OFFICIAL DOCUMENTS

CREDIT NUMBER 6179-SN

Financing Agreement

(Municipal and Agglomerations Support Program)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

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

WHEREAS by agreement of even date herewith (the “Project Financing Agreement”), the Association has agreed to extend to the Recipient a credit in the amount equivalent to six million Euros (€6,000,000) 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 eighty-seven million one hundred thousand Euros (€87,100,000) (variously, “Credit” and “Financing”), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 Payment Currency is Euro.

**ARTICLE III — PROGRAM**

3.01. The Recipient declares its commitment to the objectives of the Program. To this end, the Recipient shall carry out the Program through the MGT in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

4.01. The Additional Event of Suspension consists of the following, namely, that an action has been taken or a policy has been adopted which results or may result in any significant reversal of any part of the Program and/or any activity implemented pursuant to the Program Action Plan.


4.03. The Additional Event of Acceleration consists of the following, namely, that any of the events 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 Project 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 Recipient has promulgated a decree reforming the FECL capital grant, by introducing a formula-based allocation and two-tiered conditional grant allocation.

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:
3203 G 221-33-821-1630

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: E-mail:
248423 (MCI) 1-202-477-6391 fandianye@minfinances.sn
AGREED as of the Signature Date. July 09, 2018

REPUBLIC OF SENEGAL

By

Authorized Representative

Name: __________________________
Title: __________________________

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Louise J. Cond
Title: Country Director
SCHEDULE 1

Operation Description

The objectives of the Operation 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 DCL 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

Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. The Recipient shall maintain or cause to be maintained at all times during Program implementation, adequate institutional arrangements satisfactory to the Association as necessary to achieve the objectives of the Program as further detailed in the Operations Manual, including the following:

   (a) a strategic steering committee ("SSC") chaired by MGT and comprised of representatives of key ministries, LG associations and civil society shall be established to oversee Program implementation and ensure proactive engagement of stakeholders;

   (b) an Operational Technical Committee ("OTC") chaired by a representative of MGT and shall support the STC in the technical implementation and oversight of the Program;

   (c) MGT shall be responsible for the implementation of the decentralization policy, the day-to-day management and the supervision of the Program;

   (d) eligible urban LGs shall be responsible for managing public investments financed through the FECL; and

   (e) ADM shall be responsible for the management and the operational coordination of the Program and spearheading of the continuous territorial coaching mechanism.

B. On-financing Arrangements

1. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Financing relating to Part B.1 of the Program available to institutions and entities involved in Program implementation, including the LGs, on a conditional capital grant basis through FECL, in accordance with the Operations Manual.

2. The Recipient shall ensure that said institutions and entities implement Part B.1 of the Program with due diligence and efficiency and in accordance with:

   (a) sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association;
(b) the provisions of the Anti-Corruption Guidelines;

(c) an acceptable financial management system that includes the preparation of financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Program and at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and

(d) the preparation and submission to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. Notwithstanding paragraphs 1 and 2 above, in the event that any provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Article II of the General Conditions, were to be found inconsistent with the dispositions of the Operations Manual regarding the conditional capital grants, the provisions of this Agreement and related instructions shall govern.

4. The Recipient shall protect its own interests and the interests of the Association while implementing the on-financing arrangements, in order to accomplish the purposes of the Program.

C. Operations Manual

1. No later than three (3) months after the Effective Date, the Recipient shall prepare an implementation manual, in form and substance acceptable to the Association, containing detailed: (a) administrative, procurement, financial management and monitoring and evaluation procedures; (b) environmental and social management systems and complaints and grievance redress mechanism; (c) the Program Action Plan; (d) detailed arrangements for verification of achievement of the DLRs (including the Verification Protocol); (e) model agreements, satisfactory to the Association to be entered into between (A) MGT and the LGs and (B) ADM and the institutions and entities involved in the implementation of Part B.1 of the Program; and (f) coordination and oversight arrangements for the Program ("Operations Manual").

