

CONFORMED COPY

CREDIT NUMBER 3470 SE

SONES Project Agreement

(Long Term Water Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIETE NATIONALE DES EAUX DU SENEGAL

Dated May 10, 2001

CREDIT NUMBER 3470 SE

PROJECT AGREEMENT

AGREEMENT, dated May 10, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SOCIETE NATIONALE DES EAUX DU SENEGAL (SONES).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Senegal (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to ninety-eight million Special Drawing Rights (SDR 98,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SONES agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Loan Agreement entered into between the Borrower and SONES, SONES has agreed to carry out Parts A and B of the Project on the terms and conditions set forth in said Subsidiary Loan Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined

in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) SONES declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts A and B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and management practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A and B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Association and SONES shall otherwise agree, SONES shall carry out Parts A and B of the Project in accordance with the Implementation Program set forth in Schedule 4 to the Credit Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A and B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Credit Agreement.

Section 2.03. SONES shall carry out 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 the SONES Project Agreement.

Section 2.04. (a) SONES shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A and B of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) SONES shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A and B of the Project, the accomplishment of the purposes of the Credit, or the performance by SONES of its obligations under this Agreement.

Section 2.05. SONES shall: (i) in conjunction with the Borrower and the Association, participate in the annual review and the mid-term review respectively, referred to in paragraphs 12 and 15 of Schedule 4 to the Development Credit Agreement; and (ii) promptly after completing such reviews, carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices.

Section 2.06. SONES shall furnish to the Borrower, for its review and approval:

(a) before the beginning of each Project year, a proposed annual work program, in respect of Parts A and B of the Project, including a proposed budget and financing plan, for the forthcoming fiscal year; and

(b) semiannual and annual progress reports on the status of Parts A and B of the Project, including regular beneficiary feedback.

ARTICLE III

Management and Operations of SONES

Section 3.01. SONES shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and management practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. SONES shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and educational practices.

Section 3.03. SONES shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) SONES shall maintain records and accounts adequate to reflect, in accordance with sound accounting practices its operations, resources and expenditures and financial condition in respect of Parts A and B of the Project.

(b) SONES shall:

- (i) have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 (6) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, SONES 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 SONES, 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 Parts A and B of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Parts A and B of 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 the implementation of Parts A and B of the Project, 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 Parts A and B of 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, SONES 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

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of SONES thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 15 years after the date of this Agreement.

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

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477 6391

For SONES:

Société Nationale des Eaux du Sénégal
97, av. A. Peytavin
Dakar
Senegal

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SONES, or by SONES on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Director General or such other person or persons as the Director General shall designate in writing, and SONES shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each

such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SOCIETE NATIONALE DES EAUX DU SENEGAL

By /s/ Mamadou Mansour Seck

Authorized Representative

