

CONFORMED COPY

CREDIT NUMBER 3470 SE

Development Credit Agreement

(Long Term Water Sector Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 10, 2001

CREDIT NUMBER 3470 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 10, 2001, 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 February 8, 2000, 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 Fonds Africain de Développement (FAD), European Investment Bank (EIB), Agence française de développement (AFD) Kreditanstalt für Wiederaufbau (KfW) and Nordic Development Fund (NDF), loans and grants in an aggregate amount equivalent to approximately eighty one million three hundred thousand Dollars (\$81,300,000) 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 FAD, EIB, AFD, KfW and NDF;

(D) Parts A and B of the Project will be carried out by Société Nationale des

Eaux du Sénégal (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 the SONES 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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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) "AGETIP" means Agence d'Exécution de Travaux d'Intérêt Public, an entity established and operating under Law No. 66-70 dated July 13, 1966 of the Borrower, and which is responsible for the financing of eligible Subprojects (as hereinafter defined) under Part D of the Project pursuant to a Subsidiary Administration Agreement (as hereinafter defined) to be entered into between ONAS (as hereinafter defined) and AGETIP;

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

(c) "Beneficiary" means a household or a community-based organization (CBO) which is the recipient of a Grant (as hereinafter defined) under Part D of the Project;

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

(e) "DBF" means the design, build and finance package to be obtained by the Borrower from a private sector company for the purpose of designing, building and financing a treatment plant near the Lac de Guiers;

(f) "DBF Contract" means the contract to be entered into between a private sector company and the Borrower/SONES (as hereinafter defined) for the purpose of the DBF;

(g) "Environmental Mitigation Plan" means the environmental mitigation plan to be prepared and adopted by the Borrower on October 22, 1999 detailing the measures proposed to address the adverse environmental impact of investments under the Project;

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

(i) "Grant" means a grant proposed to be made to an eligible Beneficiary out of the proceeds of the Credit and through a Grant Agreement (as hereinafter defined) to be entered into between AGETIP and such Beneficiary for the purpose of financing the carrying out of a sanitation Subproject (as hereinafter defined) under Part D of the Project;

(j) "Grant Agreement" means the Agreement entered into between AGETIP and a Beneficiary for the financing of an eligible sanitation Subproject (as hereinafter defined);

(k) "Implementation Agreement" means the agreement referred to in paragraph 3 of Schedule 4 to this Agreement to be entered into between the Borrower and ONAS pursuant to Section 6.01 (e) of this Agreement;

(l) "MOF" means Ministère de l'Economie et des Finances, the Borrower's Ministry of Economy and Finance;

(m) "MEH" means Ministère de l'Energie et de l'Hydraulique, the Borrower's Ministry of Energy and Hydraulics;

(n) "ME" means Ministère de l'Environnement, the Borrower's Ministry of Environment;

(o) "MIS" means the Monitoring and Information System to be used for Project implementation under Part E of the Project;

(p) "NGO" means a Non Governmental Organization operating under the laws of the Borrower;

(q) "ONAS" means Office National d'Assainissement, a public interest entity established by Law No. 96-02 of the Borrower dated February 22, 1996 for the purpose of developing, operating and maintaining urban and peri-urban sanitation services within the territory of the Borrower and which is responsible for implementing Parts C and D of the Project pursuant to an Implementation Agreement to be entered into between the Borrower and ONAS;

(r) "Project Account" means the account referred to in Section 3.05 (a) of this Agreement;

(s) "PCU" means Project Coordination Unit, referred to in paragraph 8 of Schedule 4 to this Agreement;

(t) "PSC" means Project Steering Committee, referred to in paragraph 7 of Schedule 4 to this Agreement;

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

(v) "Procedures Manual" means the manual referred to in Section 6.01 (c) of this Agreement and setting forth, inter alia, eligibility criteria and procedures for review and award of Subprojects (as hereinafter defined), terms and conditions for Grant Agreements relating thereto, including procurement and accounting procedures and audits thereof, all to be used for the implementation of Part D of the Project, as the same may be amended from time to time with the Association's prior consent, and such term includes any Schedules to the Procedures Manual;