2. The Recipient shall: (a) furnish the Operations Manual to the Association for its review; (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said Manual; and (c) thereafter adopt the Operations Manual as shall have been approved by the Association.
3. The Recipient: (a) shall ensure that the Program is carried out in accordance with
the Operations Manual; and (b) shall not assign, amend, abrogate, or waive, or
permit to be assigned, amended, abrogated, or waived, any of its provisions
without the prior written agreement of the Association.

D. Additional Implementation Arrangements

1. Without limitation on the generality of Part A of this Section I, the Recipient shall
carry out: (a) the Program Action Plan, in accordance with the schedule set out in
said Program Action Plan in a manner satisfactory to the Association; and (b) the
Program in accordance with the directives set out in the Environmental and Social
Systems Assessment ("ESSA").

2. Except as the Association may otherwise agree, the Recipient shall not assign,
amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or
waived, any of the provisions of the Program Action Plan or the
ESSA without the
prior written agreement of the Association.

E. Anti-Corruption

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

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts
that are sensitive, diverse, or unprecedented on the environment and/or affected
people; or

B. involve the procurement of: (1) works, estimated to cost $50,000,000 equivalent
or more per contract, (2) goods and non-consulting services, estimated to cost
$30,000,000 equivalent or more per contract; or (3) consultants' services,
estimated to cost $15,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare
Program Reports in accordance with the provisions of Section 5.08 of the General
Conditions. Each Program 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. Program Financial Audits

Without limitation Section 5.09 of the General Conditions, 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 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.

C. Verification Protocol

The Recipient shall:

1. appoint and thereafter maintain, at all times during the implementation of the Program, an independent Verification Agent under terms of reference acceptable to the Association; and

2. ensure that the Verification Agent prepares and provides verification reports certifying the achievement of the DLRs set out on Schedule 3 to this Agreement.

Section IV. Withdrawal of Financing Proceeds

A. General

1. 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 the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A and Schedule 3 to this Agreement.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:
<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Amount of the Financing Allocated (expressed in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1</td>
<td>16,900,000</td>
</tr>
<tr>
<td>(2) DLI #2</td>
<td>8,500,000</td>
</tr>
<tr>
<td>(3) DLI #3</td>
<td>10,100,000</td>
</tr>
<tr>
<td>(4) DLI #4</td>
<td>16,900,000</td>
</tr>
<tr>
<td>(5) DLI #5</td>
<td>16,900,000</td>
</tr>
<tr>
<td>(6) DLI #6</td>
<td>10,100,000</td>
</tr>
<tr>
<td>(7) DLI #7</td>
<td>7,700,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>87,100,000</td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for purposes of Section 2.03 of the General Conditions, for DLRs achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five million one hundred thousand Euros (€5,100,000), may be made for such DLRs achieved prior to this date but on or after December 15, 2017.

   (b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1 of this Section, if the Association is not satisfied that any or various DLR(s) set forth in Schedule 3 of this Agreement has/have been achieved by the end of the Fiscal Year in which said DLR(s) is/are set to be achieved and/or the Allocated Amount(s) of such DLR(s) has/have not been fully withdrawn, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to:

   (a) authorize the withdrawal of such lesser amount of respective Allocated Amount(s) allocated to said DLR(s) which, in the opinion of the Association, corresponds to the extent of achievement of said DLR(s) said lesser amount to be calculated in accordance with the table of Schedule 3;

   (b) withhold all or a portion of the proceeds of the Financing then allocated to said DLR(s) until such DLR(s) is/are satisfactorily met;
(c) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR(s) to any other DLR(s); and/or

(d) cancel all or a portion of the proceeds of the Financing then allocated to said DLR(s).

3. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed fifteen percent (15%) of the amount of the Program Financing as an advance for achievement in DLIs 1, 2, 4, 5 and 7, in FY 2018; provided, however, that if the DLR(s) in the opinion of the Association, are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category for the Program shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

4. The Closing Date is July 30, 2023.
### SCHEDULE 3
Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amounts Applicable to the Program

<table>
<thead>
<tr>
<th>Total DLI Financing (USD million)</th>
<th>DLI Baseline</th>
<th>DLRs and Indicative timeline for DLR achievement</th>
<th>Verification Protocol</th>
<th>Financing amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1 Modalities for the repartition of state transfers to LGs for recurrent and investment spending (FECL and FDD) and for the repartition of the LVATF reformed and applied in the timely allocation of resources to LGs, to the satisfaction of the Association</td>
<td>No</td>
<td>Promulgated FECL decree published</td>
<td>Allocation of FECL resources to LGs in conformity with the FECL decree</td>
<td>Allocation of FECL, FDD resources to LGs in conformity with the regulatory framework</td>
</tr>
</tbody>
</table>

Allocated amount: 20

1 Alternative legal and regulatory modalities may be accepted by agreement with the Association.
<table>
<thead>
<tr>
<th>DLI 2: Increase in state-financed intergovernmental capital and recurrent grants (FECL and FDD) to LGs (in billion FCFA)</th>
<th>42</th>
<th>45</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation amount:</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>ADM will share with the Association the annual approved national budget reflecting the annual allocations to the FECL and FDD. Verification by the Verification Agent that the allocated amount is equal or superior to the one agreed upon with the government and indicated in this Agreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If minimum DLI value is achieved, the resources to be disbursed will be proportionate to the increase in total government allocations to both FECL and FDD grant transfer funds. $D = A\times G$ $D =$ annual disbursement $A =$ annual allocation $G =$ annual goal in percentage If the target is not met for FY, the amount can be compensated in the following FY(s) if the percentage annual increase in grant transfer exceeds in the following year(s) target, without exceeding the amount of year X and the accumulated non-disbursed. Yes/No The sub indicator for each FY must be verified in full for the disbursement to occur. If the target is not met for FYX, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### DLI 3
**Urban LGs with a functioning local fiscal commission**

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>3</th>
<th>20</th>
<th>40</th>
<th>80</th>
<th>115</th>
</tr>
</thead>
</table>

DGID will provide to the Association via ADM the formal written decisions creating each commission; the minutes of meetings held annually including signed attendance sheets; the signed performance agreement for each commission and the annual report tracking progress against the performance agreement for each commission.

If yearly minimal value is achieved, the amount to be disbursed will be directly proportionate to the number of functioning local fiscal commissions. If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.

**Allocated amount:** 12

<table>
<thead>
<tr>
<th>Year</th>
<th>2.4</th>
<th>2.4</th>
<th>2.4</th>
<th>2.4</th>
<th>2.4</th>
<th>2.4</th>
</tr>
</thead>
</table>

Verification by the Verification Agent annually based on information shared.

### DLI 4
**Proportion of urban LGs that receive FECL conditional grants based upon satisfaction of annual minimum mandatory conditions (MMC)**

<table>
<thead>
<tr>
<th>Year</th>
<th>0</th>
<th>MMC baseline established</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
</tr>
</thead>
</table>

Year 1: The Operations Manual to be submitted no later than three (3) months after the Effective Date will detail operating modalities of the MMC, outlining methods of MMC measurement and yearly MMCs to be applied in the annual performance evaluation. DCL will also provide a consolidated report on the level of achievement of all MMCs for the preceding year, as a baseline.

**Allocated amount:** 20

<table>
<thead>
<tr>
<th>Year</th>
<th>4</th>
<th>4</th>
<th>4</th>
<th>4</th>
<th>4</th>
<th>4</th>
</tr>
</thead>
</table>

Amount allocated for FY 2018 and 2019 targets will be disbursed on a Yes/No basis. The sub indicator for each FY must be verified in full for the disbursement to occur.

If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met. For FY 2019, 2020, 2021 and 2022 disbursement from the Association will be determined by the proportion of LGs in receipt of a conditional grant based on achievement of annual performance indicators (PI). The DLI is scalable proportionate to the percentage of LGs that achieve the target – above the minimum threshold of twenty percent (20%).
based upon the satisfaction of MMC under FECL.

The Verification Agent will verify the allocations against the independent verification report of the independent auditor for FY 1 and 2 and of the court of auditors on the annual LG performance assessments for FY 3 to 5.

If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.

Achievement of the DLI objective report of the independent auditor for FY 1 and 2 and percentage of implementation of the annual investment plan will be assessed on a Yes/No basis for each LG and disbursement will be proportional to the percentage of LGs passing against the annual target.

\[ D = A \times \frac{C}{T} \times \frac{G}{100} \]

Where:
- \( D \) = annual disbursement
- \( A \) = annual allocation
- \( C \) = number of LGs compliant
- \( T \) = total number of LGs
- \( G \) = annual goal in percentage

\((*) = \text{multiplied}\)
\((/) = \text{divided}\)
\( (> ) = \text{greater than}\)
\( (< ) = \text{lesser than}\)

If \( C/T < 0.15 \), \( D = 0 \)
If \( C/T > G \), \( D = A \)

If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.
DLI 5  
Proportion of principal urban LGs that receive FECL conditional grants based upon achievement of annual performance indicators (PI)  

<table>
<thead>
<tr>
<th>Year</th>
<th>PI baseline established</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Year 1: The Operations Manual to be submitted no later than three (3) months after the Effective Date will detail operating modalities of the performance mechanism. The DCL will also provide a consolidated report on the level of achievement of all performance assessments for all principal urban center LGs for the preceding year, as a baseline.

Years 2-5: The DCL, through the ADM, will submit to the inter-ministerial order reflecting the allocation of conditional grant allocations based upon achievement of annual PI under FECL.

The Verification Agent will verify the allocations against the independent verification report of the independent auditor for FY 1 and 2 and of the court of auditors on the annual LG performance assessments for FY 3 to 5.

For Program FY 2, 3, 4, and 5 targets, the achievement of this DLI will be assessed every FY for each LG on a Yes/No basis. The DLI will be achieved for each LG if 80% of the capacity building plan has been completed. Disbursement from the Association will be proportionate to the % of LG achieving the DLI.

Where:

\[
D = A \times C / T
\]

Allocated amount: 20 4 4 4 4 4

If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.
Each year, the principal urban center LGs will prepare a progress report on the execution of their investment budget supported by the ARDs. ADM will compile the progress reports in a consolidated progress report for the same year. The IVA will verify the achievement of the target through sample audits.

<table>
<thead>
<tr>
<th>DLI 6</th>
<th>Proportion of principal urban center LGs that have executed their annual investment plans on schedule in terms of expenditures</th>
<th>No Baseline</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>Each year, the principal urban center LGs will prepare a progress report on the execution of their investment budget supported by the ARDs. ADM will compile the progress reports in a consolidated progress report for the same year. The IVA will verify the achievement of the target through sample audits.</th>
<th>The achievement of this DLI will be assessed every year for each LG on a Yes/No basis. Disbursement from the Association will be proportionate to the number of LGs achieving the DLI. D=A*(C/T)/G Where: D= annual disbursement A= annual allocation C= number of LGs compliant and in receipt of grants T= total number of LGs G= annual goal in percentage (*)= multiplied (/)= divided (&gt;)= greater than (&lt;)= lesser than If C/T &lt; 0.3, D = 0 If C/T &gt; G, D = A If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met. Amount allocated for FY 2018 and 2019 targets will be disbursed on a Yes/No basis. The sub indicator for each FY must be verified in full for the disbursement to occur. If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met. For FY 2019, 2020, 2021 and 2022 disbursement from the Association will be determined by the</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated amount:</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-18-
proportion of LGs in receipt of a conditional grant based on achievement of annual PI. The DLI is scalable proportionate to the percentage of LGs that achieve the target – above the minimum threshold of twenty percent (20%). If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.

