Financing Agreement

(Urban Water and Sanitation Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 26, 2015
CREDIT NUMBER 5673-SN

FINANCING AGREEMENT

AGREEMENT dated October 26, 2015, entered into between REPUBLIC OF SENEGAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty million eight hundred thousand Special Drawing Rights (SDR 50,800,000) (variously, "Credit" and "Financing"), 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 payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 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 carry out the Project in accordance with the provisions of Article IV of the General Conditions.

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister in charge of finance.

5.02. The Recipient’s Address is:

Ministry of Economy, Finance and Planning
Rue René N’diaye
B.P. 4017
Dakar
Republic of Senegal

Cable: MINIFINANCES
Telex: 3203 G
Facsimile: 221-33-821-1630 Dakar

5.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
AGREED at Dakar, Republic of Senegal, as of the day and year first above written.

REPUBLIC OF SENEGAL

By

[Signature]

Authorized Representative

Amedou BA

Name:

Title:

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Louise... [unreadable]

Name:

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve access to water and sanitation services in selected urban areas in a financially sustainable manner.

The Project consists of the following parts:

Part A. Water Supply

1. Development of groundwater resources to increase water availability and quality, in selected areas through, *inter alia*, expanding: (a) water production capacity by drilling and equipping new boreholes with connection pipes to collect ground water; (b) water transmission by providing and installing feeder pipes, booster pumping stations and constructing a ground storage tank; (c) water storage by constructing storage tanks; and (d) provision of goods for the purpose.

2. Rehabilitating water infrastructure in the urban center of Nguekhokh to improve water production, storage capacity and distribution through, *inter alia*: (a) drilling and equipping boreholes; (b) constructing a storage tank and distribution pipes; (c) rehabilitating stand-posts and household water connections; and (d) provision of goods for the purpose.

3. Increasing access to safe water in selected urban centers through the provision and installation of water distribution pipes and household water connections.

4. Carrying out of technical studies for water supply systems for selected urban centers.

Part B. Sanitation

1. Provision of sanitation facilities in the urban center of Joal-Fadiouth, including: (a) provision and installation of sanitation pipes, pumping stations and household sewerage service connections; (b) construction of a wastewater treatment plant and a sludge treatment plant; and (c) installation of in-site household sanitation facilities and public toilets.

2. Increasing access to sewerage services in selected urban centers where sewerage networks already exist through the expansion of sewers, construction of a pumping station, and installation of household sewerage service connections.

3. Support to the Recipient in the areas of: (a) supervision; and (b) communication, information and education, related to the activities under Part B.1 and B.2 of the Project.
4. Carrying out of detailed technical studies for the development of a sanitation system for the Dakar East Zone.

Part C. Institutional Strengthening and Project Management

1. Strengthening the Recipient's capacity in monitoring and knowledge of groundwater resources through (a) construction of piezometers; (b) provision and installation of remote monitoring equipment; and (c) carrying out hydrogeological studies for the region of Horst de Ndiass.

2. Support to the Recipient in the reforms of the water and sanitation sector.

3. Support to the Recipient in the areas of Project coordination, supervision, financial management, communication and outreach, procurement, monitoring and evaluation, supervision of implementation of the Safeguards Instruments, including through the provision of technical assistance, Training, Operating Costs, goods and services for the purpose.
SCHEDULE 2
Project Execution

Section I.  Implementation Arrangements

A. Institutional Arrangements

1. Steering Committee

In order to ensure the proper oversight of the Project and coordination among the Recipient’s ministries and agencies involved in the Project, the Recipient shall maintain, at all times during Project implementation, with terms of reference, mandate, composition and resources satisfactory to the Association, a steering committee chaired by the Minister in charge of water and sanitation, and comprised of representatives of all key ministries and public agencies involved in the Project ("Steering Committee"), to be responsible for providing overall guidance on and oversight of the Project including, inter alia, endorsing the proposed Annual Work Plan for the Project.

2. Project Coordination Unit

In order to ensure proper and efficient implementation of the Project, the Recipient shall maintain, at all times during Project implementation, a Project coordination unit, with a mandate, staffing and other resources satisfactory to the Association ("Project Coordination Unit" or "PCU"). To this end, the Project Coordination Unit shall be: (a) comprised of qualified and competent staff in adequate numbers; including a project coordinator, technical specialists, a procurement specialist, a financial management specialist, and an environmental and social specialist; and (b) responsible for day to day Project coordination and implementation, including: (i) carrying out Project financial management and procurement activities; (ii) preparing and implementing Annual Work Plans; (iii) ensuring compliance with Safeguard Instruments for Project activities; and (iv) monitoring and evaluating Project activities and preparing Project progress reports and monitoring and evaluation reports.