(w) "Project Implementation Plan" and "PIP" mean the manual adopted by the Borrower pursuant to Section 6.01 (c) to be used by the Borrower and SONES for implementing the Project, as the same may be amended from time to time, and such term includes all schedules to the Project Implementation Plan;

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

(y) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to a letter signed on behalf of the Association on August 13, 1998 and on behalf of the Borrower on September 18, 1998;

(z) "Project Year" and "PY" mean each twelve month period during Project implementation starting from the date after the Effective Date and each subsequent twelve month period thereafter during Project Implementation;

(aa) "SDE" means Sénégalaise des Eaux, a private company established for the purpose of managing the water sector, and operating pursuant to its articles of incorporation dated January 4, 1996;

(bb) "Secondary Centers" or "Secondary Cities" mean the areas or cities of St. Louis, Louga, Kaolack, Rufisque, Thiès and Tambacounda;

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

(dd) "SONES" means Société Nationale des Eaux du Sénégal, a company established pursuant to Law No. 95.10 of the Borrower, dated April 7, 1995;

(ee) "SONES 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 SONES Project Agreement;

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

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

(hh) "Subproject" means a specific sanitation project proposed to be carried out by a Beneficiary utilizing the proceeds of a Grant made under Part D of the Project; and

(ii) "Subsidiary Administration Agreement" means the agreement to be entered into between ONAS and AGETIP for the implementation of Part D of the Project, pursuant to paragraph 4 of Schedule 4 to this Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ninety-eight million Special Drawing Rights (SDR 98,000,000).

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: (i) 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; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made for the benefit of a beneficiary under a Grant Agreement, to meet the reasonable cost of goods and services required for a Subproject to be financed under Part D of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in

CFAF a special deposit account for the purpose of the Project, 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 Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 2007 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 January 15 and July 15 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 January 15 and July 15 commencing July 15, 2011 and ending January 15, 2041. Each installment to and including the installment payable on January 15, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end: (A) shall carry out Parts E, F and G of the Project through MEH 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 E, F and G of the Project; (B) shall carry out Part C and D of the Project through ONAS with due diligence and efficiency and in conformity with appropriate engineering, public utility, 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 C and D of the Project; (C) 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 SONES 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 allocated to categories 1 (b) and 2 (a), not exceeding the equivalent of SDR 5,200,000 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 5.4% per annum on the principal amount of the SONES Subsidiary Loan withdrawn and outstanding from time to time; (ii) the terms of the SONES Subsidiary Loan shall be of twenty (20) years including a five-year grace period; and (iii) the principal amount of the SONES Subsidiary Loan shall be the equivalent in CFAF of the amount of the Credit withdrawn from the Credit Account under Parts A.2 and B of the Project (such equivalent to be determined as of the date, or respective date of repayment); and

(B) make available out of the proceeds of the Credit an amount not exceeding the equivalent of SDR 47,300,000 to SONES as an equity contribution.

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

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

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

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

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

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

Section 3.05. Without limitation or restriction on the provisions of Section 3.01, the Borrower, for purposes of making available its counterpart contribution to the financing of the Project shall:

(a) open and maintain, for the duration of the Project, an account (the Project Account) in CFAF on its Treasury Books, on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into the Project Account, in an amount equivalent to CFAF 200,000,000 to finance the Borrower's contribution to the Project;

(c) thereafter replenish the Project Account up to the amount specified in the AWPB whenever its balance shall be less than CFAF 100,000,000 in each FY during implementation of the Project; and

(d) ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project in addition to those financed from the proceeds of the Credit.

