Financing Agreement

(Additional Financing For the Public Financial Management Technical Assistance Project)

between

REPUBLIC OF SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 23, 2014
FINANCING AGREEMENT

AGREEMENT dated September 23, 2014, entered into between REPUBLIC OF SENEGAL ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nineteen million five hundred thousand Special Drawing Rights (SDR 19,500,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

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

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

2.07. The Payment Currency is Euro.
ARTICLE III — PROJECT

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

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient’s Address is:

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

Cable: MINIFINANCES3203 G Facsimile: 221-33-821-1630 Dakar

5.03. The Association’s Address is:

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

AGREED at Dakar, Republic of Senegal, as of the day and year first above written.

REPUBLIC OF SENEGAL

By

Authorized Representative

Name: Amadou Ba
Title: Minister of Economy, Finance and Planning

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Vera Songwe
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to enhance budget credibility, transparency and accountability mechanisms in the use and management of central government financial resources.

The Project consists of the following parts:


Improving the Recipient’s expenditures allocation policies and the reduction of potential deficit financing by:

1. Supporting the Recipient’s reform of its legal and institutional framework and extension of multi-annual budget programing documents, through: (a) assessment of the impact of the WAEMU Directives and update of the PFM legal framework and reform action plan to incorporate the changes introduced thereby; (b) update and dissemination of said multi-annual budget programming documents; (c) development and implementation of a framework for the assessment of the economic viability of public investment projects; (d) carrying out of economic management studies to inform budget preparation processes and sector analysis.

2. Improving debt management, through: (a) development and dissemination of a debt management strategy and a manual of debt management procedures; (b) enhancement and deployment of a debt management information system; and (c) capacity building of staff in key areas of debt management.

Part B: Improving Budget Execution and Reporting Processes

1. Strengthening budget execution and procurement processes by:

(a) Supporting the Recipient in the implementation of the WAEMU Directives, through: (i) carrying out of capacity building of the Recipient’s ministries’ staff; (ii) further decentralization of commitment authority to the Recipient’s ministries; (iii) development and dissemination of a budget execution manual; (iv) capacity building activities for accountants; (v) development of a harmonized financial and accounting regime for public agencies; and (vi) development of change management activities aimed at creating broad consensus and identification of key incentives around the PFM reforms above.

(b) Supporting the integration of the procurement function as part of the Recipient’s budget preparation and execution, through: (i) technical advisory services for the staff of contracting authorities on appropriate
procurement planning linked with budget processes; (ii) provision of training to staff involved in the procurement process in the context of the streamlining of the procurement review process; (iii) development and dissemination of techniques and procedures for the use of new procurement tools under framework agreements and multi-year contracts; (iv) training of related staff in application of said tools; and (v) improvement of: (A) the electronic system enabling electronic transactions between the contracting authorities and the procurement control body and regulatory body; and (B) the management of database for statistics and archiving purpose.

2. Enhancing budget management information systems by:

(a) Developing a secured interface between the budget management information systems and enhancing the accounting and budget modules (ASTER and SIGFIP), through: (i) carrying out of a technical assistance study of the specific requirements for systems enhancement and interfacing; (ii) acquisition of servers for enhancement of storage and processing capacities; (iii) review of the business processes; (iv) improvement of the electronic data transfer systems; (v) identification of the financial reporting requirements and establishing reporting tools; (vi) implementation of the required upgrading and interfacing; and (vii) carrying out of a program of training and other capacity building activities for end users and support teams on the enhanced and upgraded systems.

(b) Supporting the establishment of an integrated information system for financial management, through: (i) turn-key implementation of the IFMIS modules; (ii) provision of consultants’ services to strengthen: (A) the Recipient staff’s due diligence capacity to assure implementation quality from both the technical and functional perspectives; and (B) IFMIS management; (iii) establishment and operation of a main data center along with a rescue data center, including the acquisition of servers; (iv) installation and annual maintenance of wide area and local area networks; and (v) acquisition of hardware, including computers, printers and other accessories.

3. Strengthening internal audit processes by enhancing the performance of the Recipient’s internal control systems, through: (a) development of an internal audit framework and strategy and internal audit manuals; (b) initiation of training in the use of CAATs; (c) strengthening of internal audit units on audit follow-up; and (d) elaboration and implementation of change management activities to create broad consensus and identify key incentives around this reform.
Part C: Strengthening the Capacity of External Audit and Legislative Oversight

1. Strengthening external audit processes by: Accelerating the modernization and capacity building of the Cour des Comptes by: (a) providing technical assistance to the Cour des Comptes in completing the auditing and certification of the audit backlog and developing an action plan to prevent future audit backlogs; (b) developing and implementing an auditing risk-based approach; (c) introducing CAATs and assisting the Cour des Comptes in implementing its development master plan; and (d) developing auditor capacity in conducting performance audits.