| DLI 7 | Proportion of urban LGs that received at least 80 percent of the territorial coaching support identified in their annual capacity building plans | 0 | annual capacity building plans developed | 80% | 90% | 95% | 95% | Each LG, supported by the respective ARD, conducts a capacity assessment and prepares an annual capacity development plan including a continuous territorial coaching action plan for the following calendar year and submits it to ADM by the required date of the preceding year. ADM submits to the Association the following year a consolidated execution report on the territorial coaching action plans for all urban LGs for the preceding year. The Verification Agent verifies the consolidated execution report based upon supporting documents (coaching mission documentation signed by LGs) and bi-annual
| Allocated amount: | 9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | Achievement of the DLI objective of at least the annual target percentage of implementation of the annual investment plan will be assessed on a Yes/No basis for each LG and disbursement will be proportional to the percentage of LGs passing against the annual target.

\[
D = A \times \frac{(C/T)}{G}
\]

Where:
- \(D\) = annual disbursement
- \(A\) = annual allocation
- \(C\) = number of LGs compliant
- \(T\) = total number of LGs
- \(G\) = annual goal in percentage

\(*\) = multiplied
\(/\) = divided
\(>\) = greater than
\(<\) = lesser than

If \(C/T < 0.15\), \(D = 0\)
If \(C/T > G\), \(D = A\)

\(\frac{D}{A} = \) (coaching mission documentation signed by LGs) and bi-annual
If the target is not met for FY X, the undisbursed amount will be disbursed in FY X+1 provided that the FY X target is met.

| Total Financing allocated (USD million): | 103 | 19.2 | 21.2 | 22.2 | 20.2 | 20.2 | satisfaction surveys of participating urban LGs. |
SCHEDULE 4

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

Definitions

1. "ADM" means the Recipient's 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. "Allocated Amounts" means the amount in Dollars allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed, in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section IV.B.2 of Schedule 2 to this Agreement.


4. "ARD" means the Recipient's regional development agency (Agence Régionale de Développement).

5. "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.

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


8. "Co-financing" means, for purposes of paragraph 14 of the Appendix to the General Conditions, a financing to be provided by the Co-financier to assist in financing the Operation.

9. "Co-financing Agreement" means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
10. "DCL" means the Recipient's authority in charge of the administration and policy elaboration for the LGs (Direction des Collectivités Territoriales).

11. "DGID" means the Recipient's general tax directorate (Direction Générale des Impôts et des Domaines).

12. "Environmental and Social Systems Assessment" and "ESSA" mean an assessment carried out by the Association dated October 26, 2017, to evaluate the Program's potential environmental and social risks and impacts in its area of influence, examine alternatives and identify ways of mitigating and managing adverse environmental and social impact throughout Program implementation, as the same may be amended from time to time.

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

14. "FECL" means the Recipient's local governments capital development fund (Fonds d'équipement des collectivités locales).

15. "Fiscal Year" or "FY" means the twelve-month period commencing January 1 and ending on December 31.


17. "LVATF" means the Recipient's local value added transfer fund.


20. "Program Action Plan" means the Recipient's plan dated October 13, 2017, and referred to in Section I.D of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.

21. "Project" means an investment project financing of an amount equivalent to six million Euros (€6,000,000) referred to in the Project Financing Agreement which is part of the Operation.
22. "Operating Costs" means incremental costs of Project implementation acceptable to the Association, which include vehicle operation and maintenance including for fuel, community, 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.

23. "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.

24. "Operations" means the activities financed collectively under the Program and the Project.

25. "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.

26. "Training" means learning programs or courses in institutes/schools in the territory of the Recipient and abroad, workshops, lectures, seminars, courses, 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.

27. "Verification Agent" means an external independent auditor appointed by the Recipient that will be responsible for the verification of DLR’s achievement.