Section 3.06. (a) The Borrower shall take all necessary measures to increase, annually, the tariff of water, starting January 1, 2001, so as to allow SONES to achieve a targeted financial equilibrium in the water supply sub-sector by December 31, 2003; and

(b) for the purpose of this Section, "targeted financial equilibrium" shall mean the equilibrium such that the net cash and near cash balance of SONES, without the drawings under the line of credit provided by the commercial banks (the commercial line of credit), is positive or zero; the net cash and near cash balance at the end of any given year shall mean the cash and near cash at the beginning of that year, without the commercial line of credit, plus the net cash flow (positive or negative) for that year; and the net cash flow for that year shall mean the sum of the net operating cash flow, plus any additional external financing (grants, subsidies, increases in equity capital and drawings under loans of more than one year except for drawings under the commercial line of credit) received during that year, less the increase in net working capital requirement, the repayments of loans of more than one year (except for the commercial line of credit), and the investments for that year.

Section 3.07. (a) The Borrower shall take all necessary measures to increase annually the sewerage surcharge levied on water consumption starting January 1, 2001,

so as to allow the annual operating revenues of ONAS to be equal to or higher, by December 31, 2003, than the sum of: (i) the annual cash operating expenditures; and (ii) the annual expenditures for equipment renewal; and

(b) for the purpose of this Section:

- (i) "cash operating expenditures" shall mean the sum of all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest; and
- (ii) "expenditures for equipment renewal" shall mean expenses made for the replacement of assets with a lifespan shorter than 15 years, such expenses to be made in accordance with the assets renewal program prepared by ONAS pursuant to paragraph 3 (k) of Schedule 4 to this Agreement.

Section 3.08. (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 C, D, E, F and G 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 C, D, E, F and G of the Project, in such detail as the Association shall reasonably request.

Section 3.09. The Borrower shall:

(a) through MEH, report to the Association, quarterly on the progress of Parts C, D, E, F and G of the Project including the status of the specified monitoring indicators agreed between the Borrower and the Association; and

(b) 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 C, D, E, F and G of the Project of the departments or agencies of the Borrower responsible for carrying out Parts C, D, E, F and G 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) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than 18 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (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 SONES 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 SONES 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 SONES Project Agreement;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SONES or for the suspension of its operations;

(f) as a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that the DBF or the DBF Contract will be carried out; and

(g) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any grant or loan under the Cofinancing Agreements made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective agreements under the Cofinancing Agreements 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 prematuring 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 paragraphs (b) and (c) 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) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (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 Borrower has opened the Project Account pursuant to Section 3.05 (a) and has deposited therein the initial deposit referred to in Section 3.05 (b) of this Agreement;

(b) the SONES Subsidiary Loan Agreement has been executed on behalf of the

Borrower and SONES;

(c) the Borrower has adopted the Project Implementation Plan and the Procedures Manual, both in form and substance satisfactory to the Association;

(d) the DBF contract has been executed and has become effective;

(e) the Borrower has entered into the Implementation Agreement with ONAS, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(f) the Borrower has: (i) established in ONAS a financial management system, in form and substance satisfactory to the Association; and (ii) carried out the reorganization of the financial and accounting services of ONAS in accordance with methods, procedures, and with accounting staff satisfactory to the Association, and who has been employed pursuant to Section II of Schedule 3 to this Agreement;

(g) the Borrower has caused ONAS to conclude with AGETIP the Subsidiary Administration Agreement for the implementation of Part D of the Project and such agreement has become effective; and

(h) the PCU has established a financial management system satisfactory to the Association and has, in accordance with the provisions of Section II of Schedule 3 to this Agreement, appointed an Accountant with qualifications and experience satisfactory to the Association.

