

CONFORMED COPY

CREDIT NUMBER 4151-SE

Financing Agreement

(Agricultural Markets and Agribusiness Development Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2006

CREDIT NUMBER 4151-SE

CREDIT AGREEMENT

AGREEMENT dated July 26, 2006, between REPUBLIC OF SENEGAL (“the Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“the Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Credit Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — CREDIT

WHEREAS

(A) the Association has received a letter from the Recipient, dated November 2, 2005 describing a program designed to increase non-traditional agricultural exports and farm revenues of target producers, (the Program) and declaring the Recipient’s commitment to the execution of such Program;

(B) the Recipient has requested that the Association support the Recipient’s execution of the Program through a series of credits over a period of approximately 10 years to be utilized by the Recipient in the implementation of the Program;

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty four million seven hundred thousand Special Drawing Rights (SDR 24,700,000) (“the Credit”) to assist in the implementation of project described in Schedule 1 to this Agreement (“the Project”);
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement.

- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the EURO.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has recruited key staff of PCU, including the project coordinator, a financial management specialist, a procurement specialist, and a monitoring and evaluation specialist, all with qualification and experience acceptable to the Association;
 - (b) The Recipient has: (i) adopted the Project Implementation Manual (PIM), and the Project Administrative, Financial and Accounting Manual (PAFAM), in form and substance acceptable to the Association; and (ii) installed an accounting software at PCU, acceptable to the Association;

- (c) The Recipient has hired an external auditor under terms and conditions acceptable to the Association, consistent with the procurement procedures referred to in Section III of Schedule 2 to this agreement;
- (d) The Recipient has entered into agreements, in form and substance acceptable to the Association, with SAED and ANCAR, respectively, for the implementation of some of the activities to be carried under Parts A and C; and
- (e) The Recipient has taken all actions necessary on its part to put the infrastructures built under AEPP (the airfreight terminal at the international airport of Dakar, and the packing house at Sangalkam) under private management under terms and conditions acceptable to the Association.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Minister at the time in charge of finance.

5.02. The Recipient's address is:

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

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

5.03. The Association's address is:

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

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

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

REPUBLIC OF SENEGAL

By: /s/ Abdoulaye Diop
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Madani M. Tall
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase non-traditional agricultural exports and farm revenues of agricultural producers.

Project constitutes the first phase of the Program, and consists of the following parts:

Part A: Improving domestic marketing conditions

1. Domestic Supply Chains Consolidation through: (a) testing of innovative business models adapted to small producers and small and medium agricultural enterprises (SMAEs) in key promising supply chains for the domestic and regional markets; and (b) assisting eligible small producers and SMAEs interested in applying these innovations to implement well-defined business development projects (Sub-Projects); and (c) conducting related diagnostic studies.
2. Rural Market Infrastructure through: (a) designing and building innovative rural collective platforms for handling key products such as onions, tubers, bananas and confectionary groundnuts; (b) during an initial phase, operating selected platforms, to develop and test a quality management system before transferring their management to the private sector.
3. Knowledge Management through: (a) development and implementation of an overall marketing and communication strategy for domestic supply chains, (b) putting in place a rural market information system (RMIS) to generate and disseminate domestic market knowledge and information; and (c) promoting knowledge sharing through dissemination of results of tests conducted under the Project, and lessons learned from the funded of Sub-projects.
4. Development of Animal Products Markets to modernize the domestic supply chains for animal products through: (a) improvement of food safety in the marketing of animal products; (b) modernization of the marketing channels for red meat; and (c) modernization of the marketing channels for poultry and eggs, including capacity building of key participants; preparation and implementation of strategies for development and promotion of products; building of model market infrastructure for handling animal products; and provision of grants to finance to support the implementation of innovative business models.

