Association for review and comments, its annual capital and operating budgets;
- (vii) ONAS shall participate fully in the Project reviews referred to in paragraph 1 of this Schedule, and the Project launch workshop

referred to in paragraph 4 of this Schedule;

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

3. The Borrower shall ensure that the external auditor appointed pursuant to Section 6.01 (g) of this Agreement shall consolidate the audit reports prepared for Parts A, B and C of the Project, and furnish, not later than one month after its finalization, the consolidated report to the Association.

4. The Borrower shall, not later than one month after the Effectiveness Date, organize, jointly with SONES and ONAS, a Project launch workshop.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 through 3 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 FCFA 500,000,000 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 FCFA 250,000,000 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 1,500,000.

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 a deposit or deposits 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, less the amount of any outstanding special commitment 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.