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

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

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

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

MINIFINANCES

Telex:

3203 G

Dakar

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: Facsimile:

248423 (MCI) or (202) 477-6391  
64145 (MCI)

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

REPUBLIC OF SENEGAL

By /s/ Mamadou Mansour Seck

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works		
(a) Under Parts A.1 of the Project	32,000,000	100%
(b) Under Part A.2 and B of the Project	7,400,000	90%
(c) Under Part C and D of the Project	12,100,000	90%
(d) Under Part E, F and G of the Project	2,400,000	90%
(2) Goods		100% of foreign expenditures and 90% of local expenditures

	(a) Under Parts A and B of the Project	2,200,000	
	(b) Under Part C and D of the Project	300,000	
	(c) Under Parts E, F and G of the Project	500,000	
(3)	Grants	12,100,000	100% of amounts disbursed
(4)	Consultants services		100%
	(a) Under Parts A and B of the Project	4,000,000	
	(b) Under Part C and D of the Project	3,100,000	
	(c) Under Parts E, F and G of the Project	2,500,000	
(5)	Training		100%
	(a) Under Parts A and B of the Project	600,000	
	(b) Under Part C and D of the Project	400,000	
	(c) Under Parts E, F and G of the Project	2,200,000	
(6)	Operating costs	500,000	90%
(7)	Refunding of Project Preparation Advances	1,200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8)	Unallocated	14,500,000	
	TOTAL	98,000,000	

2. For the purpose 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;

(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"; and

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

3. Notwithstanding the provisions of paragraph 1 above concerning the percentages of expenditures for Categories 1 to 6, if the Association determines that Law No. 92-40 of the Borrower shall have been in any way amended, suspended, abrogated,

replaced, repealed or waived so as to deny exemption of tax and custom duties on goods, civil works and consultant services to be financed under the Project, including for Parts A and B to be implemented by SONES, the Association shall decrease such percentages in accordance with Section 5.08 of the General Conditions.

4. 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.

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 equivalent, and with individual consultants not exceeding \$50,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in achieving sustainable improvements in the delivery of urban water and sanitation services in unserved and low-income areas of Dakar and secondary cities by: (i) supporting further institutional and regulatory reforms and policy enhancements, thus consolidating and building on achievements of the ongoing Water Sector Project; (ii) removing major water production and distribution capacity constraints with the help of private sector financing; (iii) supporting the rehabilitation of the sewerage networks and increasing the waste water treatment capacity; (iv) implementing a community-based program for promoting and developing on-site and semi-collective sanitation services; and (v) supporting the development of capacities of sector agencies, communities and households.

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: Urban Water Supply - Dakar

1. Construction of a new transmission main (70 kilometers) to transfer water from the treatment plant (including pumping station) to be built in Keur Momarr Sarr under the DBF packaging.
2. Improving the reliability, quality, quantity and coverage of water supply services in unserved and low-income areas of Dakar through: (i) rehabilitation and extension of the tertiary distribution network; (ii) rehabilitation and extension of secondary distribution network and storage capacity; and (iii) installation of low-income house connections and public standpipes.

#### Part B: Urban Water Supply- Secondary Centers

Expansion and reinforcement of the drinking water networks in the capitals of Tambacounda, Saint-Louis and Kaolack, and rehabilitation and strengthening of water distribution systems in 20 semi-urban centers to be incorporated into SONES' service area upon completion, including: (i) rehabilitation and extension of secondary and tertiary distribution networks; (ii) expansion of production and storage capacity; and (iii) construction of connections and public standpipes.

#### Part C: Sewerage and Drainage

1. Improving the sewerage system of Dakar including: (i) updating the mapping of Dakar's sewerage network; (ii) installing and rehabilitating 8,800 connections on the existing network and constructing 27,000 linear meters of network extensions and septage collection facilities connected to the sewer networks; (iii) providing a new outfall at Cambérène treatment plant; and (iv) rehabilitating 3 pumping stations on the existing network.

2. Improving the stormwater drainage in Dakar through the construction of drainage infrastructure for the Triangle Sud, including the construction of 3.5 km drains, a holding basin and a pumping station.

3. Improving the wastewater systems in Secondary Centers through: (i) the construction of 5,000 connections and 15 km of network extensions to allow the connections in the cities of St Louis, Louga and Kaolack; ; (ii) the rehabilitation of the wastewater stabilization facilities and treatment plants in St Louis, Louga and Kaolack and the construction of 3 septage treatment facilities in each of the cities referred to heretofore; and (iii) the rehabilitation and extension of the sewerage network in Rufisque.