Part B: Development of Agricultural Exports

1. Innovation and Quality Management through: (a) diversification of products and production zones, through provision of Matching grants for Sub-projects; (b) development of centers for innovation and quality management within existing training institutions in key regions; (c) development of SeneGAP -- a set of guidelines to implement modalities of compliance with EurepGAP, for small-scale farmers; and (d) support the Recipient in its efforts to obtain EU accreditation that will allow it to ensure the country's fruits and vegetables chains' compliance with the European Community's Regulation (EC) No 1148/2001.
2. Agricultural Export Infrastructure including: (a) development of collective post-harvest infrastructure and services, such as warehousing/packaging/cold storage facilities at farm gate level, in key locations; (b) building, in partnership with the Port Authority of Dakar and a private operator, a container handling/freight facility area at the port of Dakar; and (c) restructuring, for enhanced functionality, the existing *Saint-Louis Agropôle*.
3. Building Agricultural Export Institutions through: (a) the development of the *Fondation Origine Sénégal – Fruits et Légumes*; (b) strengthening the capacities of producers/exporters' organizations; and (c) consolidating market information system through: (i) the development of an integrated and dynamic database; (ii) provision of market intelligence on export markets; and (iii) support to specialized publications such as I-FLEX.

Part C: Development of Private Irrigation

1. Building Public Irrigation Infrastructures in the Senegal River Delta including critical public infrastructures needed to attract private investors to develop innovative irrigation schemes for crop diversification, such as the: (a) recalibration and civil works on the Lampsar River; (b) creation of secondary canals that will connect to private investor's perimeters; and (c) technical studies for the recalibration and civil works on Gorom-Aval River, and for the opening of the Krankaye's Canal.
2. Promotion of Irrigation for Crop Diversification in the Senegal River Delta to help smallholders, SMEs and agribusiness enterprises establish innovative irrigation schemes adapted to their business plans, and support technical advisory services to ensure the viability of these schemes, including provision of grants to family-farms, SMEs, and agribusiness enterprises.
3. Promotion of Micro-Irrigation for Crop Diversification in Niayes, the Groundnut Basin and Senegal Oriental through: (a) carrying out irrigation demonstrations activities

adapted to each region; (b) helping smallholders in these regions in carrying out innovative irrigation schemes adapted to their business plans, through provisions of grants; and (c) supporting technical advisory services to ensure the viability of these schemes.

4. Knowledge Management and Strategic Studies to assist the Recipient in assessing opportunities and constraints and developing a strategy for rapid irrigation development as part of the preparation of the second phase of the Program, including: (a) designing the master management plan of Lac de Guiers; (b) assessing the irrigation potential in other parts of the country; (c) preparing a national development plan for irrigation; and (d) strengthening the monitoring and evaluation capacities of SAED.

Part D: Project Management, Coordination, Monitoring and Evaluation

Support for the Project management, coordination, monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Project Coordination and Management.

1. The Recipient shall establish a Steering Committee, with composition and terms of reference acceptable to the Association, to be responsible for the overall coordination and oversight of the implementation of the Project.
2. The Recipient shall establish Approval Committees in the Niayes, Senegal River Basin, and broader groundnut basin regions, with composition and terms of reference acceptable to the Association, to be responsible for the approval of Subprojects to be financed under the Project.
3. The Recipient shall establish a Project Coordination Unit, with terms and reference acceptable to the Association, to be responsible for the implementation, coordination, monitoring, and evaluation of the Project.
4. The Recipient shall enter into agreements with SAED and ANCAR, respectively, in form and substance acceptable to the Association, for the implementation of some of the activities to be carried out under Parts A, B and C of the Project.
5. (a) Not later than December 31, 2006, the Recipient shall have established a Foundation *Origine - Sénégal - Fruits et Légumes*, with terms of reference acceptable to the Association; and (b) not later than June 30, 2008, the Recipient shall have entered into an agreement with said entity, under terms and conditions acceptable to the Association, for the implementation of some of the activities to be carried out under Part B of the Project.
6. The Recipient shall submit to the Association SAED's annual audited financial statements, not later than six months after the end of its fiscal year.

