Project Agreement

(OMVS Felou Hydroelectric Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

High Commission of the Organisation
pour la Mise en Valeur du Fleuve Sénégal

and

Société de Gestion de l’Energie de Manantali

Dated September 13, 2006
PROJECT AGREEMENT

Agreement dated September 13, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and Société de Gestion de l’Energie de Manantali, and the High Commission of OMVS ("Project Implementing Entities") ("Project Agreement") in connection with the Financing Agreements of same date between Mauritania, Senegal, and Mali ("Recipients") and the Association (the "Financing Agreements").

WHEREAS: (A) by Financing Agreements of even date herewith between Mali, Mauritania, and Senegal, respectively, and the Association (hereinafter called the Mali Financing Agreement, the Mauritania Financing Agreement, and the Senegal Financing Agreement, respectively), the Association has agreed to make available to Mali an amount in various currencies equivalent to SDR 16,900,000 to Mauritania an amount in various currencies equivalent to SDR 16,900,000, and to Senegal an amount in various currencies equivalent to SDR 16,900,000, on the terms and conditions set forth in the Financing Agreements (as such term is defined hereinafter), but only on condition that the Project Implementing Entities agree to undertake such obligations toward the Association as are set forth in this Agreement; and (B) the proceeds of the Financings (as such term is defined hereinafter) will be made available to the Project Implementing Entities, on the terms and conditions set forth the Mali Financing Agreement, the Mauritania Financing Agreement, and the Senegal Financing Agreement, respectively;

NOW THEREFORE the Association and the Project Implementing Agency hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — PROJECT

2.01. The Project Implementing Entities declare their individual and collective commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entities shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entities shall otherwise agree, the Project Implementing Entities shall carry out the Project in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entities’ Representatives are: the High Commissioner of OMVS, and the Director-General of SOGEM.

4.02. The Association’s Address is:

For the Association:

International Association for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 248424(MCI)
Facsimile: 1-202-477-6391

4.03. The Project Implementing Entities’ Addresses are:

For the High Commission of the Organisation pour la Mise en Valeur du Fleuve Sénégal

Haut Commissariat
46 rue Carnot
BP 3152
Dakar, Senegal

Facsimile:

221-823-4530, 822-0163
and 842-2801

For Société de Gestion de l’Energie de Manantali

SOGEM
BP E 4015 – ACI 2000
Bamako, Mali

Facsimile:

223-223-4641
AGREED at Dakar, Republic of Senegal, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Madani M. Tall  
Authorized Representative

HAUT COMMISSARIAT DE L’ORGANISATION POUR LA MISE EN VALEUR DU FLEUVE SENEGAL

By: /s/ Mohamed Salem Ould Merzoug  
Authorized Representative

SOCIETE DE GESTION DE L’ENERGIE DE MANANTALI

By: /s/ Saloum Cissé  
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) augment the supply of low cost hydroelectricity from the OMVS Power System to the national power utilities of Mali, Mauritania, and Senegal; and (b) develop a nucleus of a well-functioning, cooperative, power pooling mechanism for the WAPP Zone “B” OMVS Countries of West Africa.

The Project constitutes the second phase of the Program, and consists of the following components:

Component 1: Design-Build Contract

Design, construction and commissioning of a 59 MW run-of-the-river hydroelectric plant at Felou, under a Design-Build Contract.

Component 2: Two-Stage “Project Cycle Management” Contract

Provision of services of an experienced engineering consulting firm to provide comprehensive project cycle management support to oversee the design, construction and commissioning of the hydroelectric plant at Felou through a two-phase sequential contracting arrangement, as follows:

(a) **Phase 1 (“Transaction Adviser”) Contract** with a consulting firm to provide transaction advice and support required to: (a) perform detailed planning and scheduling of project implementation arrangements, including pre-qualification of prospective bidders, (b) prepare and issue bidding documents for the selection of an independent contractor, (c) prepare a comprehensive set of power supply agreements for use by the OMVS Power System Operator, and (c) conduct the two-stage bidding process, evaluate bids and make recommendation for the award of the Design-Build Contract.