Part D: Grants for Sanitation Subprojects

Provision of Grants to Beneficiaries for the carrying out of Subprojects in peri-urban and low-income settlements including: (i) construction and/or rehabilitation of about 60,000 on-site sanitation facilities; (ii) construction, on a demand-driven basis, of 160 off-site sanitation systems; (iii) construction, on a demand-driven basis, of sewerage network in Cambérène; (iv) construction of 3 septage treatment facilities; (v) construction of 70 school sanitation blocks and 10 public sanitation facilities; and (vi) carrying out of a community outreach and hygiene education program and capacity development.

Part E: Water Resources Management

Strengthening of the water resources management system including: (i) provision of technical advisory services to improve SGPRE's role as regulator and to strengthen its powers to enforce water protection measures of the Lac de Guiers through participatory approaches with all stakeholders, including communities using the water for purposes of irrigation, farming, industry, or drinking; (ii) development of an action plan for integrated water resources management, and environmental mitigation measures (including pollution control, surface water protection); (iii) rehabilitation of the dikes and gates, and other civil works as needed, which regulate the flow in the St. Louis reservoir; (iv) provision of drinking water to lakeside and water-main resident population; (v) development of a master plan for water resources management; and (vi) development of a management information system (MIS) for water quality monitoring and modelization of aquifers.

Part F: Environmental Management Plan

Mitigation of the adverse effects of the Project on the environment through the carrying out of an environmental management plan, including: (i) setting up of an Environmental Mitigation Monitoring Committee; (ii) setting up of a Lake Management Commission; (iii) development and implementation of a Lake Management Plan; (iv) carrying out of an environmental impact assessment of the Lac de Guiers management plan; (v) carrying out an environmental study for the rehabilitation of ecological functions in and around the Ndiael area; (vi) carrying out of a feasibility study for the rehabilitation of the Baie de Hann; and (vii) strengthening the capacities of the Directorate of Environment in the Ministry of Environment to review environmental assessments and monitor mitigation measures through the provision of technical advisory services and logistical support, and the acquisition of goods.

Part G: Institutional Strengthening and Capacity Building

Strengthening MEH, ONAS, SONES, and SGPRE through the provision of technical advisory services, training, equipment and logistical assistance for: (i) carrying out of needs assessment of the sector, followed by training to build regulatory capacity, and exchange of experience and partnership with similar institutions; (ii) development of performance-based MIS and database on water and sanitation; (iii) design and implementation of measures to reinforce working relationships between SONES, SDE, and ONAS; (iv) building MEH's capacity in planning and communications; (v) development of regulatory framework for water resources management; (vi) capacity building for small and community enterprises, ONGs, and artisans in water and sanitation; and (vii) capacity building for the Borrower's Ministry of Health and relevant agencies in the areas related to coordinated water supply, sanitation, and drainage activities geared to implement multi-sectoral infrastructure improvements, to monitor related health

improvements; and to evaluate additional economic benefits.

\* \* \*

The Project is expected to be completed by June 30, 2007.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

###### Part A: General

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

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

###### 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 contracts estimated to cost \$5 million equivalent or more each 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

###### 1. National Competitive Bidding

Works estimated to cost \$500,000 equivalent or less per contract and \$15,300,000 equivalent or less in the aggregate, and goods estimated to cost \$100,000 equivalent or less per contract and \$370,000 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.

2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$164,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Goods and works required for the carrying out of Subprojects shall be procured in accordance with paragraph 3.15 of the Guidelines and as specified in the Procedures Manual.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

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

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank Member Countries" and "Member Country" shall be deemed to be references, respectively to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph.