3. Other Institutional Arrangements

In order to ensure proper implementation of the Project, the Recipient shall maintain, throughout Project implementation, the SONES and the ONAS, staffing and resources satisfactory to the Association, as further described in the Project Implementation Manual, to be responsible for technical implementation of Parts A and B of the Project, respectively, including, inter alia, the following: (i) all technical management of the construction, rehabilitation and equipment of the Project; (ii) technical implementation of the Safeguard Instruments and ensuring
compliance therewith; and (iii) provision of quality control for infrastructural work and ensuring that appropriate standards are maintained.

B. Project Implementation Manual

1. The Recipient shall, no later than one (1) month after the Effective Date, prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association, a proposed implementation manual for the Project containing detailed: (a) technical; (b) administrative; (c) procurement; (d) financial and accounting; and (e) monitoring and evaluation procedures and arrangements, for the Project. Said manual to further include, inter alia, elaboration of the procedures for developing and implementing Safeguard Documents.

2. The Recipient shall: (a) furnish such manual to the Association for review and approval; (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said manual; and (c) thereafter adopt said manual as shall have been approved by the Association ("Project Implementation Manual" and "PIM").

3. The Recipient shall carry out the Project in accordance with the Project Implementation Manual, and shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written agreement of the Association.

4. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manual and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

C. Annual Work Plan

1. The Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association not later than November 15 of each calendar year throughout the implementation of the Project, a work plan of activities proposed for inclusion in the Project for the next calendar year, including: (a) a detailed timetable for the sequencing and implementation of these activities; (b) the types of expenditures required for such activities and a proposed financing plan (including the necessary funds and resources to be provided by the Recipient) for such expenditures; and (c) each Safeguard Document required for such activities pursuant to Section I.E of this Schedule and the measures proposed to be carried out under such Safeguard Document.

2. The Recipient shall: (a) afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed work plan; and, thereafter, carry out such work plan during the period covered by said plan, according to such
budget, both as shall have been approved by the Association ("Annual Work Plan").

3. Only such activities as shall have been included in the Annual Work Plan shall be eligible for inclusion in the Project and for financing out of the proceeds of the Financing.

4. The Recipient shall not make or allow to be made any change to the Annual Work Plan without prior approval in writing by the Association.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Recipient shall carry out the Project in accordance with the Safeguard Frameworks and all Safeguard Documents. To this end, the Recipient shall take the following measures:

   (a) If any activities included in a proposed Annual Work Plan would, pursuant to the ESMF, require the carrying out of an ESIA, no such activities shall be implemented unless and until:

      (i) an ESIA for such activities has been: (A) prepared, in accordance with the ESMF and furnished to the Association as part of the Annual Work Plan; (B) disclosed locally as required by the ESMF; and (C) approved by the Association and publicly disclosed; and

      (ii) if said ESIA would require the preparation of an ESMP, such ESMP has been: (A) prepared in accordance with such ESIA and furnished for the Association as part of the Annual Work Plan; (B) disclosed locally as required by the ESMF; and (C) approved by the Association and publicly disclosed.

   (b) If any activities included in a proposed Annual Work Plan would, pursuant to the RPF, require the preparation of a RAP, no such activities shall be implemented unless and until:

      (i) a RAP for such activities has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association as part of the proposed Annual Work Plan; (B) disclosed as required by the RPF; and (C) approved by the Association and publicly disclosed; and
(ii) (A) all measures required to be taken under said RAP prior to the initiation of said activities have been taken, including, without limitation to the above, providing funds for resettlement compensation when and if required under a RAP; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that said activities may be commenced.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association every calendar semester, reports, in form and substance satisfactory to the Association, on the status of compliance with the Safeguard Instruments, giving details of:

(a) measures taken in furtherance of such Safeguard Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 2 of this Part E, and thereafter shall carry out or cause to be carried out, with due diligence, all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the Safeguard Instruments.

4. The Recipient shall not amend, suspend or waive, or permit to be amended, suspended or waived, the ESMF or RPF, or any provision thereof without the prior written approval of the Association.

5. In the event of a conflict between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

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 4.08 of the General Conditions and on the basis of indicators. Each Project Report shall cover the period of one calendar semester,
and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. The Recipient shall, not later than four (4) month after the Effective Date, appoint an external auditor, whose qualifications and experience and terms of reference shall be acceptable to the Association.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works 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, Works, and Non-consulting Services

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the following additional provisions in paragraph 3 below; (c) Shopping; (d) Direct Contracting; and (e) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association.

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 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.

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

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services, Training and Operating Costs for the Project</td>
<td>50,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,800,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2020.
Section V. Other Undertakings

1. In order to ensure the financial sustainability and maintain the Financial Equilibrium of SONES, throughout Project implementation, the Recipient shall implement all necessary measures, including, *inter alia*, any adjustments in water tariffs in accordance with the Water and Sanitation Law.