2. Strengthening legislative oversight by:
   (a) enhancing the capacity of the Parliamentary Oversight Committee members to carry out reviews of audit reports and audited accounts;
   (b) reinforcing interaction between the Cour des Comptes and the Parliamentary Oversight Committee through the elaboration of a planning and communications framework, and the carrying out of related training and workshops; and
   (c) supporting public access to information by making available the Parliamentary Oversight Committee reports and the provision of Training to the media and civil society in public financial management.

Part D: Project Management

Provision of technical and operation support to the PFM Reform Secretariat to carry out the overall coordination, training, communication, administration, financial management, procurement, monitoring and evaluation and activities required for the implementation of the Project.

Part E. Supporting the Implementation of a Public Sector Performance-Based Management and Results Monitoring System

1. Strengthening the Recipient’s technical capacities to support and monitor SOEs’ and key line ministries’ performance through:
   (a) Developing a methodological framework to support key line ministries in changing focus from inputs to outcomes and putting in place a new performance evaluation system.
   (b) Carrying out an institutional and legal assessment of the parastatal sector in the Recipient’s territory.
(c) Developing an ownership policy outlining the objectives for state owned and privately owned companies, and public agencies, in terms of their performance and adherence to general corporate governance principles.

(d) Strengthening the State Ownership Unit technical expertise and its capacity in supervising and supporting SOEs and public agencies, including through, inter alia: (i) developing a framework for aggregate reporting of SOEs and publication of annual SOE reports; (ii) ensuring engagement with SOEs through regular meetings and annual shareholder meetings; and (iii) providing input into the Executive Board nomination/selection process.

(e) Strengthening the capacity of SOEs’ executive board, through: (i) provision of training; (ii) creation of a clear board nomination process, including a minimum qualification for board members; (iii) development of guidelines and/or codes of ethics; and (iv) development of a methodology for self-evaluations.

(f) Providing technical support for the preparation of performance contracts between key SOEs and/or public agencies, on the one hand, and the Recipient on the other hand.

2. Strengthening the capacity of the USRP, through: (a) establishment of administrative and technical framework by developing tools and methods for planning, monitoring, and outcome measures; (b) building of the operational capacity of the USRP unit and the monitoring and evaluation units of key line ministries and provision of related equipment; (c) training of USRP and monitoring and evaluation units of key line ministries’ staff; (d) preparation of regular monitoring reports; and (e) provision of technical expertise, as needed, including for public policies assessment and target results review in selected areas.
SECTION I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain throughout Project implementation the PFM Steering Committee, the Joint Committee of Harmonization and Monitoring, the PFM Reform Secretariat and the Technical Monitoring Committees in form and substance and with resources and functions satisfactory to the Association, including with staff with qualifications, experience and terms of reference satisfactory to the Association:

(a) The Joint Committee of Harmonization and Monitoring

(i) The Joint Committee of Harmonization and Monitoring, comprised of representatives of the Recipient, civil society and the donors, shall be maintained pursuant to the CCHS Ministerial Order and shall meet at least two times a year.

(ii) Without limitations upon the provision of subparagraph (a) (i) of this Section, the Joint Committee of Harmonization and Monitoring shall be responsible for:

(A) overseeing and providing overall guidance, on a strict advisory role, on the execution of the Program; and

(B) monitoring the progress of the Program and discussing any coordination issue in the funding of the Program.

(b) The PFM Steering Committee

(i) The PFM Steering Committee shall be maintained in accordance with the Arrêté No 002754 dated March 15, 2011, as amended from time to time.

(ii) Without limitations upon the provision of subparagraph (b) (i) of this Section, the PFM Steering Committee shall be responsible for:

(A) discussing the strategic direction and orientation of PFM reforms, including progress in the execution of the Project;
(B) reviewing the implementation status of the PFM reform action plan;

(C) providing guidance and addressing policy related issues; and

(D) approving the proposed Annual Work Plans for the Project and related budgets prepared by the PFM Reform Secretariat.

(c) **The PFM Reform Secretariat**

(i) The PFM Reform Secretariat shall be maintained in accordance with the PFM Ministerial Order and shall be headed by a senior public servant specialized in public finances and implementation of PFM Reforms.

(ii) Without limitations upon the provision of subparagraph (c) (i) of this Section, the PFM Reform Secretariat shall be responsible for day-to-day Project coordination and implementation, including:

(A) the day-to-day implementation of the Project;

(B) preparing proposed Annual Work Plans for inclusion in the Project, and updating the Procurement Plan and related budgets and consolidated Project reports, and sending same to the PFM Steering Committee; and

(C) carrying out Project procurement, financial management and disbursement activities.

(d) **The Technical Monitoring Committees**

(i) The Technical Monitoring Committees shall be maintained pursuant to the PFM Ministerial Order and the TC Directive, and shall meet, at least once each semester under the chairmanship of the head of the PFM Reform Secretariat.

