Financing Agreement

(Rural Water Supply and Sanitation Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

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

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 non-concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to one hundred seven million five hundred thousand Euros (€107,500,000) ("Credit"), to assist in financing the project described in Schedule I to this Agreement ("Project").

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

2.03. The Front-end Fee is one quarter of one percent (¼ of 1%) of the Credit amount. The Recipient shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. The Commitment Charge is one-quarter of one percent (¼ of 1%) per annum on the Unwithdrawn Credit Balance.

2.05. The Interest Charge is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MHA in accordance with the provisions of Article V of the General Conditions.

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.02. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its minister in charge of economy and finance.

5.02. 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

5.03. 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; and

(b) the Association’s Electronic Address is:

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF SENEGAL

By

Authorized Representative

Name: ________________________________
Title: ________________________________
Date: 20 JUL 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Louise J. Cord
Title: Country Director
Date: July 20, 2018
SCHEDULE 1

Project Description

The objectives of the Project are to increase access to improved water and sanitation services in selected rural areas and strengthen capacity for water resources management.

The Project consists of the following parts:

Part 1. Rural water supply

1. Upgrading systems

Upgrading of piped water systems to increase water availability and quality, in selected areas through: (a) the renewal of electro-mechanical equipment of water production sites; (b) construction and rehabilitation of water storage facilities; (c) the provision of water production meters and water distribution meters; (d) the supply and installation of chlorination devices; (e) expanding capacity by drilling and equipping two new boreholes with connection pipes to collect ground water; and (f) the renewal of water distribution networks and water meters.

2. Development of access to water

(a) Construction of household service connections and expansion of tertiary distribution networks; (b) installation of stand posts and expansion of distribution networks.

3. Works control and supervision and outreach

(a) Provision of consulting services for the control and supervision of Parts 1.1 and 1.2 of the Project; (b) communication campaigns targeting of beneficiaries of household connections.

Part 2. Sanitation

1. Rural sanitation

Development of access to improved sanitation in selected rural areas through: (a) the installation of household latrines; and (b) the installation of public toilets.

2. Condominial sewerage and wastewater and sludge disposal in Gandiaye

Development of access to condominial sewerage services and provision of adequate wastewater and sludge disposal in Gandiaye through: (a) the supply and laying of sewer pipes, the construction and equipment of a wastewater pumping station and the construction of household interceptor tanks and service
connections; (b) the construction and equipment of a wastewater treatment plant and a sludge treatment plant; and (c) the purchase of a vacuum truck.

3. Sewerage and wastewater and sludge disposal in small towns

Development of access to sewerage services and provision of adequate wastewater and sludge disposal in selected small towns through: (a) the supply and laying of sewer pipes, the construction and equipment of wastewater pumping stations, and the construction of service connections; (b) the construction and equipment of wastewater treatment plants and of sludge treatment plants.

4. Pilot rural sanitation

Implementation of a pilot program of the marketing approach to sanitation through: (a) the provision of Matching Grants for the construction of household latrines in selected areas; (b) consulting services for carrying out communication campaigns for behavioral changes; and (c) the construction and equipment of sanitation shops.

5. Works control and supervision and outreach

Supporting the Recipient in the areas of supervision; communication, information and education, related to the activities under Parts 2.1, 2.2, 2.3 and 2.4 of the Project through consulting services.

Part 3. Water resources management

1. Knowledge of water resources

Strengthening the Recipient’s capacity in assessing and monitoring water resources (groundwater and surface water in the eastern regions of Senegal and Casamance) through: (a) carrying out hydrogeological and hydrological studies; (b) construction of piezometers, trial boreholes and hydrometric stations; and (c) consulting services and provision of office technology equipment and software for the establishment of a water quality mapping system.

2. Planning

Supporting the Recipient’s capacity in planning the development of water resources through consulting services and technical assistance for the preparation of water resources development master plans in selected water basins.
Part 4. Program coordination, institutional support and capacity building

1. Project management

Supporting the PCU with supervision, financial management, communication and outreach, procurement, monitoring and evaluation, supervision of implementation of the Safeguard Documents, through the provision of technical assistance, Training, Operating Costs, goods and services for the purpose.

2. Institutional support

Provision of: (a) support to DH through consulting services for the preparation of a feasibility study of water transfers to the central regions and the update of the rural water supply master plans of selected regions; (b) technical assistance to ONAS through consulting services; (c) support to OFOR through: (i) consulting services for the inventory and management of rural water supply assets, the update of the financial model and the design and implementation of a reporting system for monitoring private operators; and (ii) the design, construction and supervision of OFOR’s offices; and (d) the provision and installation of monitoring and laboratory equipment for DGPRE and the provision of goods and services for communication activities of DGPRE.