2. No later than December 31, 2019, the Recipient shall ensure that all measures, including any required sanitation surcharge revisions in accordance with the Water and Sanitation Law are in place to allow ONAS to achieve financial sustainability including covering at least 90 percent of its cash operating expenditures related to sewerage activities.
### 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 September 15 and March 15, commencing September 15, 2021 to and including March 15, 2053</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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Work Plan" means each annual work plan, together with the related budget and any required Safeguard Documents, for the Project approved by the Association pursuant to the provisions of Section I.C of Schedule 2 to this Agreement; and "Annual Work Plans" means more than one such plan.


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "Displaced Person" means a person who, on account of the execution of an activity under the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; "Displaced Persons" means all such persons.

6. "Environmental and Social Impact Assessment" and "ESIA" mean, for a given activity included in the Project, the environmental and social impact assessment of said activity to be carried out in accordance with the ESMF and pursuant to provisions of Section I.E.1(a) of Schedule 2 to this Agreement.

7. "Environmental and Social Management Framework" and "ESMF" mean the Recipient's framework entitled "Environmental and Social Management Framework," disclosed in the Recipient's territory on March 27, 2015, and at the Association's Infoshop on April 3, 2015, detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, including monitoring and institution strengthening.

8. "Environmental and Social Management Plan" and "ESMP" mean an environmental and social management plan for the Project to be prepared and
implemented in accordance with the ESMF and pursuant to the provisions of Section I.E.1(a) of Schedule 2 to this Agreement

9. “Financial Equilibrium” means the situation where the Net Cash Balance at the end of year $n$ is positive or equal to zero. For the purpose of this definition, “Net Cash Balance” at the end of year $n$ means the net cash balance at the beginning of year $n$, plus the Net Cash Flow (positive or negative) for year $n$; and “Net Cash Flow” for year $n$ means 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) received during year $n$, less the Variation in Net Working Capital Requirements, the repayments of loans of more than one year, and the investments for that year; and “Variation in Net Working Capital Requirements” means the variation of current assets excluding cash minus the variation in current liabilities for year $n$.


11. “ONAS” means Office National d’Assainissement du Senegal, a public interest entity established by Law No. 96-02 of the Recipient dated February 22, 1996, for the purpose of developing, operating and maintaining urban and peri-urban sanitation services within the Recipient’s territory, as the same may be amended from time to time.

12. “Operating Costs” means the reasonable incremental operating costs under the Project, based on the Annual Work Plans and budgets approved by the Association, and incurred by the Recipient, on account of utilities and supplies, bank charges, communications, vehicle operation and maintenance, insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel, supervision, and salaries of contractual staff of the Project, but excluding salaries of members of the Recipient’s civil service.


14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 31, 2015, 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.

15. “Project Coordination Unit” and “PCU”, each means the unit for the Project, established pursuant to Arrêté 5317 of April 8, 2015, in accordance with Section I.A.2 of Schedule 2 to this Agreement.
16. "Project Implementation Manual" and "PIM" each mean the Recipient’s manual referred to in Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time in accordance with the terms of this Agreement, and such terms include any schedules to said manual.

17. "RAP" means a resettlement action plan to be prepared and implemented in accordance with the RPF and pursuant to the provisions of Section I.E.1 (b) of Schedule 2 to this Agreement; and "RAPs" means more than one such RAP.

18. "RPF" means the Recipient’s framework entitled “Resettlement Policy Framework.” disclosed in the Recipient’s territory on March 27, 2015, and at the Association’s Infoshop on April 13, 2015, containing guidelines, procedures, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, and referred to in Section I.E.1 (b) of Schedule 2 to this Agreement.

19. “Safeguards Documents” means any ESIA, ESMP, RAP, or other supplemental social and environmental safeguard documents as required under the terms of the Safeguard Frameworks.

20. “Safeguards Frameworks” means, collectively, the ESMF and RPF prepared for the Project.

21. “Safeguards Instruments” means, collectively, the Safeguards Frameworks and the Safeguard Documents.

22. “SONES” means Société Nationale des Eaux du Sénégal, a company established pursuant to Law No. 95.10 of the Recipient, dated April 7, 1995, as the same may be amended from time to time.

23. “Steering Committee” means the committee for the Project, established pursuant to Arrêté 5317 of April 8, 2015, in accordance with Section I.A.1 of Schedule 2 to this Agreement.

24. “Supplemental Social and Environmental Safeguard Documents” means any ESMP, RAP, or other supplemental social and environmental safeguard documents as required under the terms of any of the ESMF or RPF.

25. “Training” means the reasonable costs, included in the Annual Work Plans, of provision of training to persons under the Project, including seminars, workshops, knowledge sharing activities and study tours, consisting of the following: travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.