Development Credit Agreement

(First Poverty Reduction Support Credit)

between

REPUBLIC of SENEGAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 16, 2004
CREDIT NUMBER 4010 SE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 16, 2004, between REPUBLIC OF SENEGAL (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated October 25, 2004, describing therein a program of actions, objectives and policies designed to reduce poverty in its territory by strengthening public sector management and governance by way of fiduciary reforms; implementing its decentralization process, including the financial and human resources in relation thereto; increasing access of its population to basic health services through human and financial reorganization of the sector (hereinafter called the Program); declaring the Borrower’s commitment to the execution of the Program; and requesting assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 2 of this Agreement to the satisfaction of the Association and has maintained a macroeconomic policy framework satisfactory to the Association;

(C) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in a single tranche as hereinafter provided; and

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 12, is modified to read:
“Project’ means the program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made.”;

(b) Section 4.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement.”;

(c) Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions”;

(d) The last sentence of Section 5.03 is deleted;

(e) Section 9.06 (c) is modified to read:

“(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”; and

(f) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Auditor General” means the Borrower’s Cour des Comptes;
(b) “BCEAO” means Banque Centrale des États de l’Afrique de l’Ouest, the Borrower’s central bank;

(c) “Consumer Advisory Board” means the Organe de Coordination et de Conseil aux Acheteurs;

(d) “Control of Financial Transactions” means the Borrower’s principles and procedures for Contrôle des Opérations Financières;

(e) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;

(f) “FCFA” means Franc de la Communauté financière Africaine, the currency of the Borrower;

(g) “FDD” means Fonds de Dotation à la Décentralisation, the Borrower’s appropriated funds for decentralization;

(h) “FECL” means Fonds d’Équipement des Collectivités Locales, the Borrower’s fund for capital goods acquisition of local communities;

(i) “Financial Transactions Management Accounts” mean the Borrower’s Comptes de Gestion;

(j) “Fiscal Year” and “FY” mean the Borrower’s fiscal year beginning January 1 and ending December 31 of the same calendar year;

(k) “HIMS” means Health Information Management System;

(l) “ICC” means Comité de Coordination Inter-Agences, the Borrower’s Inter-Agency Coordination Committee of the Expanded Program for Immunization chaired by the secretary of the MOH (as hereinafter defined) and with membership including Donors;

(m) “Loi, Décret, Ordonnance, Arrêté” mean various laws of the Borrower adopted by different organs of the Borrower, as defined in the Borrower’s constitution;

(n) “MOF” means the Borrower’s Ministry of Finance;

(o) “MOH” means the Borrower’s Ministry of Health; and
“Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower, in an amount of SDR 658,000 pursuant to a letter signed between the Association and the Borrower on May 18, 2004.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty million five hundred thousand Special Drawing Rights (SDR 20,500,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in its central bank, a deposit account in FCFA on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

(d) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association: (i) deposit into the Deposit Account an amount equal to the amount of said payment; or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.
Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing February 15, 2015 and ending August 15, 2044. Each installment to and including the installment payable on August 15, 2024, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association’s resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of
the Borrower’s economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program.
(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Association’s request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than four months after the date of the Association’s request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for Finance is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address: MINIFINANCES
Telex: 3203 G
221 – 821 16
30 Dakar

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF SENEGAL

By /s/ Amadou Lamine Bâ
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mahmood A. Ayub
Authorized Representative
SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower, provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”;

2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Association or the Bank shall have financed or agreed to finance under another credit or a loan;

3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

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<th>Group</th>
<th>Subgroup</th>
<th>Description of Items</th>
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<tbody>
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<td>Alcoholic beverages</td>
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<tr>
<td>121</td>
<td>-</td>
<td>Tobacco, unmanufac-</td>
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<td></td>
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<td>tured, tobacco refuse</td>
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<tr>
<td>122</td>
<td>-</td>
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<td>-</td>
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<td>Group</td>
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<tr>
<td>667</td>
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<td>Pearls, precious and semiprecious stones, unworked or worked</td>
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<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
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<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
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<tr>
<td>971</td>
<td>-</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term “environmentally hazardous goods” means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

6. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
7. expenses under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.
SCHEDULE 2

Actions Referred to in Recital (B)  
of the Preamble to this Agreement

Public expenditures management

In accordance with paragraphs (15), (16), (18), (40), (70) and (71) of its Letter of Development Policy, the Borrower has furnished to the Association evidence, in form and substance satisfactory to the Association, of the following:

- Decentralization of budgetary execution is initiated in at least four line ministries, including the Ministry of Health;
- The financial and technical audits of the Borrower’s public wage bill are initiated;
- The legal and regulatory framework governing the control and monitoring of State’s financial transactions is adopted through relevant arrêtés of MOF;
- The Financial Transactions Management Accounts for the fiscal years 1998 through 2001, are submitted to the Auditor General’s office; and
- The studies describing the legal and strategic context towards the establishment of the Borrower’s Consumer Advisory Board are initiated.

Decentralization of State functions and resources

In accordance with paragraphs (20) and (68) of its Letter of Development Policy, the Borrower has furnished to the Association evidence, in form and substance satisfactory to the Association, of the following:

- PRSP committees are established in all of the Borrower’s eleven regions, and are operational; and
- The FDD and FECL transfers from MOF to local governments are effected through relevant arrêtés of MOF.
Strengthening of the health sector

In accordance with paragraphs 55 and 56 of its Letter of Development Policy, the Borrower has furnished to the Association evidence, in form and substance satisfactory to the Association, of the following:

- the second phase of the Borrower’s National health policy paper is prepared by a multisectoral task committee;

- the 3 year action plan for increasing the immunization coverage of people in the territory of the Borrower is validated by ICC and the financial sustainability study in respect thereof is appraised by ICC;

- the Borrower’s décret setting forth the reorganization of MOH is signed by the Prime Minister and the key staff in relation thereto are identified to the public; and

- the Borrower’s HIMS is established fully operational in all health districts in the territory of the Borrower with hardware and software capable of producing expected statistical data and reports.