CREDIT NUMBER 4060-SE

Development Credit Agreement

(Electricity Sector Efficiency Enhancement Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2005
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 28, 2005, 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 (the Project), has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter from the Borrower, dated April 9, 2003, describing a program, including the construction of new electricity generation facilities, designed to enhance the efficiency of the Borrower’s electricity sector, (the Program) and declaring the Borrower’s commitment to the execution of such Program;

(C) the Borrower has requested that the Association support the Borrower’s execution of the Program through a series of credits over a period of approximately seven years to be utilized by the Borrower in the implementation of the Program;

(D) Part A of the Project will be carried out by Société Nationale d’Electricité (SENELEC) with the Borrower’s assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to SENELEC, as set forth in this Agreement;

(E) 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 in the agreement of even date herewith between the Association and SENELEC (the Project Agreement);

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 May 1,
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) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

(b) “CRSE” means Commission de Régulation du Secteur de l’Electricité, the Borrower’s Electricity Regulatory Commission established pursuant to Borrower’s Law # 98-29 of April 14, 1998.

(c) “Eligible Categories” means Categories 1, 2, 3, 4 and 5 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 (a) of this Agreement;
(e) “Environmental and Social Impact Assessment or “ESIA” means the assessment referred to in Section II (2) (a) (i) of Schedule 4 to this Agreement;

(f) “Environmental and Social Management Framework” or “ESMF” means the Borrower’s document dated April 18, 2005 referred in Section II (2) (a) of Schedule 4 to this Agreement, setting forth, *inter alia*, guidelines, procedures, timetable and other specifications designed to offset adverse environmental and social impacts related to Project activities, or to reduce them to acceptable levels, or to enhance positive impacts, including resettlement of the Affected Person;

(g) “FCFA” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

(i) “Fiscal Year” means the fiscal year of the Borrower commencing January 1 and ending December 31 in the same year;

(j) “MEM” means the Borrower’s Ministry of Energy and Mines;

(k) “Procurement Plan” means the Borrower’s and SENELEC’s procurement plan, dated April 18, 2005 covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18-month period (or longer) of Project implementation.

(l) “Project Agreement” means the agreement between the Association and SENELEC 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 Project Agreement.

(m) “Project Coordination Unit” or “PCU” means the unit referred to in Section I (1) of Schedule 4 to this Agreement;

(n) “Project Implementation Manual” or “PIM” means the manual referred to in Section II (1) of Schedule 4 to this Agreement;

(o) “Project Preparation Advance” means the project preparation advances granted by the Association to the Borrower pursuant to the letter agreements dated August 5, 1996, October 2, 1997 and June 10, 1999, respectively;
(p) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(q) “Resettlement Policy Framework” or “RPF” means Resettlement Policy Framework of the Borrower dated February 2004 for compensation payments to be made under the Project to Affected Persons and referred to in Section II (2) (a) of Schedule 4 to this Agreement;

(r) “SENELEC” means Société Nationale d’Electricité, the Borrower’s electricity company established and operating pursuant to the laws of the Borrower.

(s) “Special Account” means the special deposit account opened for withdrawals by the Borrower in respect of expenditures made under the Project and referred to in Section 2.02 (b) of this Agreement;

(t) “Subsidiary Credit Agreement” means the agreement to be entered into between the Borrower and SENELEC pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Credit 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 ten million five hundred thousand Special Drawing Rights (SDR 10, 500,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA a special deposit account in a commercial bank acceptable to the Association, 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 1 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 Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be January 31, 2009 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 percent (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 semianually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semianual installments payable on each January 15 and July 15 commencing July 15, 2015 and ending January 15, 2045. Each installment to and including the installment payable on January 15, 2025 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, shall carry out Part B of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, social, environmental and technical practices, and shall provide, 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out Part B of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation upon any of its obligations under this Agreement, the Borrower shall: (i) cause SENELEC to: (A) carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and technical practices, and (B) perform, in accordance with the provisions of the Project Agreement, all the obligations of SENELEC therein set forth; (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable SENELEC to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(d) For the purposes of carrying out Part A of the Project, the Borrower shall make available to SENELEC the proceeds of the Credit allocated from time to time to Categories 1, 2 (a) and (b), 3 (a) and 4 of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under a Subsidiary Credit Agreement to be entered between the Borrower and SENELEC, under terms and conditions which shall have been approved by the Association.

(e) The Borrower shall exercise its rights under the Subsidiary Credit Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Credit Agreement or any provision thereof.