The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits of standard nature and supervision work, estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Single Source Selection

Services for the management of delegated contracts under Part D of the Project, which are estimated to cost in the aggregate less than \$1,200,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

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

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

3. Post Review

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

SCHEDULE 4

Implementation Program

## General

1. The Borrower shall carry out the Project in accordance with the Project Implementation Plan, and except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.

2. (a) The Borrower shall, not later than August 1 of each year, prepare and furnish to the Association an annual work plan and budget (AWPB). The Borrower and the Association shall discuss each AWPB at the joint annual review meeting and, after incorporating the comments of the Association, the Borrower shall, not later than October 1 in each year, approve the AWPB.

(b) Without limitation upon the provision of paragraph (a) above, for each Subproject, the AWPB shall also include all activities to mitigate and compensate for the environmental impact damages identified in the environmental impact assessment.

## Implementation Agreement

3. 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 (e) of this Agreement shall include, inter alia, provisions by which:

(a) ONAS shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall agree to carry out Parts C and D of the Project with due diligence and efficiency, with assistance from competent staff in adequate numbers and in conformity with appropriate public utility, engineering, administrative, financial and management practices, with due regard to environmental practices, and in accordance with the Implementation Program set forth in Schedule 4 to this Agreement; and

(b) the Borrower shall:

(i) agree to provide, or cause to be provided, promptly to ONAS, as needed, the funds, facilities, services and other resources required for the performance of the obligations of ONAS therefor; and

(ii) without limitation to its obligations under paragraph 3 (b) (i) of this Schedule, make available to ONAS on a grant basis, an amount not exceeding the equivalent of SDR 32,750,000 for the purpose of implementing Parts C and D of the Project;

(c) ONAS shall agree that, except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts C and D 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;

(d) ONAS shall agree, at the request of the Borrower and the Association, to exchange views with the Association with regard to the progress of Parts C and D of the Project, the performance of its obligations under the Implementation Agreement and other matters relating to the purposes of the Credit;

(e) ONAS shall agree to promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of Parts C and D of the Project, the accomplishment of the purposes of the Credit, or the performance of its obligations under the Implementation Agreement;

(f) ONAS shall agree to furnish to the Borrower, for its review and approval:

(i) before the beginning of each Project Year, a proposed annual work program in respect of Parts C and D of the Project, including a proposed budget and financing plan for the forthcoming fiscal

year; and

(ii) semiannual and annual progress reports on the status of Parts C and D of the Project, including regular beneficiary feedback;

(g) ONAS shall agree:

(i) in conjunction with the Borrower and the Association, to participate in the annual review and the mid-term review referred to respectively in paragraphs 12 and 15 of Schedule 4 to this Agreement; and

(ii) promptly after completing such reviews, to carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices.

(h) ONAS shall agree to 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 C and D of the Project;

(i) ONAS shall agree to:

(A) have its 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;

(B) furnish to the Borrower and the Association as soon as available, but in any case not later than six (6) months after the end of each such year: (I) certified copies of its financial statements for such year as so audited; and (II) the report of such audit by said auditors, of such scope and in such detail as the Borrower and the Association shall have reasonably requested; and

(C) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Borrower and the Association shall from time to time reasonably request;

(j) ONAS shall agree to implement, in conjunction with the Borrower, the Environmental mitigation Plan; and

(k) ONAS shall agree to:

(i) record and maintain physical and (accounting) book inventory of waste water sanitation assets; and

(ii) prepare a three-year replacement program for such assets.

#### Subsidiary Administration Agreement

4. The Borrower shall cause ONAS to enter into a Subsidiary Administration Agreement with AGETIP which shall include provisions by which:

(a) ONAS shall agree to make available to AGETIP an amount equivalent to SDR 15,900,000 for the financing of Subprojects to be carried out under Part D of the Project;

(b) ONAS shall provide for a transfer of responsibility for the technical evaluation of eligible Subprojects to AGETIP, while retaining responsibility for the final approval of said Subprojects;

(c) ONAS shall cause AGETIP to agree that procurement of the goods, works and consultants' services required for the carrying out of Part D 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;

(d) AGETIP shall agree to furnish to ONAS, for its review and approval:

- (i) before the beginning of each Project Year, a proposed annual work program in respect of Part D of the Project, including a proposed financing plan for the forthcoming fiscal year;
- (ii) semiannual and annual progress reports on the status of Part D of the Project, including regular beneficiary feedback; and
- (iii) semi-annual reports of the procurement of goods, works and consultants' services carried out with respect to Part D of the Project; and

(e) AGETIP shall agree to maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations, resources and expenditures and financial condition in respect of Part D of the Project.

