Financing Agreement

(Municipal and Agglomerations Support Program)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date between REPUBLIC OF SENEGAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS by agreement of even date herewith (the "Program Financing Agreement"), the Association has agreed to extend to the Recipient a credit in the amount equivalent to eighty-seven million one hundred thousand Euros (€87,100,000) to assist the Recipient in financing the Operation.

The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in the amount equivalent to six million Euros (€6,000,000) to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are April 15 and October 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 3 to this Agreement.
2.07. The Payment Currency is Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Program Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Subsidiary Agreement: (i) has been executed on behalf of the Recipient and the Project Implementing Entity; and (ii) has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.
5.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister in charge of Finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) The Recipient’s address is:

Ministère de l’Économie, des Finances et du Plan
Immeuble Peytavin
Rue René N’diaye, X Avenue Carde
B.P. 4017
Dakar
Republic of Senegal

(b) The Recipient’s Electronic Address is:

Telex: Facsimile: E-mail:
3203 G 221-33-821-1630 fandiaye@minfinances.sn

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) The Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date. July 09, 2018

REPUBLIC OF SENEGAL

By

Authorized Representative

Name: 

Title: 

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorized Representative

Name: Louise J. Cord

Title: Country Director
SCHEDULE 1

Operation Description

The objectives of the Program are to: (i) improve local government financing; and (ii) enhance the performance of participating urban local governments ("LGs") in managing public investments.

The Program constitutes an integral part of the Operation and consists of the following activities:

Part A: Enhancing the Financial Viability of Local Governments

1. Supporting the gradual restructuring of two existing transfer funds (the FECL and the FDD) and of the LVATF to enhance the objectivity, transparency, and predictability of the existing grant allocations to enable LGs to better plan and manage resources from the central government.

2. Strengthening institutional coordination with respect to local revenue mobilization, together with progressive improvements to the legal and regulatory framework on local taxes.

3. Harmonizing procedures and strengthening the capacity of selected institutions to enhance the quality of budget controls and expedite budget approvals and the timely allocation of resources to LGs and establishing an on-line platform to consolidate and ensure public access to financial information on LGs and strengthening internal and external controls over target LGs public spending.

Part B: Enhancing the Performance of Selected Local Governments in Managing Public Investments

1. Supporting MGT: (i) to incentivize the LGs to adhere to standardized local government organigrams through the development of human resource management tools; and (ii) to establish and apply the following national level support mechanisms to accompany the selected 123 urban LGs: a continuous training program and a continuous territorial coaching.

2. Creating a performance evaluation system for the allocation of conditional capital grants to selected LGs by incentivizing good governance based upon the satisfaction of a set of: (i) defined mandatory minimum conditions for 123 urban LGs and (ii) performance indicators for 19 principal urban LGs; and putting in place the necessary institutional arrangements to evaluate and verify LGs' performance and preparation of annual performance assessments on the attainment of the minimum mandatory conditions and performance indicators.
The Project constitutes an integral part of the Operation and consists of the following activities:

**Part C: Capacity Building and Institutional Strengthening**

Provision of technical assistance, logistical support, goods, Training, and Operating Costs, for the implementation of the Program and capacity building of the stakeholders (including the LGs) to:

1. restructure the FDD;
2. implement a sharing mechanism of the LVATF;
3. modernize the CNDCL information system;
4. elaborate standardized tools for the preparation of annual capacity building plans, training modules and the triannual investment plans;
5. improve monitoring and evaluation systems;
6. recruit a Verification Agent responsible for verifying disbursement linked results ("DLRs");
7. strengthen mobilization of state and non-state actors on local governance themes; and
8. finance the management and coordination costs of the Program by ADM.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall carry out the Project (including the procurement and financial management aspects) through the Project Implementing Entity in accordance with the procedures and arrangements set forth in the Operations Manual.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity, on a grant basis, under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall carry out its obligations and exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Recipient shall carry out the Project, or cause the Project to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Project Financial Audits

The Recipient shall have the Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the
Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal is made. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding called "Appel d'Offres Ouverts" described in the procurement Decree No 2014-1212 of September 2014, Title III, Chapter 4, Section 2, subject to the following additional provisions in paragraph 3 below; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association, and (e) Direct Contracting.

3. The following additional provisions shall apply to National Competitive Bidding: (a) bids shall be advertised in national newspapers with wide circulation; (b) bid evaluation, bidder qualification and award criteria shall be specified clearly in the bidding documents; (c) bidders shall be given an adequate response time
(minimum four (4) weeks following the date of the invitation to bid or the date of availability of the bidding documents, whichever is later) to prepare and submit bids; (d) bids shall be awarded to the lowest evaluated bidder; (e) eligible bidders, including foreign bidders, shall not be precluded from participating; and (f) no preference margin shall be granted to domestic contractors. In addition, the following provisions of the national procurement code will not apply: (a) 3.4c(i) related to the procurement of fuel for vehicles for the public administration; and (b) 3.4c(iii) referring to the procurement of hotel services; if such goods and services need to be procured, reference will be done to the Procurement manual.

C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least-Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

A. **General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:
<table>
<thead>
<tr>
<th>Category for the Project</th>
<th>Amount of the Project Financing Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consulting services, Training and Operating costs for Part C of the Operation</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 6,000,000

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date except that withdrawals up to an aggregate amount not to exceed the equivalent of nine hundred thousand Euros (€900,000) may be made for payments made on or after twelve (12) months prior to the Signature Date, for Eligible Expenditures.

2. The Closing Date is July 30, 2023.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td>[ ]</td>
</tr>
<tr>
<td>commencing April 15, 2024, to and including October 15, 2055</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* 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 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "ADM" means Municipal Development Agency (Agence de Développement Municipale), a not-for-profit private association, created by the Constitutive General Assembly adopting its articles of incorporation (statuts) dated July 8, 1997, and established in accordance with the Recipient's laws, by the Official Declaration no. 14406/MINT/DAGAT/DEL/AS dated April 22, 2010 and operating pursuant to the laws of the Recipient, as the same may be amended from time to time.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.

3. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. "CNDCL" means the Recipient's national council for the development of local governments (Conseil National de Développement des Collectivités Locales).


7. "FDD" means the Recipient's decentralization allocation fund (Fonds de dotation de la décentralisation).

8. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017, with the modifications set forth in Section II of this Appendix.

9. "LVATF" means the recipient's local value added transfer fund.

11. “Operations Manual” means a manual elaborated by the Recipient and approved by the Association detailing the administrative, procurement, financial management, monitoring, evaluation procedures and environmental and social management and other required arrangements for the implementation of the Operation.

12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 26, 2017 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


14. “Program” means the program for results of an amount equivalent to eighty-seven million one hundred thousand Euros (€87,100,00) referred to in the Program Financing Agreement which is part of the Operation.

15. “Project Implementing Entity” means ADM.


17. “Operating Costs” means incremental costs of Project implementation acceptable to the Association, which include vehicle operation and maintenance including for fuel, insurance, banking charges, rental, office supplies, consumables and maintenance, utilities, document production, travel costs and per diem for Project related travel and accommodation and subsistence allowances for authorized travel, but excluding salaries of the Recipient’s civil servants.

18. “Operation” means the activities financed collectively under the Project and the Program.

19. “Training” means learning programs or courses in institutes/schools in the territory of the Recipient and abroad, workshops, lectures, seminars, and coursework and study tours costs associated with training, as well as travels costs and per diem incurred by trainers and trainees, rental of training facilities, training materials and costs related to course preparation and implementation.

20. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.

2. Paragraphs 86 (Procurement Plan) and 87 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.