Section 3.02. (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 this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update, in conjunction with SENELEC, 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 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation 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 before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project’s objectives, and

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

Section 3.05. 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 Part A of the Project shall be carried out by SENELEC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain and cause to be maintained 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 the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section 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 respective financial statements referred to in paragraph (a) of this Section for such year (or 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.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section III of Schedule 4 to this Agreement, the Borrower 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 such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) SENELEC shall have failed to perform any of its obligations under the Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SENELEC will be able to perform its obligations under the Project Agreement.
ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The Subsidiary Credit Agreement has been executed on behalf of the Borrower and SENELEC;

(b) The Borrower has established a financial management and accounting system for the Project satisfactory to the Association;

(c) The Borrower has adopted the PIM in form and substance acceptable to the Association; and

(d) The Borrower has appointed the independent auditors referred to in Section 4.01 (b) (i), acceptable to the Association, in accordance with the provisions of Section III of Schedule 3 to this Agreement;

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

(b) that the Subsidiary Credit Agreement has been duly authorized or ratified by the Borrower and SENELEC and is legally binding upon the Borrower and SENELEC 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

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance, or the representative thereof, 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: MIN FINANCES
Telex: 3203 G
Facsimile: 221-821-1630
Dakar

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
Washington, D.C.
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/ Macky Sall
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gobind T. Nankani
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>5,700,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(2) Goods</td>
<td></td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(a) under Part A.2</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>(b) under Part A.3</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>(c) under Part B.2</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>(3) Consultants’ services,</td>
<td></td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>including audits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A.3</td>
<td>1,550,000</td>
<td></td>
</tr>
<tr>
<td>(b) under Part B.1</td>
<td>140,000</td>
<td></td>
</tr>
<tr>
<td>(c) under Part B.2</td>
<td>340,000</td>
<td></td>
</tr>
<tr>
<td>(4) Training</td>
<td>160,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating costs</td>
<td>40,000</td>
<td>90%</td>
</tr>
</tbody>
</table>
Category | Amount of the Credit Allocated (Expressed in SDR) | % of Expenditures to be Financed
--- | --- | ---
(6) Refunding of Project Preparation Advance | 1,340,000 | Amount due to section 2.02 (c) of this Agreement
(7) Unallocated | 830,000 | |
TOTAL | 10,500,000 | |

2. For the purposes 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 goods or 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 the incremental expenses incurred on account of Project implementation, management and monitoring, office equipment and supplies, office administration costs, and Special Account banking charges.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

   (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 650,000 may be made in respect of Category 3 (a) on account of payments made for expenditures before that date but not earlier than twelve months before the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods
costing less than $250,000 equivalent per contract; (b) works costing less than $500,000 equivalent per contract; (c) services of individual consultants costing less than $100,000 equivalent per contract; (d) services of consulting firms costing less than $200,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Borrower; and (e) operating costs and training.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may, for the purposes of the Project, open and maintain in FCFA a special deposit account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.

2. After the Association has received evidence satisfactory to it that the Special Account referred to in Section 2.02 (b) has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:
(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means: the amount of CFAF 650,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 deposit into the respective Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 respective 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 respective Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Special Account’s Authorized Allocation. Thereafter, withdrawal from the Credit
Account of the remaining unwithdrawn amount of the Credit 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 respective Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) assist in maintaining and increasing the electricity supply and the reliability and cost-effectiveness of the electricity services; and (b) enhance the performance of key institutions of the energy sector.

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. Support to SENELEC

1. Strengthening SENELEC’s power generation, distribution, and transmission capacities, through: (a) support to efforts to attract private investments in new electricity generation facilities; and (b) rehabilitation and strengthening of its distribution and transmission networks;

2. Providing technical assistance to SENELEC to develop its master plan(s) for electricity generation, transmission and distribution.

3. Support for the preparation and implementation of a training program for staff of SENELEC.

Part B. Institutional Strengthening and Project Monitoring and Evaluation

1. Strengthening the Borrower’s implementation, monitoring and evaluation capacities, including: (a) support for the design of a monitoring and evaluation system for the MEM; (b) support in the areas of Project implementation, management, coordination, administration, monitoring and evaluation, including financial and technical audits, and environmental and social impact assessment and mitigation; and (c) carrying out studies on the strengthening of capacity of the energy sector in the long term.

2. Provision of advisory services to assist the Borrower in reviewing options for public/private partnership for SENELEC.

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The Project is expected to be completed by July 31, 2008.
SCHEDULE 3

Procurement and Consultants’ Services

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures.

