Project Agreement

(Electricity Sector Efficiency Enhancement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIETE NATIONALE D’ELECTRICITE (SENELEC)

Dated June 28, 2005
CREDIT NUMBER 4060-SE

PROJECT AGREEMENT

AGREEMENT dated June 28, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and Société Nationale d’Electricité (SENELEC).

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 ten million five hundred thousand Special Drawing Rights (SDR 10,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SENELEC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Credit Agreement to be entered into between the Borrower and SENELEC, a portion of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to SENELEC for the implementation of Part A of the Project, on the terms and conditions set forth in said Subsidiary Credit Agreement; and

WHEREAS SENELEC, 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 Preamble 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) SENELEC 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 Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, management, social, environmental and technical 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 SENELEC shall otherwise agree, SENELEC shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 2.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and 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 the Development Credit Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) SENELEC shall update, in conjunction with the Borrower, the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 2.03. SENELEC 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 this Agreement.

Section 2.04. SENELEC shall duly perform all its obligations under the Subsidiary Credit Agreement. Except as the Association shall otherwise agree, SENELEC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Credit Agreement or any provision thereof.
Section 2.05. (a) SENELEC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A the Project, the performance of its obligations under this Agreement and under the Subsidiary Credit Agreement, and other matters relating to the purposes of the Credit.

(b) SENELEC 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 SENELEC of its obligations under this Agreement and under the Subsidiary Credit Agreement.

Section 2.06. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, SENELEC 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 Association and SENELEC, a plan for the future operation of the Project; and

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

ARTICLE III

Management and Operations of SENELEC

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

Section 3.02. SENELEC 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 technical practices.

Section 3.03. SENELEC shall take out and maintain with responsible insurers, 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) SENELEC shall 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) SENELEC 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 SENELEC’s progress reporting obligations set out in Schedule 4 to the Development Credit Agreement, SENELEC 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 Part A of 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 implementation of Part A of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of Part A of the Project; and

(iii) sets forth the status of procurement under Part B of 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 Part B of 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 such calendar quarter.

Section 4.03. Unless the Association agrees otherwise, SENELEC shall:

(a) for each year during Project implementation, starting in 2006, maintain a value for its debt service coverage ratio of not less than 1.1;

(b) attain a value for return on assets ratio of not less than 3% for 2006 and 2007 and at least 5% for 2008;

(c) maintain its net accounts receivable at less than: (i) 105 days of sales at end of year 2006, and (ii) 90 days of sales at end of year 2007 and at the end of year 2008.

(d) for each year of Project implementation, maintain a financial leverage ratio of no more than 65%;

(e) communicate annually to the Association its investment program, financing plan and business plan as approved by its Board of Directors.
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 SENELEC 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 fifteen 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 SENELEC 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: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391

For SENELEC:

Société Nationale d’Electricité
28, rue Vincens, PO Box 93
Dakar, Senegal

Facsimile (221) 823-1267
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 SENELEC may be taken or executed by its Director General or such other person or persons as the Director General shall designate in writing, and SENELEC 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/ Gobind T. Nankani
Authorized Representative

SOCIÉTÉ NATIONALE D’ELECTRICITÉ

By /s/ Samuel Sarr
Authorized Representative