B. Project Manuals

1. The Recipient shall adopt a Project Implementation Manual (PIM), in form and substance satisfactory to the Association, setting out detailed institutional, organizational and other arrangements for the implementation of the Project.

2. The Recipient shall adopt a Project Administrative, Financial and Accounting Manual (PAFAM), in form and substance satisfactory to the Association, setting out detailed administrative, financial, and accounting for the implementation of the Project.
3. The Recipient shall carry out the Project in accordance with the provisions of the PIM and the PAFAM, and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

C. Environmental and Social Safeguards

The Recipient shall carry out the Project activities in accordance with the guidelines, procedures and timetables and other specifications set forth in the Environmental and Social Management Framework (ESMAF) and the Resettlement Policy Framework (RPF), and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

D. Matching Grants for Subprojects

1. The Recipient shall provide Matching Grants to finance part of the activities under Parts A, B and C of the Project. Matching Grants shall be provided in accordance with guidelines, procedures and eligibility criteria acceptable to the Association and set forth in the PIM. Such provisions shall include, but not be limited to, the following:
 - (a) Matching Grants shall be provided for any of the activities referred to in Parts A, B and C of the Project; and
 - (b) activities to be financed by Matching Grants shall be in compliance with:
 - (i) applicable laws and regulations of the Recipient; and
 - (ii) criteria and standards set forth in the PIM.
2. To provide Matching Grants, the Recipient shall enter into a Matching Grant Agreement with the Beneficiary under terms and conditions satisfactory to the Association, which shall include the following:

- (a) a description of the approved activities, with its budget and its performance indicators;
- (b) provisions requiring the financing to be made on a grant basis;
- (c) the Beneficiary's obligation to: (i) carry out the activities with due diligence and efficiency, and in accordance with sound administrative, technical and financial standards, taking into account social and environmental implications, and in accordance with the provisions of the PIM; (ii) maintain adequate records to reflect, in accordance with simple and sound accounting practices defined in the PAFAM, the operations, resources and expenditures in respect of the activity; and (iii) maintain adequate reporting in accordance with the standards specified in the PIM and in the PAFAM;
- (d) the requirements that: (i) the goods, works, and services to be financed from the proceeds of the Matching Grant shall be procured in accordance with the procedures set forth in the PIM; and (ii) such goods, works, and services shall be used exclusively in the carrying out of the activities under Parts A, B and C of the Project;
- (e) the right of the Recipient to inspect, by itself, or jointly with the Beneficiary, and the Association, if the Association shall so request, the goods, works, sites, services and construction financed by the Matching Grant, the operations thereof, and any relevant records and documents;
- (f) the right of the Recipient to obtain all information as the Recipient, the Beneficiary, or the Association shall reasonably request regarding the administration, operations and financial conditions of the activities financed by the Grant; and
- (g) the right of the Recipient to suspend or terminate the Beneficiary's right to use the proceeds of the Matching Grant upon failure by the beneficiary to perform any of its obligations under the Matching Grant Agreement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section

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

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Outcome indicators:

- ③ Horticultural and non-traditional agricultural exports have reached 30,000 tons by the completion of the Project;
- ③ Farm revenues of producers supported by the Project have increased by 60 % by the completion of the Project.

(ii) Key output indicators:

- ③ At least 5 Subprojects for each of the five targeted supply chains in the domestic market have been funded through the Matching Grant mechanism and implemented;
- ③ One third of the producers supported by the project has implemented SénéGAP Protocol;
- ③ The Recipient has received EU accreditation related to EC No 1148-2001 on check on conformity to the marketing standards for fresh fruits and vegetables; and
- ③ At least 2,500 hectares for irrigation have been developed or improved by small farmers and agribusiness SMAES supported by the Project for crop diversification and export.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Completion date.