1. National Competitive Bidding. Goods estimated to cost less than $250,000 equivalent per contract, Services (other than consultant services) estimated to cost less than $100,000 equivalent per contract and works estimated to cost less than $500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

2. Shopping. Goods estimated to cost less than $50,000 equivalent per contract, services (other than consultant services) estimated to cost less than $30,000 equivalent
per contract and works estimated to cost less than $100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. **Direct Contracting.** Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. **Force Account.** Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection.** Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Least-cost Selection.** Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. **Selection Based on Consultants’ Qualifications.** Services 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, 3.7 and 3.8 of the Consultant Guidelines.

4. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
5 Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. 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.
SCHEDULE 4

Implementation Program

Section I. Institutional Arrangements

1. Project Coordination Unit

The Borrower shall establish and maintain, until the completion of the Project, a Project Coordination Unit in the Borrower’s Ministry of Energy and Mines, in form and with staffing, functions and resources satisfactory to the Association, which shall be responsible for: (i) the overall coordination, monitoring and evaluation of all Project activities; and (ii) the day-to-day administration, financial management and procurement related to Part B of the Project.

Section II. Implementation Arrangements

1. Project Implementation Manual

(a) The Borrower shall, in conjunction with SENELEC, prepare and furnish to the Association a Project Implementation Manual, in form and substance satisfactory to the Association, giving details of all operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of the Project, including:

(i) performance indicators, monitoring and evaluation guidelines, and environmental assessment methodology;

(ii) administrative, accounting and financial procedures;

(iii) procurement and disbursement guidelines;

(iv) guidelines for the compensation and resettlement of Affected Persons including, as they become available, details of individual RAPs; and

(v) details of the EMPs as they become available.

(b) The Borrower shall carry out, and cause SENELEC to carry out, the Project in accordance with the arrangements and procedures set out in the Project
Implementation Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Environmental and Social Safeguard Arrangements

(a) The Borrower, in conjunction with SENELEC, shall develop, in respect of construction, rehabilitation or upgrading activities carried out under the Project, prior to the approval of bid documents for any such activity, the instruments appropriate for said activity according to the requirements of the ESMF and RPF, which may include any or all of the following:

(i) an Environmental and Social Impact Assessment (ESIA), acceptable to the Association, giving details of the status of the natural and social environment and potential risks and adverse impacts thereto, which are specific to the respective Project activity, along with proposed mitigation measures;

(ii) an Environmental Management Plan (EMP), acceptable to the Association, giving details of measures appropriate or required to manage potential environmental and social risks and mitigate adverse impacts associated with the respective Project activity, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EMP; and

(iii) wherever applicable, a Resettlement Action Plan, acceptable to the Association, giving details of a program of actions, measures and policies designed to facilitate the compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP; and

(b) The Borrower shall ensure that the Project is implemented in accordance with the guidelines, procedures, timetable and other specifications set forth in the ESMF and RPF, the Environmental and Social Assessments, Environmental Management Plans and Resettlement Action Plans and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned frameworks, assessments and
plans, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

Section III. Monitoring and Reporting Arrangements

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the PIM and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

2. (a) The Borrower shall, not later than February 1 of each year, undertake, in conjunction with SENELEC, the Association and other interested parties, an annual review of the Project or, in the case of the review to be undertaken not later than 18 months after the Effective Date, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower of its obligations under this Agreement, having regard to the performance indicators referred to in paragraph 1 of this Section.

(b) Not later than one month prior to the reviews referred to in subparagraph (a) above, the Borrower shall, in conjunction with SENELEC, furnish to the Association for its comments a report, in such detail as the Association shall reasonably request, on the progress of the Project and the various matters to be discussed at such reviews.

(c) Following the said reviews, the Borrower shall undertake to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.
SCHEDULE 5

Performance Indicators

For the purpose of this Agreement, the Project performance will be measured by the indicators set forth below, unless otherwise agreed by the Association:

1. Sales of electricity by SENELEC increased from 1538 GWh in 2004 to 1875 GWh by 2008.

2. Kounoune II IPP power purchase agreement signed by December 31, 2006.

3. Forced outages reduced from 14 GWh in 2004 to 8 GWh by 2007.

4. Reduction in the variable costs of electricity generated and purchased by 7% by 2007 (hypothesis: fixed combustible prices, 2004 basis).

5. Reduction in technical and non-technical losses (as % of net generation) from 17.5 % in 2003 to 15.5 % in 2007.


8. Adoption of a training plan for the Minister of Energy and Mines by December 1, 2006.