#### Eligibility criteria for Subprojects

5. Without limitation to the provisions of paragraph 4 of this Schedule, the Borrower shall cause ONAS to provide in the Subsidiary Administration Agreement that no Subproject shall be eligible for financing out of the proceeds of the Credit unless AGETIP shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Procedures Manual that the Subproject satisfies the eligibility criteria specified in the Procedures Manual, which shall include the following:

- (a) the Subproject shall be for sanitation projects and activities;
- (b) except as the Association shall otherwise agree, the Beneficiaries shall provide no less than 10% of the estimated costs of the Subproject in the form of cash, materials, labor or other services; and
- (c) the Subproject shall be in accordance with the standards set forth in the laws of the Borrower relating to health, safety and environmental protection.

#### Terms and Conditions of the Grant Agreements

6. Without limitation to the provisions of paragraph 4 of this Schedule, the Borrower shall cause ONAS to provide in the Subsidiary Administration Agreement that AGETIP shall enter into Grant Agreements with the Beneficiaries for the financing of Subprojects, under terms and conditions which shall include the following:

- (a) financing shall be on a grant basis, not to exceed \$50,000 equivalent per Grant, except for Subprojects for the Cambérène area;
- (b) the requirement that the goods, works and services to be financed out of the proceeds of the Grant be procured in conformity with the provisions relating to community participation or single source set forth in the Procedures Manual and that such goods works and services shall be used exclusively in the carrying out of the Subproject;
- (c) the right of AGETIP to inspect by itself or jointly with ONAS the goods, works, sites, plants and constructions included in the Subproject, the operation thereof and any record or relevant document; and
- (d) the right of AGETIP to suspend or terminate the right of the Beneficiaries to use the proceeds of the Credit upon failure by the Beneficiaries to

perform any of their obligations under the Grant Agreements.

#### Institutional structure

7. For the purpose of coordination and general oversight of the Project, the Borrower shall establish and maintain until the completion of the Project, a Project Steering Committee (PSC). The PSC shall, inter alia: (i) facilitate working relations amongst institutions concerned by Project implementation; (ii) review the progress towards achieving the Project's objectives and approve and evaluate the Project's annual work program and budget; (iii) ensure the participation of the key stakeholders in the general orientation of the Project; and (iv) organize at least once a year a joint meeting between the Borrower and the donors participating in the Project's financing.

8. The Borrower shall maintain, until the completion of the Project, the Project Coordination Unit. The PCU shall consist of a number of key staff, appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement, including a Project Coordinator, an Accountant, a Communication/Community Development Specialist and an Administrative Assistant. The PCU shall be responsible for: (i) overall coordination regarding the implementation of the different Parts of the Project; (ii) the consolidation of annual work programs and budgets; (iii) the setting-up and implementation of an independent monitoring and evaluation system; and (iv) the financial and administrative management of the Project.

#### Execution covenants

9. The Borrower shall implement, by December 31, 2001, a new integrated water and sanitation tariff structure, in form and substance satisfactory to the Association.

10. The Borrower shall carry out a study on the institutional evolution of ONAS and the sanitation subsector by December 31, 2002.

11. The Borrower shall furnish to the Association, by December 31, 2002, the environmental assessment of the Lake Management Plan.