3. Capacity Building

Support to MHA and the SIAs by financing expenses related to Training and Operating Costs for the implementation of Project activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Steering Committee

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

2. Project Coordination Unit

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

3. Specialized Implementation Agencies

In order to ensure proper implementation of the Project, the following entities each under their respective mandates shall assist the PCU in carrying out Project activities: (i) OFOR for the water supply; (ii) ONAS for the sanitation; and (iii) DGPRE for the water resources management (“Specialized Implementation Agencies” or “SIAs”). The Recipient shall ensure that each SIA maintains,
throughout Project implementation: (i) staffing, including recruitment of a social safeguards specialist for OFOR and ONAS no later than six (6) months after the Effective Date; and (ii) resources satisfactory to the Association, as further described in the Project Implementation Manual.

The SIAs shall be responsible for: (i) assisting the PCU with the quality control of procurement documents; (ii) the technical management of activities, including the provision of quality control for infrastructural work and ensuring that appropriate safeguards requirement and standards are maintained; (iii) the review of contractors' payment requests for approval by the PCU.

B. Matching Grants

1. For the purposes of carrying out Part 2.4 of the Project, the Recipient shall make available part of the proceeds of the Credit through a matching grants mechanism to Developers responsible for building latrines in selected areas ("Matching Grants").

2. The Recipient shall ensure that the Matching Grants shall be made available only upon the Recipient’s determination, on the basis of an appraisal conducted in accordance with the criteria, guidelines and detailed procedures set forth in the Project Implementation Manual, including inter alia:

   (i) appraised on the basis of an environmental and social assessment and other guidelines acceptable to the Association (and be accompanied by appropriate Safeguard Documents, if required);

   (ii) approved by the Recipient and the Association, unless with respect to the Association’s approval, the Association has notified the Recipient in writing that its prior approval is not required; and

   (iii) included in the Annual Work Plan and Budget approved by the Association in accordance with Section F of this Schedule.

3. The Recipient, through the PCU, shall make the Matching Grants available to the Developer, under a Matching Grant Agreement on terms and conditions approved by the Association, which shall, inter alia, include the following:

   (i) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

      (A) suspend or terminate the right of the Developer to use the proceeds of the Matching Grant or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the
Developer's failure to perform any of its obligations under the Matching Grant Agreement; and

(B) require the Developer to:

(a) carry out the activities financed by the Matching Grants with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, social, labour and health standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(b) provide, promptly as needed, the resources required for the purpose;

(c) procure the goods, works and services to be financed out of the Matching Grant in accordance with the provisions of this Agreement;

(d) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Matching Grants and the achievement of their respective objectives;

(e) (1) maintain a financial management system and prepare 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 Matching Grants; and

(2) 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;

(f) enable the Recipient and the Association to inspect the activities financed by the Matching Grants and any relevant records and documents; and
prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit.

5. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any provisions of the Matching Grant Agreement.

C. Project Implementation Manual

1. No later than one (1) month after the Effective Date, the Recipient shall:

   (a) prepare under terms of reference acceptable to the Association, and furnish to the Association, an implementation manual for the Project containing detailed arrangements and procedures for:

       (i) institutional coordination and day-to-day execution of the Project;

       (ii) Project budgeting, disbursement and financial management;

       (iii) procurement;

       (iv) monitoring, evaluation, reporting and communication;

       (v) safeguards monitoring and mitigation;

       (vi) the responsibilities and mandate of each SIA;

       (vii) the selection criteria of the Developers, the financial management, procurement and disbursement procedures of the Matching Grants; and

       (viii) such other arrangements and procedures as shall be required for the Project;

   (b) afford the Association a reasonable opportunity to exchange views; and

   (c) thereafter adopts such Project implementation manual as shall have been approved by the Association (“Project Implementation Manual”).

2. In case of any conflict between the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. Except as the Association shall otherwise agree in writing, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual.

D. Safeguards.

1. The Recipient shall ensure that all activities carried out under the Project are consistent with the Association's social and environmental safeguard policy requirements, as well as its own environmental and social laws and regulations.

2. The Recipient shall ensure that the Project is implemented in accordance with the provisions, guidelines, procedures, timetables and other specifications set forth in the ESMF and the RPF and any Safeguards Document to be prepared under the Project.