B. Financial Management, Financial Reports and Audits.

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than one month after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods, works, and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services (other than consultants' services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services (other than consultants' services) shall be procured under contracts awarded on the basis of International Competitive Bidding. Domestic preference will apply when included in bidding documents.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods

- (a) *National Competitive Bidding;*
- (b) *Shopping;*
- (c) *Direct Contracting; and*
- (d) *Community Participation.*

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. For the purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for consulting services estimated to cost less than \$100,000 equivalent, per contract, may include only consultants from the country of the Recipient.
3. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods

- (a) *Least Cost Selection (LCS);*
- (b) Selection Based on the Consultants' Qualifications (SQC);
- (c) Single Source Selection (SSS); and
- (d) Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods, works, and services (other than consultants' services estimated to cost the equivalent of \$250,000, \$500,000, and \$50,000 or more, respectively; (b) the first two contracts procured on the basis of National Competitive Bidding; (c) all contracts procured on the basis of Direct Contracting; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) each contract for consultants' services provided by an Individual Consultant estimated to cost the equivalent of \$50,000 or more; and (f) all contracts on Single Source Selection basis. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions and of this Section and such additional instructions as the Association shall specify by notice to the Recipient, to: (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance other Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

	Categories	Amount of the Credit Allocated (expressed in SDR)	% of expenditures to be financed
(1)	Works	4,940,000	100% of foreign expenditures and 90% of local expenditures
(2)	Goods	2,190,000	100% of foreign expenditures and 90% of local expenditures
(3)	Consultants' services and audits	5,640,000	100% of foreign expenditures and 90% of local expenditures
(4)	Non-consultant Services	430,000	100% of foreign

			expenditures and 90% of local expenditures
(5)	Training	1,060,000	100%
(6)	Matching Grant	4,440,000	100% of amount disbursed
(7)	Operating costs	2,820,000	100%
(8)	Reimbursement of Project Preparation Facility (PPF)	850,000	Amount payable pursuant to Section 2.07 of the General Conditions
(9)	Unallocated	2,330,000	
TOTAL		24,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement; or
- (b) under Category (2) unless Matching Grants have been made in accordance with the provisions set forth or referred to in the PIM and the provisions of Part D of Section I of this Schedule 4.

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

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

(c) the term “operating costs” means incremental recurrent expenditures incurred on account of the Project implementation, office supplies, fuel and maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent and insurance for vehicles, motorcycles and office equipment and furniture,

bank and services fees, travel and supervision, but excluding salaries of the Recipient's civil service.

3. The Closing Date is December 31, 2011.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 15 and July 15:	
commencing July 15, 2016 to and including January 15, 2026	1%
commencing July 15, 2026 to and including January 15, 2046	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004;
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;
4. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
5. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 16, 2005 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;
6. “Program” means the program designed to increase non-traditional agricultural exports and producers revenues and set forth or referred to in the letter dated November 11, 2005 from the Recipient to the Association;
7. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letters agreement signed on behalf of the Association on May 18, 2004 and June 20, 2005, respectively, and on behalf of the Recipient on June 8, 2004 and June 30, 2005, respectively;
8. “Subproject” means any activity under Parts A, B and C of the Project, in respect of which a Matching Grant has been, or may be, provided;
9. “SAED” means *Société Nationale d’Aménagement et d’Exploitation des Terres du Delta du Fleuve Sénégal et des Vallées du Fleuve Sénégal et de la Falémé* established and operating pursuant to the Laws of the Recipient;
10. ANCAR means *Agence Nationale de Conseil Agricole et Rural* established and operating pursuant to the Laws of the Recipient;

11. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s document dated June 20, 2005 referred in paragraph C of Section I of Annex II to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts, including resettlement of the Affected Person;
12. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient, dated July 22, 2005, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications of the resettlement / compensation to be made under the Project to Affected Persons and referred to in paragraph C of Section I of Annex II to this Agreement;
13. “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons; and
14. “EurepGap” means the Euro-Retailer Produce Working Group (Eurep) for Good Agricultural Practice.