#### Reviews

12. (a) The Borrower shall carry out, in conjunction with SONES and ONAS, and jointly with the Association, a comprehensive annual project implementation review aimed at: (i) annually documenting progress toward the achievement of the objectives of the Project; (ii) identifying and resolving obstacles to project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review, and ensuring responsiveness to changes to effectively achieve the objectives of the Project.

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

(c) Promptly after completing such reviews, the Borrower shall carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

13. 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 March 31, June 30, September 30 and December 31, a quarterly 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 April 30, July 31, October 31 and January 31, 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.

14. The Borrower shall carry out jointly with the Association on April 15 and October 15 each year or as such later dates as shall be agreed by the Association, semiannual reviews of the procurement activities during the implementation of the Project.

15. The Borrower shall carry out jointly with the Association no later than 30 months after the Effective Date, a midterm review which shall: (i) assess the overall progress in the implementation of the Project; (ii) review the progress of performance monitoring indicators; (iii) review compliance with the covenants set forth in this Agreement; and (iv) review the results of the institutional study on the evolution of the status of ONAS and the subsector.

16. Based on the reviews referred to in paragraphs 14 and 15 of this Schedule, prepare a revised action plan, satisfactory to the Association, for the further implementation of the Project and thereafter implement such action plan.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (a), 1 (b), 1 (c), 1 (d), 2 (a), 2 (b), 2 (c), 3, 4 (a), 4 (b), 4 (c), 5 (a), 5 (b), 5 (c), and 6 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 750,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 400,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 10,000,000;

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for 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.

## SCHEDULE 6

### Performance Indicators

For the purpose of this Agreement, the Borrower agrees that Project performance will be measured by the Indicators below, unless otherwise agreed by the Association:

#### Outcome/Impact Indicators

- Additional people receiving services by 2006;
- Water services: 800,000 in Dakar and 200,000 in Secondary Centers;
- Sewerage services: 90,000 in Dakar and 50,000 in Secondary Centers;
- On-site sanitation services: 400,000 in peri-urban areas;
- Additional volume of sewage collected and treated in project areas (10,000 m<sup>3</sup>/d);
- Cash expenses and asset replacement costs of ONAS covered by its operating income at year-end 2003;
- Financial equilibrium in water subsector by year-end 2003; and
- A water management body for Lac de Guiers established and Lake management Plan implemented by end 2002, after completion of the relevant environmental assessment.

#### Output Indicators

- Improved reliability, quality, quantity, and coverage of water supply services
- 31,000 new social connections in Dakar and 17,000 new social connections in Secondary Centers by 2006;
- 200 new public standpipes by 2006;
- 10 additional water systems transferred to the lease perimeter by 2006;
- 98% water samples complying with World Health Organization (WHO) guidelines by 2006; and
- 24h water supply in Greater Dakar area by 2006.

#### Increased urban sanitation coverage in low income and peri-urban areas

- 8,800 new sewerage connections in Dakar and 5,000 new sewerage connections in Secondary Centers by 2006;
- 60,000 on site facilities and 160 semi-collective systems constructed by 2006; and
- 20,000 households receiving hygiene and sanitation education.

#### Improved Water Resource Management

- the billing rate for the water abstraction tax reaches 50% at end 2003 and 90% at end 2006; and collection rate reaches 70% by end 2006; and
- Groundwater abstraction in the Cap-Vert region reduced by 23,000 m<sup>3</sup>/day by 2004 and groundwater abstraction from the Northern littoral aquifer reduced to 35,000 m<sup>3</sup>/day 10 months a year from 2005.

#### Environmental Management

- Completion of the Ndiael study and of the study of Baie de Hann by end 2003.

#### Capacity Building and Institutional Development

- SGPPE strengthened and transformed into a Directorate or equivalent body with financial resources obtained from, inter alia, the water abstraction tax collection revenues transferred to "Fonds National d'Hydraulique" for the carrying out of its monitoring, control and regulation missions; and
- Improved operational performance of ONAS: labor productivity (2 employees per 1,000 sewerage connections), labor cost 30% of operational costs excluding depreciation.

