

CONFORMED COPY

CREDIT NUMBER 3981 SE

Project Agreement

(Electricity Services for Rural Areas Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

AGENCE SENEGALAISE D'ELECTRIFICATION RURALE

Dated March 31, 2005

CREDIT NUMBER 3981 SE
PROJECT AGREEMENT

AGREEMENT dated March 31, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and AGENCE SÉNÉGALAISE D'ELECTRIFICATION RURALE (ASER).

WHEREAS (A) by the Development Credit Agreement of even date herewith between REPUBLIC OF SENEGAL (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that ASER agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Borrower and ASER, the proceeds of the credit provided for under the Development Credit Agreement and the proceeds of the GEF Grant will be made available to ASER on the terms and conditions set forth in said Subsidiary Grant Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preambles to the Development Credit Agreement and to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

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

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

Section 2.02. Procurement of the works, goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit and the GEF Grant shall be governed by the provisions of Section 3.02 of the Development Credit Agreement.

Section 2.03. ASER shall ensure that the funds deposited by the Borrower into the Project Account pursuant to Section 3.03 of the Development Credit Agreement shall be used exclusively to finance the Borrower's contribution to the expenditures for the respective Parts of the Project which are not otherwise financed from the proceeds of the Credit.

Section 2.04. (a) ASER shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, ASER shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Association and ASER, a plan designed to ensure the continued achievement of the Project's objectives; and

- (ii) afford the Association a reasonable opportunity to exchange views with the Borrower and ASER on said plan.

Section 2.05. ASER shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, ASER shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.06. (a) ASER shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A, B, and C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

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

ARTICLE III

Management and Operations of ASER

Section 3.01. (a) ASER shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, technical, and public utility and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(b) ASER shall at all times maintain its management comprising the General Director, Director of the DFER, Accountant, a Procurement Specialist and a specialist in concession awarding, all appointees acceptable to the Association, and ASER shall not change any of these appointments without prior approval of the Association. Any new recruitment shall be made through a transparent competitive process.

(c) ASER shall maintain a website describing its on-going activities and activities planned for its current Fiscal Year.

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) ASER shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) ASER shall:
- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon ASER's reporting obligations set out in Section III of Schedule 4 to the Development Credit Agreement, ASER shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

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

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

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

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

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

ARTICLE VI

Miscellaneous Provisions

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

For the Association:

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

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

For Agence Sénégalaise de l'Electrification Rurale (ASER):

Ex-Camp Lat-Dior
Dakar, Senegal

Facsimile: 221 -849 47 20

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

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Amadou Lamine Bâ
Authorized Representative

AGENCE SÉNÉGALAISE D'ELECTRIFICATION RURALE

By /s/ Mahmood A. Ayub
Authorized Representative