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CREDIT NUMBER 4642-SN

Financing Agreement

(Public Finance Support - Development Policy Financing)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated, July 10, 2009

FINANCING AGREEMENT

Agreement dated July 10, 2009, entered into between REPUBLIC OF SENEGAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore 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 this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty million and four hundred thousand Special Drawing Rights (SDR 40,400,000) (variously, “Credit” and “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is the Euro.

ARTICLE III — PROGRAM

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following: a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. 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

6.03. The Association's Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

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

REPUBLIC OF SENEGAL

By:

**/s/ Habib Fetini
Authorized Representative**

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

**/s/ Abdoulaye Diop
Authorized Representative**

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

A. **To restore budgetary discipline and avoid a recurrence of fiscal slippages**

1. (i) Adoption of a decree by the council of ministers of the Recipient that limits spending carryover to the budget of the next fiscal year to 5 percent of the previous fiscal year's appropriations; (ii) carrying out of an inventory by the MoF of all active public procurement contracts; and (iii) adoption by the Council of Ministers of a supplemental budget (*Loi de Finances Rectificative*) for the fiscal year 2009 reflecting such new carry-over rules.
2. Make the new public financial accounting system (ASTER) functional in all the centralizing accounting stations, as evidenced by the production and submission to the Association of monthly balances of the Recipient's Treasury on ASTER with the objective to produce consolidated public account balances.
3. Publication on the web site of the MoF of monthly budget execution reports from SIGFIP every month, including the January, February and March monthly reports.
4. Preparation of the public accounts for financial year 2006 and submission of the prepared public accounts to the Audit Office (*Cour des Comptes*).
5. Adoption by ARMP of a regulation approving the standard bidding documents for works, goods and consulting services and making the use of such documents mandatory in public procurement operations.

B. **Mitigate fiscal risks emanating from public sector entities**

6. (i) Submission to Parliament of a law on public sector agencies with the objective to strengthen the regulatory framework for improved oversight of agencies; (ii) adoption by Parliament of such law; and (iii) issuance of related implementing regulations that define the conditions of creation, dissolution, operation and control of such entities.
7. Initiation of an action plan to restore the financial soundness of hospitals, as evidenced by: (i) the adoption by the managers of the twenty hospitals in the Recipient's territory, the ministry in charge of health and the ministry in charge of economy and finance of a memorandum of understanding that ensures that all twenty hospitals develop a financial

recovery plan as a condition for state financial assistance; (ii) the creation of an inter-ministerial committee, including representatives from the ministry of the Recipient in charge of health and the ministry of the Recipient in charge of economy and finance, responsible for the oversight of hospital recovery plans; (iii) the creation of an oversight unit for the *Sésame* plan of the ministry in charge of health; and (iv) adoption and publication of a decree by the council of ministers of the Recipient that sets out a health map for 2008-2013.

C. Protect key developmental objectives

8. Adoption and communication of a ministerial ordinance by the Minister of the Recipient in charge of environment that confirms the abolition of the quota system for wood cutting and charcoal production from January 1, 2010 onwards, and prohibits wood cutting for charcoal production in non-community managed forests.
9. Operationalization of the FERA through: (i) the adoption of a decree by council of ministers of the Recipient establishing the FERA; (ii) the adoption of a decree by the MoF creating road user charge; (iii) the appointment of an administrator for the FERA; and (iv) the opening of an account for the FERA at the Recipient's central bank; and (v) the transfer to such bank account of the proceeds from the road user charge through the adoption by the Council of Ministers of a supplemental budget (*Loi de Finances Rectificative*) for the fiscal year 2009 authorizing such transfer.
10. Transfer of budgetary appropriations for the FDD and FECL to local communities for financial year 2009 by the MoF.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Tranche	40,400,000
TOTAL AMOUNT	40,400,000

- C. Deposits of Financing Amounts.** Except as the Association may otherwise agree:
1. all withdrawals from the Financing Account shall be deposited by the Association into a dedicated foreign currency account designated by the Recipient and acceptable to the Association (“Deposit Account”); and
 2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.
- D. Audit.** Upon the Association’s request, the Recipient shall:
1. have the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
 3. furnish to the Association such other information concerning the Deposit Account and its audit as the Association shall reasonably request.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is March 31, 2010.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2019 to and including March 15, 2029	1
commencing September 15, 2029 to and including March 15, 2049	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

Section I. Definitions

1. “ARMP” means *Autorité de Régulation des Marchés Publics*, the agency of the Recipient in charge of public procurement.
2. “Audit Office” means *Cour des Comptes*, the entity in charge of external control of public finances of the Recipient, including ensuring the auditing of accounts and of the management of public establishments and enterprises, assisting the parliament of the Recipient and the government of the Recipient in controlling budget law execution, and conducting studies on the public finance of the Recipient.
3. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except

Group	Sub-group	Description of Item
		watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
4. "FDD" means the *Fonds de Dotation de la Décentralisation*, the local government operating fund through which the flow of fiscal transfers from the central budget to local governments is managed.
 5. "FECL" means the *Fonds d'Équipement des Collectivités Locales*, the local government investment fund through which the flow of fiscal transfers from the central budget to local governments is managed.
 6. "FERA" means the *Fond d'Entretien Routier Autonome*, the Autonomous Road Maintenance Fund.
 7. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
 8. "MoF" means the ministry of the Recipient in charge of economy and finance.
 9. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the

letter dated June 4, 2009 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

10. "SESAME plan" means the action plan adopted by the Recipient's ministry in charge of health dated September 1, 2006 which seeks to allow for full and free coverage of hospital care to all citizens above the age of 60.
11. "SIGFIP" means the *Système Intégré de Gestion des Finances Publiques*, the Recipient's integrated public financial management system.
12. "Single Tranche" means the amount of the Financing allocated to the category entitled "Single Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. Program Monitoring and Evaluation

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.