(b) **Phase 2 (“Owners Engineer”) Contract** to oversee the day-to-day performance of the Design-Build Contractor over the entire “design-build-performance testing” cycle, up until the critical milestone involving the hand-over of the “use and control” of a fully operational Félou hydroelectric plant to the OMVS Power System Operator.

Component 3: “WAPP Action Plan” for OMVS Power System

Support in facilitating joint operations and coordination between EDM, SENELEC, SOMELEC and the OMVS Power System Operator by: (i) upgrading communication and data acquisition facilities to enable real-time information exchange with the load dispatching center at Manantali and the three national power utilities; and (ii) acquiring the necessary software licenses
(with relevant training) to support optimization and scheduling of the combined hydro and thermal power generation capacity of the Recipients.
SCHEDULE 2

Execution of the Project

Section I. Institutional and Other Arrangements

A. Project Implementation, Management and Coordination

1. OMVS will be responsible for the overall coordination of the implementation of the Project.

2. The OMVS High Commission will be responsible for the implementation of Component 2 of the Project and SOGEM will be responsible for the implementation of Components 1 and 3 of the Project.

3. The High Commission of OMVS, with the support of the “Transaction Adviser”, and SOGEM, will be responsible for (a) detailed planning and scheduling of project implementation arrangements, (b) preparing and issuing bidding documents for the selection of an independent contractor, and (c) conducting the bid evaluation and contract award processes.

4. SOGEM will sign the Design-Build Contract for the construction and commissioning of the Felou hydroelectric plant. Immediately upon taking delivery of the fully operational plant, SOGEM will transfer the “use and control” of the fully operational Félo hydroelectric plant to the OMVS Power System Operator.

5. SOGEM, jointly with the “Owner’s Engineer”, will oversee and approve all key technical performance milestones in the implementation of the Design-Build Contract, up until the successful commissioning and performance testing of the fully operational Félo hydroelectric plant.

6. Not later than six months before the commissioning of the Felou hydroelectric plant, SOGEM shall enter into a contract with the OMVS Power System Operator, in form and substance acceptable to the Association, for its operations, exploitation and maintenance.

7. SOGEM, supported by the OMVS Power System Operator and a panel of consultants to be selected in consultation with the General Secretariat of the WAPP Organization, will procure and deploy equipment and software to enable the CTPI to implement the “WAPP Action Plan” under Component 3 of the Project.

C. Environmental and Social Safeguards

1. The Project Implementing Entities shall carry out the Project activities in accordance with the guidelines, procedures and timetables and other specifications set forth in the
Environmental and Social Management Plan (ESMAP) and the Resettlement Action Plan (RAP), and shall not, except as the Association shall otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entities shall jointly 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) 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) The main performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Quantity of hydroelectricity supplied by the OMVS Power System Operator to the national power utilities of WAPP “Zone B” OMVS Riparian States (EDM, SOMELEC and SENELEC).

(ii) Milestones achieved in the design, construction, commissioning and performance testing of Félou HEP, under the Design-Build Contract.

(iii) Collection, analyses and dissemination of power sector M&E data of WAPP “Zone B” OMVS Countries.

(iv) Milestones achieved in the deployment of commercially-sound power exchange agreements between the OMVS Power System Operator, EDM, SOMELEC and SENELEC.

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 following the Closing Date.
B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entities shall jointly 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 and financial condition of the Project Implementing Entities, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entities shall have their financial statements, referred to above, audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entities, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works 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 Schedule.

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 Schedule.

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 Works

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

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:
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. Short lists of consultants for services estimated to cost less than US$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

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<tr>
<th>Procurement Method</th>
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<tr>
<td>(a) Quality Based Selection</td>
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<td>(b) Individual Consultants</td>
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<td>(c) Least Cost Selection</td>
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<td>(d) Selection Based on Consultants’ Qualification</td>
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<td>(e) Single Source Selection</td>
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D. Review by the Bank of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost US$500,000 or more, (b) each contract for goods estimated to cost the equivalent of $250,000 or more procured on the basis of International Competitive Bidding. Each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; all consultant services procured on the basis of single source; all individual consultants services contract estimated to the equivalent of $50,000 or more, and all individual consultant contract procured on the basis of single source. All other contracts shall be subject to Post Review by the Association.