3. If any Project activity would, pursuant to the RPF, require the preparation of a RAP, no such activity shall be implemented, unless: (i) a RAP for such activity has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association; (B) approved by the Association; and (C) publicly disclosed as required by the RPF; and (ii) (A) all measures required to be taken under said RAP prior to the initiation of said activity have been taken, including, without limitation to the above, providing funds for resettlement compensation when and if required under a RAP; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that the implementation of said activity may be commenced.

4. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any other entity participating in the implementation of the Project to do so.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (i) measures taken in furtherance of the Safeguard Documents; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (iii) remedial measures taken or required to be taken to address such conditions.

6. In the event that any provision of either the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.
E. **Anti-Corruption**

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

F. **Annual Work Plan and Budget**

1. The Recipient shall, not later than November 30 of each year of Project implementation, prepare and furnish to the Association, an annual work plan and budget ("Annual Work Plan and Budget") containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

2. The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed Annual Work Plan and Budget and thereafter ensure that the Project is implemented in accordance with such Annual Work Plan and Budget as shall have been approved by the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

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

B. **Project Financial Audits**

The Recipient shall have the Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one 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 six (6) months after the end of such period.

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

A. **General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Credit to finance Eligible
Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category in the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services,</td>
<td>105,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>Operating Costs and Training for the Project except Part 2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Matching Grants under Part 2.4 of the Project</td>
<td>2,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>107,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

   (a) from the Financing Account until the Association has received payment in full of the Front-end Fee;

   (b) for payments made prior to the Signature Date; or

   (c) under Category 2, unless the Association is satisfied that the Matching Grants comply with the provisions of Section 1.B of Schedule 2 of this Agreement.

2. The Closing Date is June 30, 2023.

Section IV. Other Undertakings

In order to monitor the implementation of Part 4.2 of the Project, the Recipient shall ensure that ONAS and OFOR have their financial statements audited. 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 six (6) months after the end of such period.
SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15 through October 15, 2042</td>
<td>3.33%</td>
</tr>
<tr>
<td>On April 15, 2043</td>
<td>3.43%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Affected Persons” means a person who as a result of the involuntary taking of land under the Project is affected in any of the following ways: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not the affected person must move to another location.

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

3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. “DA” means Direction de l'Assainissement, the Recipient’s directorate in charge of sanitation.

5. “Developer” means a contractor who will be supported by or who will benefit from a Matching Grant for the implementation of Part 2.4 of the Project, and “Developers” means more than one such Developer.

6. “DGPRE” means Direction de la Gestion et de la Planification des Ressources en Eau, the Recipient’s directorate in charge of water resources management and planning.

7. “DH” means Direction de l'Hydraulique, the Recipient’s directorate in charge of hydraulics.

8. “ESMF” means Environmental and Social Management Framework, the framework disclosed in the Recipient’s territory on April 12, 2018 and on the Association’s website on April 14, 2018, in form and substance satisfactory to the Association, setting out modalities to be followed in assessing the potential adverse environmental impact, including impact on physical cultural resources, associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce, or mitigate such adverse impact.

10. “Matching Grant Agreement” means the agreement to be entered into between the Recipient and the Developer for the financing of Matching Grants and referred to in Section I.B.3 of Schedule 2 to this Agreement.


12. “OFOR” means Office des Forages Ruraux, the Recipient’s rural boreholes agency.


14. “Operating Costs” means the incremental operating expenses, based on annual budgets approved by the Association, on account of the Project, consisting of operation and maintenance costs of office, purchase of vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, salaries of contractual staff, travel and supervision costs including per diem, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.


16. “RAP” or “Resettlement Action Plan” means a resettlement action plan to be prepared by the Recipient in accordance with the procedures and requirements under the RPF, setting out, for a particular activity, actions and measures for 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, as such plan may be revised from time to time with prior written approval of the Association; and “RAPs” means, collectively, all such RAP.

17. “RPF” means Resettlement Policy Framework or the document prepared by the Recipient in form and substance satisfactory to the Association and disclosed in the Recipient’s territory on April 12, 2018 and on the Association’s website on April 14, 2018, outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population including their involuntary resettlement, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.
18. “Safeguard Documents” means the ESMF and the RPF, as well as any other environmental and social safeguard instrument that may be required under the Project Implementation Manual for the implementation of the Project.

19. “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.

20. “Training” means the training of persons under the Project, including through seminars, workshops, knowledge sharing activities and study tours, and covers the following costs associated with such activity: travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.