(ii) Without limitation upon provision of subparagraph (d) (i) of this Section, the Technical Monitoring Committees shall be responsible for operational monitoring of the implementation of the reforms of the Project.
B. Anti-Corruption

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

C. Project Operational Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Project Operational Manual and the Administrative and Financial Manual; and (ii) except as the Association shall otherwise agree in writing, not amend, abrogate, or waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof. In the event of any inconsistency between this Agreement, on the one hand, and the Project Operational Manual and the Administrative and Financial Manual, on the other hand, the provisions of this Agreement shall prevail.

D. Annual Work Plans

1. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than February 15 in each calendar year, for the Association’s consideration, a proposed work plan of activities to be included in the Project for the following calendar year, such plan to include an implementation schedule and budget and financing plan therefor.

2. The Recipient shall afford the Association a reasonable opportunity to review and exchange views with the Recipient on such proposed plan, and thereafter, shall implement such work plan as shall have been approved by the Association, with due diligence.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. 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.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.
B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

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

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

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

2. Other Methods of Procurement of Goods and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services.
The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

3. The following provisions apply to National Competitive Bidding: (a) bids shall be advertised in national newspapers with wide circulation; (b) bid evaluation, bidder qualification and award criteria shall be specified clearly in the bidding documents; (c) bidders shall be given an adequate response time (minimum four (4) weeks following the date of the invitation to bid or the date of availability of the bidding documents, whichever is later) to prepare and submit bids; (d) bids shall be awarded to the lowest evaluated bidder; (e) eligible bidders, including foreign bidders, shall not be precluded from participating; and (f) no preference margin shall be granted to domestic contractors

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultant</td>
</tr>
</tbody>
</table>
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services and consultants’ services, Training and Operating Costs for the Project</td>
<td>19,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>19,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is June 30, 2019.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2020 to and including March 15, 2052</td>
<td>1,56250 %</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Definitions

1. "Administrative and Financial Manual" means the manual dated March 21, 2011 adopted by the Recipient and annexed to the Project Operational Manual, as updated not later than November 30, 2014 in a manner satisfactory to the Association, outlining administrative, financial management, and accounting arrangements, as such manual shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written approval of the Association, and such term includes any schedules to the Administrative and Financial Manual.

2. "Annual Work Plans" means the annual work plans for the Project approved by the Association in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and “Annual Work Plan” means any of the Annual Work Plans.


4. “ASTER” means Application des Services du Trésor en Réseau, an accounting information system.

5. “Audit Units” means the internal audit audits of the various institutions of the Recipient.

6. “CAAT” means computer aided auditing technique.


11. “IFMIS” means the integrated financial management and information system to be established by the Recipient.

12. “Joint Committee of Harmonization and Monitoring” means Comité Conjoint d’Harmonisation et de Suivi, the joint-steering committee established and maintained by the Recipient in accordance with provisions of Section I.A.1(a) of Schedule 2 to this Agreement and the CCH Ministerial Order.


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

15. “Parliamentary Oversight Committee” means Commission Des Finances, the Recipient’s parliamentary committee in charge of finance oversight.

16. “PFM” means the Recipient’s public financial management system.

17. “PFM Ministerial Order” means, the Arrêté No. 005222 dated July 30, 2003 creating a PFM Steering Committee and the PFM Reform Secretariat, as amended to revise the composition of the PFM Steering Committee by the Arrêté No 002754 dated March 15, 2011.

18. “PFM Reform Secretariat” means Secrétariat Exécutif du Projet de Coordination des Réformes Budgétaires et Financières (PCRBF), established pursuant to PFM Ministerial Order, and maintained by the Recipient in accordance with provisions of Section I.A.1(c) of Schedule 2 to this Agreement.

19. “PFM Steering Committee” means the Comité de Coordination et de Pilotage, the PFM steering committee established pursuant to PFM Ministerial Order, and maintained by the Recipient in accordance with provisions of Section I.A.1(b) of Schedule 2 to this Agreement.

21. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 14, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


23. "Project Operational Manual" means the manual dated March 21, 2011 adopted by the Recipient, as updated not later than November 30, 2014 in a manner satisfactory to the Association outlining implementation, organizational and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation and shall be applied by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior approval of the Association, and such term includes any schedules or annexes to the Project Operational Manual which includes the Administrative and Financial Manual.

24. "SIGFIP" means Système Intégré de Gestion des Finances Publiques, a budget management information system.

25. "SOEs" means state owned enterprises.

26. "State Ownership Unit" means the unit within the Ministry of Economy and Finance in charge of the monitoring of parastatal entities.

27. "TC Directive" means the Note de Service dated March 18, 2010 issued by the Ministry of Finance of the Recipient governing the functioning of the Monitoring Technical Committees.


29. "Training" means the costs of training under the Project, based on the Annual Work Plans approved by the Association, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

31. "USRP" means the service delivery unit within the Office of Organization and Methods of the Presidency established pursuant to Arrêté no. 0017900 of August 11, 2013, as the same may be amended from time to time.

32. "WAEMU" means the West Africa Economic Monetary Union established by a Treaty signed in Dakar, Senegal, on January 10, 1994, by the heads of state and governments of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo.