

MILLENNIUM CHALLENGE CORPORATION

[MCC FR 09–18]

Notice of Entering Into a Compact With the Republic of Senegal

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with Section 610(b)(2) of the Millennium Challenge Act of 2003 (Pub. L. 108–199, Division D), the Millennium Challenge Corporation (MCC) is publishing a summary and the complete text of the Millennium Challenge Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Republic of Senegal. Representatives of the United States Government and the Republic of Senegal executed the Compact documents on September 16, 2009.

Dated: September 23, 2009.

Henry Pitney,

Acting General Counsel, Millennium Challenge Corporation.

Summary of Millennium Challenge Compact With the Republic of Senegal

The five-year Millennium Challenge Compact with the Republic of Senegal (“Compact”) will provide up to \$540 million to reduce poverty and accelerate economic growth. The Compact aims to enable improved agricultural productivity and to expand access to markets and services through critical infrastructure investments in roads and irrigation sectors (“Program”).

1. Roads Rehabilitation Project (\$324 million)

The Roads Rehabilitation Project seeks to expand access to markets and services and reduce transportation time and costs by improving the condition of certain strategic roads. Specifically, the project will support the rehabilitation and upgrading of portions of National Road No. 2 (RN2), the northernmost road in Senegal, which borders the Senegal River, and National Road No. 6 (RN6), located in Casamance, the poorest region of Senegal, in the south. The government of Senegal has prioritized both roads in its Road Sector Master Plan, and their rehabilitation is in line with the national policy of increasing growth through road creation, renovation, and maintenance. The RN2 serves as the primary road to transport and export products from irrigation areas along the Senegal River, thereby complementing the Compact’s

Irrigation and Water Resources Management Project (described below). The RN2 is also a strategic road, connecting Dakar harbor to Mauritania and Mali, and to southern cities in Senegal. The RN6 is the only road available to transport local agricultural products from Casamance to the rest of Senegal. It is also a strategic road, connecting Senegal with Guinea Bissau, Guinea (Conakry), and Mali. The improvement of both roads is expected to stimulate domestic and trans-border traffic and commerce. The primary activities for the Roads Rehabilitation Project are as follows:

- The RN2 activity will rehabilitate and upgrade approximately 120 kilometers of road, from Richard Toll to Ndioum (a primarily agricultural and agricultural processing area of Senegal), and replace or upgrade associated structures, such as bridges and culverts, to eliminate flooding, improve road safety, and provide reliable, year-round access to markets, schools, and hospitals, including during the rainy seasons.

- The RN6 activity will rehabilitate and upgrade approximately 256 kilometers of road, from Ziguinchor to the crossroads at the town of Kounkane, and will replace or upgrade associated structures, resulting in reduced transport costs and time and improved access to markets and social services.

2. Irrigation and Water Resources Management Project (\$170 million)

The Irrigation and Water Resources Management Project—comprising infrastructure investments in the Senegal River Delta and Department of Podor areas—seeks to improve the productivity of the agricultural sector by extending and improving the quality of the irrigation system in certain agriculture-dependent areas of northern Senegal. The Project conforms to Senegal’s 1998 Master Plan for poverty reduction and agricultural development in the Senegal River Valley and is designed to address the following three factors contributing to low agricultural yields: (i) Poor quality of the existing irrigation and drainage infrastructure; (ii) insufficient delivery of available water to agricultural areas; and (iii) lack of an appropriate drainage system, which leads to soil salinity. Specifically, the project will support investments in the Senegal River Valley intended to: (i) Increase the volume of irrigation water in the Senegal River Valley to develop approximately 8,500–10,500 hectares of additional irrigated land; (ii) eliminate the risk of abandonment of approximately 26,000 hectares of existing irrigable land; and (iii) provide

additional supply of water for human and animal use in the project areas. The project will also support a land tenure security activity, to provide for, or maintain, a secure land tenure environment for all of the inhabitants of the region directly affected by the project. The project may also invest in complementary social safeguard measures, such as day care centers and multi-purpose livestock centers.

3. Administration

The Compact also includes program management and oversight costs estimated at \$42 million over a five-year timeframe, including the costs of administration, management, auditing, fiscal and procurement agent services, environmental and social oversight, and funding to facilitate Compact implementation. In addition, the cost of monitoring and evaluation of the Compact is budgeted at approximately \$4 million.

4. Intended Beneficiaries and Expected Results

Compact Program:

- Approximately 138,600 households, or approximately 1.66 million individuals within those households, are estimated to benefit from the Compact Program within twenty years. These estimates assume some overlap among beneficiaries in the Senegal River Valley.

- The largest number of beneficiaries—approximately 1.1 million—would be located in the Casamance. About 75% of the Program beneficiaries in the Casamance are expected to come from households living on less than 2 dollars per person per day. An estimated 42% of total Program beneficiaries in the Casamance live on \$1.25 per person per day, or less. Although Program activities in the Casamance are expected to cast a wider net over beneficiaries, about 38% of total benefits generated by the Program would accrue to beneficiaries in that region. The Program would be an important preliminary contribution to the development of the Casamance and greatly facilitate other future investment there.

- Approximately 62% of Program benefits would accrue to beneficiaries in the Senegal River Valley. Here, approximately 45% of total beneficiaries are expected to be from households subsisting on less than \$2 per person per day and 25% from households living on \$1.25, or less. Whereas Program investments in the Senegal River Valley will affect the welfare of a smaller number of people than in the south, the investments are expected to

extend significantly and solidify gains in the reduction of poverty in the north.

Roads Rehabilitation Project:

- The RN2 Road Activity is expected to benefit approximately 21,000 households or 250,000 individuals over the next 20 years. Over the life of the investment, total average benefits per beneficiary for the RN2 are approximately \$870.

- The RN6 Road Activity would benefit some 102,000 households or approximately 1.1 million people over the next 20 years. Over the life of the investment, total average benefits per beneficiary for the RN6 are approximately \$530.

Irrigation and Water Resources

Management Project:

- Beneficiaries of the Irrigation and Water Resources Management Project include households, owners or shareholders of farming enterprises, and households that have individuals employed in the operation of enterprise farms.

- Over the course of the investment, the Project would benefit approximately 22,390 households, or 268,700 individuals, through participation in own agricultural production or employment in agriculture.

- Assuming that households, on average, are comprised of twelve persons cultivating two hectares of irrigated land, the scale of net revenue from a holding would have a substantial impact on the welfare of poor households. Average future revenues of about purchasing power parity (“PPP”) \$4,470 per two-hectare farm would increase household incomes by more than PPP \$1 per person per day. For households subsisting with incomes of PPP \$1.25 or less per person per day, this increment would move households from being extremely poor to being near poor (not far below or above PPP \$2 per person per day).

Millennium Challenge Compact Between The United States of America Acting Through the Millennium Challenge Corporation and the Republic of Senegal

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Millennium Challenge Compact

Preamble

This Millennium Challenge Compact (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Republic of Senegal (“*Senegal*”), acting through its

Government (the “*Government*”) (individually a “*Party*” and collectively, the “*Parties*”).

Recalling that the Government consulted with the private sector and civil society of Senegal to determine the priorities for the use of Millennium Challenge Account assistance and developed and submitted to MCC a proposal for such assistance focused on poverty reduction; and

Recognizing that MCC wishes to help Senegal implement a program to achieve the goal and objectives described herein (the “*Program*”);

Capitalized terms used herein shall have the meanings specified in Annex V hereto.

The Parties hereby agree as follows:

Article 1. Goal and Objectives

Section 1.1 Compact Goal

The goal of this Compact is to reduce poverty in Senegal through economic growth (the “*Compact Goal*”).

Section 1.2 Program Objective

The objective of the Program (as further described in Annex I) (the “*Program Objective*”) is to enable improved agricultural productivity and to expand access to markets and services through critical infrastructure investments in roads and irrigation sectors.

Section 1.3 Project Objectives

The objectives of the Projects (as further described in Annex I) (each a “*Project Objective*” and collectively, the “*Project Objectives*”) are as follows:

(a) The objective of the Roads Rehabilitation Project is to expand access to markets and services by improving the condition of certain strategic roads and reducing transportation time and costs.

(b) The objective of the Irrigation and Water Resources Management Project is to improve the productivity of the agricultural sector by extending and improving the quality of the irrigation system in certain agriculture-dependent areas of northern Senegal.

Article 2. Funding and Resources

Section 2.1 Program Funding

MCC hereby grants to the Government, under the terms of this Compact, an amount not to exceed Five Hundred Thirty Five Million United States Dollars (US\$535,000,000) (“*Program Funding*”) for use by the Government to implement the Program. The allocation of Program Funding uses is generally described in Annex II to this Compact.

Section 2.2 Compact Implementation Funding

(a) MCC hereby grants to the Government, under the terms of this Compact, in addition to the Program Funding described in Section 2.1, an amount not to exceed Five Million United States Dollars (US\$5,000,000) (“*Compact Implementation Funding*”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “*MCA Act*”), for use by the Government as agreed by the Parties, which may include use for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities including start-up costs such as staff salaries and administrative support expenses such as office equipment, and computers and other information technology or capital equipment; and
- (iii) other Compact implementation activities approved by MCC.

The allocation of Compact Implementation Funding among uses is generally described in Annex II to this Compact.

(b) Notwithstanding Section 7.3 of this Compact, this Section 2.2 and any other provisions of this Compact necessary to make use of Compact Implementation Funding for the purposes set forth herein, shall be effective, for purposes of Compact Implementation Funding only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact Implementation Funding is subject to satisfaction of the conditions to such disbursement as set forth in Annex IV.

(d) If, after the first anniversary of this Compact entering into force, MCC determines that the full amount of Compact Implementation Funding under Section 2.2(a) of this Compact exceeds the amount which reasonably can be utilized for the purposes and uses set forth in Section 2.2(a) of this Compact, MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact Implementation Funding as set forth in Section 2.2(a) (such excess, the “*Excess CIF Amount*”). In such event, the amount of Compact Implementation Funding granted to the Government under Section 2.2(a) will be reduced by the Excess CIF Amount, and MCC will have no further obligations with respect to such Excess CIF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess CIF Amount as an increase in the

Program Funding, and such additional Program Funding will be subject to the terms and conditions of this Compact and any relevant supplemental agreement applicable to Program Funding.

Section 2.3 MCC Funding

Program Funding and Compact Implementation Funding are collectively referred to in this Compact as “*MCC Funding*.”

Section 2.4 Disbursement

In accordance with this Compact and the Program Implementation Agreement, MCC will disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “*Disbursement*”). Subject to the satisfaction of all applicable conditions, the proceeds of such Disbursements will be made available to the Government, at MCC’s sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a “*Permitted Account*”) or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only to cover Program expenditures as provided in this Compact and the Program Implementation Agreement.

Section 2.5 Interest

The Government will pay to MCC any interest or other earnings that accrue on MCC Funding (whether by directing such payments to a bank account outside Senegal that MCC may from time to time indicate or as otherwise directed by MCC).

Section 2.6 Government Resources; Budget

(a) The Government will provide all funds and other resources, and will take all actions, that are necessary to carry out the Government’s responsibilities and obligations under this Compact.

(b) The Government will use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budget on a multi-year basis.

(c) The Government will not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding will be in addition to the resources that the Government would otherwise receive or budget for the

activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding

The Government will ensure that MCC Funding (or any refunds or reimbursements of MCC Funding paid by the Government in accordance with this Compact that MCC permits to be used in connection with the Program) will not be used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing or by posting from time to time on the MCC Web site at <http://www.mcc.gov> (the “*MCC Web site*”), including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC’s environmental and social guidelines posted from time to time on the MCC Web site or otherwise made available to the Government by MCC (the “*MCC Environmental Guidelines*”); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes

(a) Unless the Parties otherwise specifically agree in writing, the Government will ensure that each of the following is free from the payment or imposition of any existing or future taxes, duties, levies, contributions, or other similar charges (“*Taxes*”) of or in Senegal (including any such Taxes imposed by a national, regional, local, or other governmental or taxing authority of or in Senegal) (i) the Program; (ii) MCC Funding; (iii) interest or earnings on MCC Funding; (iv) any Project or activity implemented under the Program; (v) MCA-Senegal (or MFG–

MCA prior to MCA-Senegal's establishment); (vi) goods, works, services, technology, and other assets and activities under the Program or any Project; (vii) persons and entities that provide such goods, works, services, technology, and assets, or perform such activities; and (viii) income, profits, and payments with respect thereto. The Parties acknowledge and agree that "Taxes" include, among other things, value added and other transfer taxes (including exemption therefrom with credit), profit and income taxes, property and ad valorem taxes, import and export duties and taxes (including for goods imported and re-exported for personal use), withholding taxes, payroll taxes, social security and social insurance contributions.

(b) Without limiting the generality of the definition of Taxes as set forth in Section 2.8(a), the Parties hereby agree that the following taxes, duties, fees, and similar charges are also specifically included in the definition of "Taxes" requiring exemptions in accordance with this Compact: (i) Customs duties and associated fees (including *redevances statistiques* (RS, currently 1%), *droits de douanes* (DD, currently 0–20%), TVA (VAT, currently 18%), *les droits des chargeurs* (COSEC, currently 0.20%), and *les prélèvements communautaires de l'UEMOA ou de la CEDEAO* (for example, PCS, currently, 1% and CEDEAO, currently 0.5%)); (ii) value added taxes (VAT); (iii) taxes on petroleum products, including but not limited to the tax *speciale sur hydrocarbures*; (iv) registration and stamp taxes; (v) taxes on the corporate income of professional, accounting or consulting firms ("benefices non commerciaux") derived from Compact-related work; (vi) taxes on the corporate income of companies or other legal persons ("benefices industriels et commerciaux") derived from Compact-related work; and (vii) taxes on the personal income of individuals working under the Compact.

(c) Unless otherwise agreed by MCC in writing, set forth in Annex VI are procedures that the Government will implement to effectuate the exemption from Taxes required by Section 2.8(a) and Section 2.8(b) above with respect to each of the Taxes addressed therein. To the extent that there are Taxes not addressed in Annex VI, whether currently in force or established in the future, that MCC determines, in its sole discretion, are not being exempted by the Government in accordance with this Section 2.8, the Government hereby agrees that it will implement appropriate procedures (approved in writing by MCC) to ensure that such

additional Taxes are exempted in accordance with this Section 2.8. For the avoidance of doubt, the identification (or lack of identification) of Taxes in Annex VI, or the description (or lack of description) of procedures to implement the required exemption from such Taxes in Annex VI, shall in no way limit the scope of the tax exemption required by this Section 2.8.

(d) Unless otherwise agreed in writing by the Parties, the provisions of Section 2.8(a) and 2.8(b) shall not apply to income Taxes on, and contributions with respect to, individuals or legal persons who are nationals of Senegal, provided that such Taxes and contributions are not discriminatory and are generally applicable to all nationals in Senegal.

(e) In complying with the tax exemption obligations set forth herein, the Government will exempt MFG–MCA, MCA-Senegal, the Fiscal Agent, the Procurement Agent, and/or any other provider of goods, services, or works in connection with the Program from any obligation imposed by the laws of Senegal to withhold any Taxes from any payments made to any natural persons or legal persons working under the Program to the extent that such natural persons or legal persons are not nationals of Senegal.

(f) For the purposes of Section 2.8(d) and 2.8(e), the term "national" means natural persons who are citizens or permanent residents of Senegal and legal persons who are formed under the laws of Senegal (excluding MCA-Senegal, MFG–MCA and any other entity formed for the purpose of implementing the Government's obligations hereunder); provided that in determining if a natural person is a permanent resident of Senegal or if a legal person has been formed under the laws of Senegal, the taxable status of such individual or legal person shall be based on its status at the time it is awarded or executes a Compact-related agreement or contract, and such initial determination shall not change regardless of: (i) The type of agreement or contract used to employ or engage such individual, company, or other legal person, (ii) any laws of Senegal that purport to change such status based on period of contract performance or period of time residing and/or working in Senegal, and/or (iii) any requirement under the laws of Senegal that a company or other legal person must establish a branch office in Senegal, or otherwise register or organize itself under the laws of Senegal, in order to provide goods, services, or works in Senegal.

(g) The Government will from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments or documents, and to take or cause to be taken such other actions as may be necessary or appropriate in the determination of MCC in order to implement this Section 2.8 of the Compact. Such further assurances may include, without limitation, (i) passage of an "arreté d'application" (or such similar document (or documents) having the same legal effect), in form and substance satisfactory to MCC to provide specific instructions to Government agents with respect to their role in the implementation of the exemption from Taxes required by this Compact; or (ii) provision of an attestation d'exoneration to appropriate beneficiaries of the tax exemption described in this Compact.

(h) If a Tax has been levied and paid contrary to the requirements of this Section 2.8, or any agreement entered into pursuant to this Section 2.8, the Government will refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Senegal within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC, MFG–MCA, or MCA-Senegal) that such Tax has been paid.

(i) No MCC Funding, proceeds thereof, or Program assets may be applied by the Government in satisfaction of its obligations under this Section 2.8.

Article 3. Implementation

Section 3.1 Program Implementation Agreement

Prior to entry into force, the Government and MCC will enter into an agreement relating to, among other matters, implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding (the "Program Implementation Agreement" or "PIA"). The Government will implement the Program in accordance with the Compact and the PIA.

Section 3.2 Government Responsibilities

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program.

(b) The Government hereby designates MCA-Senegal, an entity to be established through passage of a decree substantially in the form and substantially on the terms of the form of decree set forth in Schedule 2 to Annex

I, as the accountable entity to implement the Program and to exercise and perform the Government's rights and responsibilities with respect to the oversight, management, and implementation of the Program, including, without limitation, managing the implementation of Projects and their Activities, allocating resources, and managing procurements. Such entity will be referred to herein as "MCA-Senegal," and will have the authority to bind the Government with regard to all Program activities. Prior to MCA-Senegal's establishment, the Government hereby designates the Mission de Formulation et du Gestion du MCA Senegal ("MFG-MCA"), established by Decret N° 2008-53 dated January 29, 2008, to act on behalf of the Government with respect to the Compact and the Program. For the avoidance of doubt, the designation of MCA-Senegal (and MFG-MCA prior to MCA-Senegal's establishment) as set forth in this Section 3.2(b) will not relieve the Government of any of its obligations or responsibilities as set forth hereunder, under any related agreement (including, upon execution thereof, the PIA), or in the Program Guidelines, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government will ensure that no law or regulation in Senegal now or hereinafter in effect makes or will make unlawful or otherwise prevent or hinder the performance of any of the Government's obligations under this Compact, the PIA, or any other related agreement or any transaction contemplated hereby or thereby.

(d) The Government will ensure that any assets or services funded in whole or in part (directly or indirectly) by MCC Funding will be used solely in furtherance of this Compact and the Program unless otherwise agreed by MCC in writing.

(e) The Government will take all necessary or appropriate steps to achieve the Program Objective and Project Objectives during the Compact Term.

(f) The Government will fully comply with the Program Guidelines, as applicable, in its implementation of the Program.

Section 3.3 Policy Performance

In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I (if any), the Government will seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA

Act, and the selection criteria and methodology used by MCC.

Section 3.4 Government Assurances

The Government assures MCC that:

(a) as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct and complete in all material respects;

(b) this Compact, upon its ratification by the Government, does not, and will not, conflict with any other international agreement or other obligation of the Government or any of the laws of Senegal; and

(c) the Government will not invoke any of the provisions of its internal law to justify or excuse a failure to perform its duties or responsibilities under this Compact.

Section 3.5 Implementation Letters

From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding, or implementation of the Program (each, an "Implementation Letter"). The Government will apply such guidance in implementing the Program. Without limiting the foregoing, either Party may, through its Principal Representative or any Additional Representative, as the case may be, initiate discussions that may result in a jointly agreed-upon Implementation Letter to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA, or other related agreements.

Section 3.6 Procurement

The Government will ensure that the procurement of all goods, works, and services by the Government, or any applicable provider providing goods, works, and services, to implement the Program will be consistent with the program procurement guidelines posted from time to time on the MCC Web site (the "MCC Program Procurement Guidelines"). The MCC Program Procurement Guidelines include, among others, the following requirements:

(a) open, fair, and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works, and services;

(b) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;

(c) contracts must be awarded only to qualified contractors that have the capability and willingness to perform

the contracts in accordance with their terms on a cost effective and timely basis; and

(d) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, will be paid to procure goods, works, and services.

Section 3.7 Records; Accounting; Covered Providers; Access

(a) Government Books and Records. The Government will maintain, and will use its best efforts to ensure that all Covered Providers maintain accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC's satisfaction, the use of all MCC Funding ("Compact Records"). In addition, the Government will furnish or cause to be furnished to MCC, upon its request, all such Compact Records.

(b) Accounting. The Government will maintain and will use its best efforts to ensure that all Covered Providers maintain Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government's option and with MCC's prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Senegal. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any statutory requirements.

(c) Providers and Covered Providers. Unless the Parties agree otherwise in writing, a "Provider" is (i) any entity of the Government that receives or uses MCC Funding or any other Program asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term. A "Covered Provider" is (i) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$300,000 or more of MCC Funding in any Government fiscal year or any other non-United States person or entity that receives, directly or indirectly, US\$300,000 or more of MCC Funding from any Provider in such fiscal year, or (ii) any United States Provider that receives (other than pursuant to a direct contract or agreement with MCC) US\$500,000 or more of MCC Funding in any Government fiscal year or any other

United States person or entity that receives, directly or indirectly, US\$500,000 or more of MCC Funding from any Provider in such fiscal year.

(d) Access. Upon MCC's request, the Government, at all reasonable times, will permit, or cause to be permitted, authorized representatives of MCC, an authorized United States inspector general, the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews

(a) Government Audits. Except as the Parties may otherwise agree in writing, the Government will, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding covering the period from signing of this Compact until the earlier of the following December 31 or June 30 and covering each six-month period thereafter ending December 31 and June 30, through the end of the Compact Term. In addition, upon MCC's request, the Government will ensure that such audits are conducted by an independent auditor approved by MCC and named on the list of local auditors approved by the Inspector General of MCC (the "Inspector General") or a United States-based certified public accounting firm selected in accordance with the "Guidelines for Financial Audits Contracted by MCA" (the "Audit Guidelines") issued and revised from time to time by the Inspector General, which are posted on the MCC Web site. Audits will be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit must be completed and the audit report delivered to MCC no later than ninety (90) days after the first period to be audited and no later than ninety (90) days after each June 30 and December 31 thereafter, or such other period as the Parties may otherwise agree in writing.

(b) Audits of United States Entities. The Government will ensure that agreements between the Government or any Provider, on the one hand, and a United States nonprofit organization, on the other hand, that are financed with MCC Funding state that the United States nonprofit organization is subject to the applicable audit requirements

contained in OMB Circular A-133 issued by the United States Government Office of Management and Budget ("OMB"). The Government will ensure that agreements between the Government or any Provider, on the one hand, and a United States for-profit Covered Provider, on the other hand, that are financed with MCC Funding state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing.

(c) Corrective Actions. The Government will (i) use its best efforts to ensure that Covered Providers take, where necessary, appropriate and timely corrective actions in response to audits, (ii) consider whether a Covered Provider's audit necessitates adjustment of the Government's records, and (iii) require each such Covered Provider to permit independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC will have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews, or evaluations required under this Compact.

Article 4. Communications

Section 4.1 Communications

Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise agreed with MCC, in English. For this purpose, the address of each Party is set forth below.

To MCC:

Millennium Challenge Corporation, Attention: Vice President, Compact Implementation, (in each case, with a copy to the Vice President and General Counsel), 875 Fifteenth Street, NW., Washington, DC 20005, United States of America, Facsimile: (202) 521-3700, Telephone: (202) 521-3600, E-mail: VPIImplementation@mcc.gov (Vice President, Compact Implementation), VPGeneralCounsel@mcc.gov (Vice President and General Counsel).

To the Government:

Ministry of Economy and Finance, Rue Rene Ndiaye, BP 4017, Dakar, Senegal, Tel: +221 (33) 822 2899, Fax: +221 (33) 822 4195.

with a copy to:

To MFG-MCA (until MCA-Senegal's establishment), Avenue Bourguiba, Immeuble Gamma, 3eme etage, Dakar, Senegal, Tel: +221 (33) 869 1665, Fax: +221 (33) 825 0887.

Upon establishment of MCA-Senegal, MCA-Senegal will notify the Parties of its contact details.

Section 4.2 Representatives

For all purposes of this Compact, the Government will be represented by the individual holding the position of, or acting as, the Minister of Economy and Finance of Senegal, and MCC will be represented by the individual holding the position of, or acting as, Vice President, Compact Implementation (each of the foregoing, a "Principal Representative"). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an "Additional Representative") for all purposes other than signing amendments to this Compact. The Government hereby irrevocably designates the Director General of MFG-MCA as an Additional Representative, to be replaced by the Director General of MCA-Senegal, upon the establishment of MCA-Senegal. A Party may change its Principal Representative to a new representative that holds a position of equal or higher rank upon written notice to the other Party.

Section 4.3 Signatures

With respect to all documents other than this Compact or an amendment to this Compact, a signature delivered by facsimile or electronic mail will be binding on the Party delivering such signature to the same extent as an original signature would be.

Article 5. Termination; Suspension; Refunds

Section 5.1 Termination; Suspension

(a) Either Party may terminate this Compact without cause in whole by giving the other Party thirty (30) days' written notice. MCC may also terminate this Compact without cause in part by giving the Government thirty (30) days' written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Compact or MCC Funding, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Web site) has occurred, which circumstances include but are not limited to the following:

(i) The Government fails to comply with its obligations under this Compact, the PIA, or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) an event or series of events has occurred that MCC determines makes it probable that the Program Objective or any of the Project Objectives will not be achieved during the Compact Term or that the Government will not be able to perform its obligations under this Compact;

(iii) a use of MCC Funding or continued implementation of this Compact or the Program violates or would violate applicable law or United States Government policy, whether now or hereafter in effect;

(iv) the Government or any other person or entity receiving MCC Funding or using assets acquired in whole or in part with MCC Funding is engaged in activities that are contrary to the national security interests of the United States;

(v) an act has been committed or an omission or an event has occurred that would render Senegal ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

(vi) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Senegal for assistance under the MCA Act; or

(vii) the Government or another person or entity receiving MCC Funding or using assets acquired in whole or in part with MCC Funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) All Disbursements will cease upon expiration, suspension, or termination of this Compact; provided, however, MCC may permit MCC Funding to be used, in compliance with this Compact and the PIA, to pay for (i) reasonable expenditures for goods, works, or services that are properly incurred under or in furtherance of the Program before expiration, suspension, or termination of this Compact, and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program within one hundred twenty (120) days after the expiration, suspension, or termination of this Compact, so long as, with respect to (i) and (ii) herein, the request for such expenditures is submitted within ninety (90) days after such expiration, suspension, or termination.

(d) Subject to Section 5.1(c), upon the expiration, suspension, or termination of this Compact, (i) any amounts of MCC Funding not disbursed by MCC in accordance with the Compact and the

PIA will be automatically released from any obligation in connection with this Compact, and (ii) any amounts of MCC Funding disbursed to the Permitted Account by MCC but not expended before the expiration, suspension or termination of this Compact, plus accrued interest thereon will be returned to MCC within thirty (30) days after the Government receives MCC's request for such return; provided, however, that if this Compact is suspended or terminated in part, MCC may request a refund for only the amount of MCC Funding allocated to the suspended or terminated portion.

(e) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.2 Refunds; Violation

(a) If any MCC Funding, any interest or earnings thereon, or any asset acquired in whole or in part with MCC Funding is used for any purpose in violation of the terms of this Compact or the PIA, including but not limited to any violation of the Program Guidelines, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government will not use MCC Funding, proceeds thereof or Program assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under this Section 5.2 for a refund will continue during the Compact Term and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.3 Survival

The Government's responsibilities under Sections 2.4, 2.6, 2.7, 2.8, 3.7, 3.8, 5.1(c), 5.1(d), 5.2, 5.3, 6.2, 6.4, 6.9, and 8.1 of this Compact will survive the expiration, suspension or termination of this Compact.

Article 6. Compact Annexes; Amendments; Governing Law

Section 6.1 Annexes

Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments

(a) The Parties may amend this Compact only by a written agreement signed by the Principal Representatives.

(b) Without formally amending this Compact, the Government hereby acknowledges and agrees that the Parties, may, through the Principal Representatives or any Additional Representative, as the case may be, in writing, modify any Annex to this Compact to (i) suspend, terminate, or modify any project described in Annex I (each, a "Project" and collectively, the "Projects") or to create a new project, (ii) change the allocations of funds among the Projects, the Project activities, or any activity under Program administration or monitoring and evaluation, or between a Project identified as of the signature of this Compact and a new project, (iii) modify the terms of Section B.3 of Annex I, or (iv) add, delete, or waive any condition precedent described in Annex IV, provided that any such modification described in (i) through (iv) (1) is consistent in all material respects with the Program Objective, (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 of this Compact (as may be modified by operation of Section 2.2(e) of this Compact), (3) does not cause the amount of Compact Implementation Funding to exceed the aggregate amount specified in Section 2.2(a) of this Compact, (4) does not cause the Government's responsibilities or contribution of resources to be less than specified in this Compact, (5) does not extend the Compact Term, and (6) in the case of a modification to change allocations of funds among Projects or the creation of a new project, does not materially adversely affect any activity under Program administration or monitoring and evaluation.

(c) Any modification of any annex to this Compact executed in accordance with Section 6.2(b), or any modification of any other provision of this Compact pursuant to Section 6.2(a), shall be binding on the Government without the need for further action by the Government, any further parliamentary action, or satisfaction of any additional domestic requirements of Senegal.

Section 6.3 Inconsistencies

In the event of any conflict or inconsistency between:

(a) any annex to this Compact and any of Articles 1 through 8, such Articles 1 through 8 will prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact will prevail.

Section 6.4 Governing Law

This Compact is an international agreement and as such will be governed by the principles of international law.

Section 6.5 Additional Instruments

Any reference to activities, obligations, or rights undertaken or existing under or in furtherance of this Compact or similar language will include activities, obligations, and rights undertaken by or existing under or in furtherance of any agreement, document, or instrument related to this Compact and the Program.

Section 6.6 References to MCC Web site

Any reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Web site will be deemed a reference to such document or information as updated or substituted on the MCC Web site from time to time.

Section 6.7 References to Laws, Regulations, Policies, and Guidelines

Each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline, or similar document (including but not limited to the Program Guidelines) will be construed as a reference to such law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended and will include any law, regulation, policy, guideline, or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline, or similar document.

Section 6.8 MCC Status

MCC is a United States government corporation acting on behalf of the United States government in the implementation of this Compact. MCC and the United States government have no liability under this Compact, the Program Implementation Agreement, or any related agreement, are immune from any action or proceeding arising under or relating to any of the foregoing documents, and the Government hereby waives and releases all claims related to any such liability. In matters arising under or relating to this Compact, the Program Implementation Agreement, or any related agreement neither MCC nor the United States government will be subject to the jurisdiction of the courts of Senegal or of any other jurisdiction or of any other body.

Section 6.9 English Language

This Compact is executed in English and in the event of any ambiguity or conflict between this official English version and any translation prepared for the convenience of the Parties, this official English version will prevail.

Section 6.10 Counterparts; Electronic Delivery

(a) Counterparts. This Compact, and any amendment or other agreements arising out of this Compact, may be executed in one or more counterpart signatures, and each counterpart when so executed and delivered shall be an original instrument, but such counterparts together shall constitute a single agreement.

(b) Electronic Delivery. A signature to this Compact shall be delivered only as an original signature. With respect to all other signatures, including for an amendment or any other agreements arising out of this Compact, a signature delivered by facsimile or electronic mail in accordance with Section 4.1 of this Compact shall be deemed an original signature and shall be binding on the Party delivering such signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying document, certificate, notice, instrument, or agreement on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form.

Article 7. Entry Into Force*Section 7.1 Domestic Requirements*

Before this Compact enters into force, the Government will take all necessary steps to ensure that immediately upon this Compact entering into force (a) this Compact and the PIA and all of the provisions of this Compact and the PIA are valid and binding and are in full force and effect in Senegal, (b) this Compact, the PIA and any other agreement entered into in connection with this Compact to which the Government and MCC are parties are international agreements under international law such that the Government may not invoke the provisions of its internal law as justification for failure to perform its obligations thereunder, and (c) no laws of Senegal (other than the constitution of Senegal), whether now or hereafter in effect, will take precedence or prevail over the terms of this Compact or the PIA.

Section 7.2 Conditions Precedent to Entry Into Force

Before this Compact enters into force:

(a) the PIA must have been executed by the parties thereto;

(b) The Government must have delivered to MCC:

(i) a certificate, in form and substance satisfactory to MCC, signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, certifying that the Government has satisfied the requirements of Section 7.1;

(ii) a legal opinion from the Secretariat General du Gouvernement of Senegal (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC; and

(iii) complete, certified copies of all decrees, legislation, regulations, or other governmental documents relating to the Government's domestic requirements for this Compact to enter into force and the satisfaction of Section 7.1, which MCC may post on its Web site or otherwise make publicly available; and

(c) MCC must determine that after signature of this Compact, the Government has not engaged in any action or omission that is inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry Into Force

This Compact will enter into force on the later of (a) the date of the last letter in an exchange of letters between the Principal Representatives confirming that each Party has completed its domestic requirements for entry into force of this Compact and (b) the date that all conditions set forth in Section 7.2 have been satisfied.

Section 7.4 Compact Term

This Compact will remain in force for five years after its entry into force, unless terminated earlier under Section 5.1 (the "Compact Term").

Section 7.5 Provisional Application

Upon signature of this Compact and until this Compact has entered into force in accordance with Section 7.3, the Parties will provisionally apply the terms of this Compact and the PIA; provided that, no Program Funding will be made available or disbursed before this Compact enters into force.

Article 8. Additional Government Covenants*Section 8.1 Additional Government Resources*

(a) Without limiting the generality of Section 2.6(a), the Government will contribute, through provision in the law containing the annual governmental

budget for Senegal, an amount necessary and adequate to cover all costs associated with the following (no MCC Funding, proceeds thereof, or Program assets may be applied by the Government in satisfaction of its obligations under this Section 8.1(a)):

(i) The staffing and operations of a “Cellule d’Appui au MCA-Senegal” (as further described in Annex I);

(ii) consultant services, including but not limited to, any such services already contracted by MFG–MCA for the purpose of producing detailed designs in connection with the Roads Rehabilitation Project; the independent audit required in connection with the Irrigation and Water Resources Management Project as described in the PIA; and any other consultant services in connection with the Program that will not be financed with MCC Funding but are required for the successful implementation of the Program, as may be required by MCC from time to time;

(iii) any incurred severance costs or other financial liabilities triggered by termination or expiration of the MFG–MCA or MCA-Senegal employee contracts, pursuant to the terms of such contracts; and

(iv) required office space for MFG–MCA, MCA Senegal, the “Cellule d’Appui au MCA-Senegal,” and the MCC resident country mission.

Section 8.2 Procurement

The Government, including MCA-Senegal (and MFG–MCA prior to MCA-Senegal’s establishment), will exclusively use the MCC Program Procurement Guidelines in connection with Program procurements financed with MCC Funding. With respect to Program procurements financed by the Government, the Government, including MCA-Senegal (and MFG–MCA prior to MCA-Senegal’s establishment), will ensure that such procurements are consistent with the general principles set forth in Section 3.6 of this Compact.

In Witness Whereof, the undersigned, duly authorized by their respective governments, have signed this Compact this 16th day of September 2009.

Done at Washington, DC.

For Millennium Challenge Corporation, on behalf of the United States of America, Name: Darius Mans, Title: Acting Chief Executive Officer.

For the Republic of Senegal, Name: Abdoulaye Diop, Title: Minister of Economy and Finance.

Annex I Program Description

This Annex I describes the Program that MCC Funding will support in Senegal during the Compact Term.

A. Program Overview

1. Background and Consultative Process

With a population of approximately 12 million inhabitants, the west African nation of Senegal was originally declared eligible for MCC assistance in 2004. Senegal shares borders in the north with Mauritania, in the east with Mali and in the south with Guinea and Guinea-Bissau, and the Gambia runs through its center, spatially separating its Casamance region (the “Casamance”) from the rest of Senegal’s territory. Based on national poverty reduction and food security priorities contained in the Government’s 1998 Master Plan for agricultural development in the Senegal River Valley (the “Valley”) and the Government’s Road Sector Master Plan, and confirmed in broad-based Government consultations that occurred from February through July 2008, the Program focuses on poverty reduction in the Valley in northern Senegal, and the Casamance in southern Senegal.

The Valley has been targeted by the Government, numerous donors, and nongovernmental organizations (“NGOs”) for investment, both to encourage economic growth in this region and to increase Senegal’s food security in years to come. The Valley, like the Casamance, is rich in agricultural production, especially for rice, the principal staple of the Senegalese diet. The Valley benefits from a very favorable environment for intensive irrigation; however, low agricultural yields have been a persistent problem due to the poor quality of the existing irrigation and drainage infrastructure; insufficient delivery of available water to agricultural areas; and lack of an appropriate drainage system. The Irrigation and Water Resources Management Project will address these constraints.

The Casamance is the poorest region of Senegal, but also has the highest potential for economic development after the Valley. The Casamance is rich in natural resources and has the potential for enormous agricultural productivity, which could contribute significantly both to national growth and food security in the entire country. The Government identified the Casamance’s poor road transport network, which leaves few means for goods and services currently produced in the region to be exported nationally or regionally, as a major constraint to economic development in the region. The Roads Rehabilitation Project will address this constraint.

2. Description of Program and Beneficiaries

The Program Objective is to enable improved agricultural productivity and to expand access to markets and services through critical infrastructure investments in the roads and irrigation sectors. The Program consists of the Roads Rehabilitation Project and the Irrigation and Water Resources Management Project as further described in this Annex I.

By 2029, the Program is expected to benefit approximately 1.66 million individuals, or approximately 138,600 households. The largest number of beneficiaries—approximately 1.1 million—would be located in the Casamance. About 75% of the Program beneficiaries in the Casamance are expected to come from households living on less than 2 dollars per person per day. An estimated 42% of total Program beneficiaries in the Casamance live on US\$1.25 per person per day, or less. Although Program activities in the Casamance are expected to cast a wider net over beneficiaries, about 38% of total benefits generated by the Program would accrue to beneficiaries in that region. Approximately 62% of Program benefits would accrue to beneficiaries in the Valley. Here, approximately 45% of total beneficiaries are expected to be from households subsisting on less than US\$2 per person per day and 25% from households living on US\$1.25, or less. Whereas Program investments in the Valley will affect the welfare of a smaller number of people than in the south, they together are expected to extend significantly and solidify gains in the reduction of poverty in the north. The Program would be an important preliminary contribution to the development of the Casamance and greatly facilitate other future investment there.

3. Environmental and Social Accountability

The two Projects, both of which are classified as Category A due to potential site-specific environmental and social impacts, will be implemented in compliance with the MCC Environmental Guidelines, MCC’s guidance on the integration of gender in program implementation delivered by MCC to the Government or posted on the MCC Web site (the “MCC Gender Policy”), and the MCC Guidance on the Implementation of Resettlement Activities (or any other MCC policy comparable to the World Bank’s Operational Policy on Involuntary Resettlement in effect as of July 2007 (“OP 4.12”) notified to the Government

from time to time) (the “MCC Resettlement Guidance”). The Government will also ensure that the Projects comply with all national environmental laws and regulations, licenses and permits, except to the extent such compliance would be inconsistent with this Compact. The Government will: (a) Undertake and complete any environmental review required by MCC or under the laws of Senegal; (b) implement to MCC’s satisfaction environmental and social mitigation measures identified in such environmental review; and (c) commit to fund environmental mitigation, (including costs of resettlement) in excess of MCC Funding not specifically provided for in the budget for any Project. The Government will ensure that all construction contractors develop, implement and monitor an HIV/AIDS awareness program acceptable to MCC.

B. Description of the Projects

Set forth below is a description of each of the Projects that the Government will implement, or cause to be implemented, using MCC Funding to advance the applicable Project Objective. In addition, specific activities that will be undertaken within each Project (each, an “Activity”), including sub-activities, are also described. To the extent that there are cost savings with respect to a Project’s implementation, such savings, with express written approval by MCC, may be used to expand the scope of any activity undertaken as part of the Program, consistent with the Program Objective and subject to the limitations set forth in Section 6.2 of this Compact.

1. Roads Rehabilitation Project

(a) Summary of Project and Activities.

The Roads Rehabilitation Project is designed to increase beneficiary access to domestic and international markets through improved road quality and a reduction in travel times and costs. The road sector plays a critical role in Senegal. About 99% of goods produced in Senegal are transported by roads, and 95% of domestic travel is done by road. The roads addressed by the Roads Rehabilitation Project, national road no. 2 (“RN2”) and national road no. 6 (“RN6”), are prioritized in the Government’s Road Sector Master Plan, and their rehabilitation is in line with the national policy of increasing growth through road creation, renovation, and maintenance to facilitate transport of manufactured products, minerals, and agricultural production, and to encourage tourism throughout the country.

The RN2 is the northernmost road of Senegal, bordering the Senegal River. It links the capital city of Dakar to St. Louis, the second largest city of Senegal, and continues toward the eastern region of Senegal to the city of Kidira, close to the border with Mali. The RN2 serves as the primary road to transport and export products from irrigation areas along the Senegal River. It is also a strategic connector road from Dakar Harbor to Mauritania and Mali and to southern cities in Senegal. The RN6 links Senegal with Guinea Bissau, Guinea (Conakry), and Mali. The RN6 is also a strategic road that allows transportation of local agricultural products and other goods and services from the Casamance to the rest of Senegal without having to travel through the Gambia. The RN6 provides the only domestic land access to and from the Casamance. For local agricultural producers to transport their products from the Casamance to the rest of Senegal, the only land alternative to the RN6 is a road through the Gambia and a ferry boat across the Gambia River.

The Roads Rehabilitation Project consists of the following Activities:

(i) RN2 Road Activity.

MCC Funding will be used to rehabilitate and upgrade approximately 120 kilometers of the RN2 road, from Richard Toll to Ndoum, and replace or upgrade associated structures, such as bridges and culverts, to eliminate flooding and improve road safety. The RN2’s improvement is expected to stimulate domestic and trans-border traffic and commerce generally as well as specifically provide reliable, year-round access to markets, schools, and hospitals, including during the rainy seasons, throughout the primarily agricultural and agricultural processing area where the Activity is focused. Specifically, MCC Funding will support:

(1) Construction Costs. These costs include, without limitation, pavement strengthening, road widening, road safety improvements, replacement or upgrading of associated structures, such as bridges and culverts, and any activity associated with the environmental management plan developed with respect to the Activity.

(2) Non-Construction Costs. These costs include, without limitation, studies, construction supervision, implementation of any resettlement action plan developed with respect to the Activity, and other project management costs to be incurred in connection with the RN2 Road Activity.

(ii) RN6 Road Activity.

MCC Funding will be used to rehabilitate and upgrade approximately 256 kilometers of the RN6 road from

Ziguinchor, and replace or upgrade associated structures of the RN6. Specifically, MCC Funding will support:

(1) Construction Costs. These costs include, without limitation, pavement strengthening, road widening, road safety improvements, and replacement or upgrading of associated structures, such as bridges and culverts, and any activity associated with the environmental management plan developed with respect to the Activity.

(2) Non-Construction Costs. These costs include, without limitation, studies, construction supervision, implementation of any resettlement action plan developed with respect to the Activity, and other project management costs to be incurred in connection with the RN6 Road Activity.

(b) Beneficiaries.

The RN2 Road Activity is expected to benefit approximately 21,000 households or 250,000 individuals over the next 20 years. At present there are about 9,290 households, or 111,500 beneficiaries residing along the RN2. The RN6 Road Activity would affect some 102,000 households or approximately 1.1 million people over the next 20 years. At present there is a population of about 44,000 households, or 474,000 people along the road; but about 15,600 households outside the road catchment would also initially benefit, as much traffic also originates and ends outside the particular segments of the RN6 being upgraded by the RN6 Road Activity. Over the life of the investment, total average benefits per beneficiary for the RN2 are approximately US\$870. Similarly, total average benefits per beneficiary for the RN6 are approximately US\$530.

(c) Environmental and Social Mitigation Measures.

The RN2 Road Activity and the RN6 Road Activity are classified as “Category A.” The Activities will produce site-specific and possibly cumulative environmental and social impacts. Environmental impact assessments have been initiated for both Activities; both will produce environmental management plans. The Roads Project will be implemented in accordance with MCC Environmental Guidelines, the MCC Gender Policy, and the MCC Resettlement Guidance, which will ensure that any necessary mitigation measures will be taken with respect to the issues identified in the environmental impact assessments and environmental management plans.

(d) Donor Coordination.

The Roads Rehabilitation Project conforms both to the Economic Community of West African States’ standards, as well as to standards used

by other donors in projects that link to Program investments. The two donor organizations also involved in road construction are the European Union (“EU”) for the RN2 and the African Development Bank for the RN6. The U.S. Agency for International Development (“USAID”) is not significantly involved in investments in the road sector in Senegal.

(e) Sustainability.

Senegal has appropriate laws, structures, capacity, systems, and governance to continually improve sustainability of the road sector. The Government has shown willingness to strengthen the maintenance funding regime, and the country has shown much progress in its maintenance funding performance. An autonomous agency, the Agence Autonome de Transports Routiers, or the Independent Agency for Road Transportation (“AATR”), was created with the assistance of other donors to take responsibility for road development and maintenance in Senegal. AATR has been the beneficiary of rapid capacity development measures with the support of other donors. As a result, the agency is now operating with technically capable staff within both its headquarters and its regional offices. Several institutional strengthening measures have been implemented by AATR, including the systemization of road inventory and road condition, and prioritization of maintenance activities based on traffic, condition, cost-benefit, and hydraulics. Maintenance funding has been increasing rapidly since 1989. The available road maintenance funds were 3 billion CFA in 1989; 15 billion CFA in 1995; 18 billion CFA in 2007; and 37 billion CFA in 2009. As a result of this increase in maintenance funding, road conditions have improved significantly: only 35% of paved roads were deemed to be in “good” or “average” condition in 2000, but 60% were deemed to be in 2007.

The Government has created a road fund managed by an autonomous unit and governed by a board of directors with members from the public and private sectors (the “Road Fund”). In 2008, the Road Fund was migrated to a second generation fund, whereby fuel levy collections were deposited directly through adoption of a funding law. The law allows for fuel levies of about 35 CFA for super diesel, 32 CFA for diesel, and 16 CFA for gasoline.

Nevertheless, there is a persistent gap between the need for maintenance and available funds. The 2009 budget gap is currently 26%; the 2009 available maintenance budget provides only 74% of the annual road maintenance funding

actually required for 2009. As part of the Program, the Government has agreed on a schedule to reduce and eventually eliminate any annual funding gap by 2015. Measurable progress monitors are set forth in the Program Implementation Agreement as conditions precedent to disbursement for the Roads Rehabilitation Project.

(f) Policy, Legal and Regulatory Reforms.

There are no policy, legal, or regulatory reforms required to implement the Roads Rehabilitation Project, other than those that may be required with respect to the Government’s need to satisfy conditions precedent in connection with reducing the funding gap with respect to the road maintenance fund.

2. Irrigation and Water Resources Management Project

(a) Summary of Project and Activities.

The Valley, the other region in Senegal rich in agricultural production, benefits from a very favorable environment for intensive irrigation for several reasons. First, there is a long irrigation history and experience in the Valley (some irrigation schemes have existed for more than 30 years). Second, the region has strong Government support and a reliable institution for maintenance and technical support through the regional, semi-autonomous agency responsible for all aspects of agricultural development in the Valley, the Société Nationale d’Aménagement et d’Exploitation des Terres du Delta du fleuve Sénégal et des Vallées du fleuve Sénégal et de la Falémé (“SAED”). Third, farmer associations, supported by SAED, have demonstrated their capability to manage and maintain large irrigation schemes. Finally, organized commercialization exists throughout the region, although improvements are still required along the value chain.

Optimal agricultural production in the Valley could supply Senegal with more than a significant share of its agricultural products, especially rice, the principal staple of the Senegalese diet. However, low agricultural yields have resulted in several thousand hectares of abandoned land. Three factors contribute directly to low yields: (i) Poor quality of the existing irrigation and drainage infrastructure; (ii) insufficient delivery of available water to agricultural areas; and (iii) lack of an appropriate drainage system, which leads to soil salinity.

The Irrigation and Water Resources Management Project—comprising infrastructure investments in the Senegal River Delta (the “Delta”) and Department of Podor (the “Podor”)

areas—conforms to Senegal’s 1998 Master Plan for poverty reduction and agricultural development in the Valley and is designed to address the factors contributing to low agricultural yields described above. The Project will: (1) Increase the volume of irrigation water in the Valley to develop approximately 8,500–10,500 hectares of additional irrigated land; (2) eliminate the risk of abandonment of approximately 26,000 hectares of existing irrigable land; and (3) provide additional supply of water for human and animal use in the Delta, Podor, and adjoining areas. The Project will also rehabilitate drainage canals, which will further eliminate the risk of abandonment of irrigated land, as well as increase crop yields. The Project will also support a land tenure security activity, to provide for, or maintain, a secure land tenure environment for all of inhabitants of the region directly affected by the Project. The Project may also invest in complementary social safeguard measures.

The Irrigation and Water Resources Management Project consists of the following Activities:

(i) Delta Activity.

Irrigation in the Delta, situated in the northwestern section of Senegal, is heavily influenced by the operation level of the Diama Dam, situated at the mouth of the Senegal River. Currently, 31,080 hectares represents the total theoretically irrigable land in the area of the Delta targeted by the Project. However, due to insufficient water delivery and poor drainage, only 11,800 hectares are cultivated at any time over the year. MCC Funding will be used for improvements to the irrigation and drainage channels in the Delta. Specifically, MCC Funding will support:

(1) Irrigation and Drainage Construction Activities. With respect to irrigation, these consist of weed removal, dredging, profiling of berms, and increasing levee heights, along with the rehabilitation or replacement of associated structures and pumping stations along eight irrigation sections. With respect to drainage, these consist of construction of a pump station, a bridge, a siphon, elevation of the levees and construction of compensatory channels. More details with respect to the Delta Activity construction activities are set forth in Schedule 1 attached to this Annex I.

(2) Non-Construction Activities. These costs include, without limitation, studies, construction supervision, and other project management costs to be incurred in connection with the Delta Activity.

(ii) Podor Activity.

Senegal's 1998 Master Plan for poverty reduction and agricultural development in the Valley specifies the installation of 28 irrigation sites in the Podor, and one of these sites is at N'Gallenka. The Podor Activity, focused on the site of N'Gallenka, expands the Program's irrigation investments east of the Delta, into an area that is far more economically depressed than the Delta. The N'Gallenka site was chosen because of its high potential for rice production, sufficiency of water resources, available population, cost of dikes per hectare, and existing irrigation facilities. Furthermore, demonstration of the cost-effectiveness of irrigation expansion in Podor should attract other private sector and donor investment in this area of high potential returns. MCC Funding will be used for the development of primary and secondary irrigation and drainage channels, and associated structures at the N'Gallenka site. Specifically, MCC Funding will support the construction costs associated with the development of the primary and secondary irrigation and drainage channels and associated structures, as well as related non-construction costs (studies, construction supervision, and other project management costs).

(iii) Social Safeguard Measures Activity.

The Government is actively seeking support to strengthen irrigation investments in the Valley with social development activities designed to diversify current livelihood strategies, slow emigration from the Delta, link Podor to markets, and improve the ability of women and youth to take advantage of the economic opportunities presented by the improved prospects for agricultural production. The Program may support the Government's efforts by financing certain social safeguard measures directly related to the Irrigation and Water Resources Management Project. Specifically, MCC Funding may be used for the construction of day care facilities, as well as the construction and initial operation of agricultural storage and information centers, and livestock multipurpose centers. In each case, these social safeguard measures are intended to complement the objectives of the Irrigation and Water Resources Management Project and/or to mitigate potential adverse impacts of the Project. For instance, the day care facilities should allow women to spend more time engaged in revenue-generating activities on the newly irrigated lands that will be allocated through the Project, while still providing their children with quality care. The agricultural storage and

information centers are intended to provide much-needed price information and technical resources to decrease crop loss due to poor storage conditions. Finally, the livestock multipurpose centers are intended to provide much-needed technical resources and supplies to livestock owners, thereby reassuring pastoralists that might otherwise be marginalized by the Project because of the reduced amount of rangeland available for their herds. It should be noted that any use of MCC Funding for the Social Safeguard Measures Activity is entirely contingent upon the following three conditions being met: (1) Provision by the Government of any supplemental information required by MCC, in form and substance satisfactory to MCC, to enable MCC to make a funding decision with respect to this Activity (this may include, inter alia, a comprehensive operational plan for each measure that describes diligenced costs, staffing and equipment information and requirements, and information on day-to-day operations and maintenance of the centers, both during the Compact Term and afterwards); (2) a decision by MCC in writing agreeing to fund the Activity, in whole or in part, together with any conditions to such agreement; and (3) satisfaction of the first two conditions prior to the third anniversary of this Compact's entry into force.

(iv) Land Tenure Security Activity.

To improve the investment climate in the Project area and to mitigate the potential for land conflict due to increased demand for irrigated land as a result of the Irrigation and Water Resources Management Project, the Land Tenure Security Activity will support development and implementation of transparent, fair, and efficient processes for land allocation to ensure equitable and secure access to land in the irrigated perimeters. It will also equip local authorities with tools, such as manuals of procedures and land registries, to improve land management, and reinforce capacity through communication and training on the newly provided tools as well as existing land management tools. The Land Tenure Security activity will primarily support the allocation and formalization of land use rights by local rural councils ("CRs") and local communal councils ("CCs") according to existing Senegalese land law. Specifically, MCC Funding will support:

(1) Design and implementation of a participatory and multi-step process for allocation by the CRs and CCs to producer groups and individual producers of parcels in irrigated perimeters developed or improved

through the Irrigation and Water Resources Management Project. Land allocations will be formalized according to Senegalese land law through award of titres d'affectation (land certificates) to all holders of land rights in the irrigated perimeters. The process will include documentation of existing rights, identification and mapping of improved parcels, development of criteria for selection of beneficiaries, and transparent selection followed by award of the titres d'affectation and recordation of all land allocations in registers to be maintained by the CRs and CCs.

(2) Reinforcement of land management capacity of CRs (and CCs), producer groups (GIEs and GPFs), and selected government agencies responsible for supporting rural community land management. Activities will center on development of new tools designed to adapt and more efficiently apply Senegalese land law in the context of the Valley, including a land allocation manual and land registry, and training on existing tools such as land occupation and allocation plan ("POAS") and the Charter for the Irrigated Domain ("CDI").

(b) Beneficiaries.

Beneficiaries of the Irrigation and Water Resources Management Project include households, owners or shareholders of farming enterprises, and households that have individuals employed in the operation of enterprise farms. The Project would benefit approximately 22,390 households, or 268,700 individuals, through participation in own agricultural production or employment in agriculture. Assuming that households would, on average, cultivate two hectares of irrigated area, the scale of net revenue from a holding would have a substantial impact on the welfare of poor households. Average household size is about twelve persons. Average future revenues of about purchasing power parity (PPP) US\$4,470 per two-hectare farm would increase household incomes by more than PPP US\$1 per person per day. For households subsisting with incomes of PPP US\$1.25 or less per person per day, this increment would move households from being extremely poor to being near poor (not far below or above PPP US\$2 per person per day). It is estimated that the full development of the irrigated areas targeted by the Project will provide employment for approximately 9,000 households (benefits accruing to approximately 105,000 persons).

(c) Environmental and Social Mitigation Measures.

The Irrigation and Water Resources Management Project is classified as "Category A." Environmental impact assessments have been initiated, and they will produce environmental management plans. The Project will be implemented in accordance with MCC Environmental Guidelines, the MCC Gender Policy, and the MCC Resettlement Guidance, which will ensure that any necessary mitigation measures will be taken with respect to the issues raised above.

(d) Donor Coordination.

The Government, from the earliest days of project identification and development, partnered and coordinated with all of the stakeholders in the Valley to ensure that (i) MCC's investments would be complementary to other existing and planned investments throughout the region, and (ii) would be supported by Government agencies, donors, and NGOs. All donors have endorsed the Program investments in the Valley because they recognize the need for significant investment in the region's infrastructure to complement their own investments. The current field-level focal points for donor coordination and collaboration are SAED and the Support Program for Local Development, respectively responsible for implementation of programs sponsored by the World Bank ("PDMAS") and the Agence Française de Développement (the French Development Agency ("AFD")).

The principal donors investing in the region are USAID, the U.S. Department of Agriculture ("USDA"), the EU, AFD, the Japanese Development Agency, and the World Bank. USAID, for example, is increasing agricultural productivity through improvements to the agricultural value chain, including improving the quality and availability of inputs, cold storage and warehousing, and access to credit, and it is also implementing a natural resource management program that focuses on forest management for the production of select products (timber, resin, fruit, and crafts) for regional and international markets. The USDA, through its "Food for Progress" program, partners with NGOs such as Counterpart International to work directly with farmers and farmers' associations to provide training in agricultural best practices. AFD's "Programme d'Appui aux Communautés Rurales" ("PACR"), or "Technical Assistance Program for Rural Communities," shares common objectives and geographical focus with the Land Tenure Security Activity; accordingly, MCC and AFD expect to coordinate closely implementation of

the respective initiatives and target opportunities for synergy.

(e) Sustainability.

SAED is responsible for maintaining primary and secondary irrigation systems throughout the Valley. SAED's considerable human resources, technical capacity and experience have been enhanced in recent decades through the agency's central role in implementation of several international donor-sponsored programs, such as the PDMAS project and specific activities of the PACR. It also provides technical assistance and training to farmers for them to maintain tertiary irrigation systems.

However, project maintenance activities in the Delta are funded with fees collected from farmers, and with funds provided by the Government to cover the gap between annual maintenance costs and total fees collected. Fee collection from farmers in the Delta zone is poor, with a collection efficiency of only 30%. Poor collection is primarily attributable to unreliable water supply and inadequate water availability. A lack of transparency in collection is also a contributor to poor collection efficiency. In order to improve collection of water user fees and to make more maintenance funds available for SAED to undertake required, periodic maintenance work, the Government will take specific steps agreed by MCC to improve collection of water user fees; these include the Government conducting an independent audit of maintenance, including roles, responsibilities, current arrangements, service performance and collection performance, as well as a financial analysis of maintenance, with the objective of identifying principal issues and recommending an action plan to improve sustainability (the "Irrigation Maintenance Action Plan"). The Irrigation Maintenance Action Plan must be approved by the Ministry of Agriculture and implementation of the action plan—with measurable targets and a progress monitoring mechanism to evaluate performance and outcomes of implementation—will be monitored throughout the Compact Term.

(f) Policy, Legal and Regulatory Reforms.

There are no policy, legal, or regulatory reforms required to implement the Irrigation and Water Resources Management Project other than those that may be required by the Irrigation Maintenance Action Plan and implementing measures arising out of the Land Tenure Security Activity, such as the passage of an arrêté by the appropriate administrative authorities establishing land allocation committees

and describing land allocation principles.

3. Implementation Framework

(a) Overview.

The implementation framework and the plan for ensuring adequate governance, oversight, management, monitoring and evaluation, and fiscal accountability for the use of MCC Funding are summarized below. MCC and the Government will enter into the Program Implementation Agreement, and any other agreements in furtherance of this Compact, all of which, together with this Compact, set out certain rights, responsibilities, duties and other terms relating to the implementation of the Program.

(b) MCC.

MCC will take all appropriate actions to carry out its responsibilities in connection with this Compact and the Program Implementation Agreement, including the exercise of its approval rights in connection with the implementation of the Program.

(c) MCA-Senegal (and, prior to its establishment, MFG-MCA).

The Government will establish MCA-Senegal through passage of a decree in substantially the form and on substantially the terms of the form of decree set forth in Schedule 2 to this Annex I (the "Establishment Decree"). In accordance with Section 3.2(d) of this Compact, MCA-Senegal will act on the Government's behalf to implement the Program and to exercise and perform the Government's rights and responsibilities with respect to the oversight, management, and implementation of the Program, including, without limitation, managing the implementation of Projects and their Activities, allocating resources, and managing procurements. The Government will ensure that MCA-Senegal takes all appropriate actions to implement the Program, including the exercise and performance of the rights and responsibilities designated to it by the Government pursuant to this Compact and the Program Implementation Agreement.

Without limiting the foregoing, the Government will also ensure that MCA-Senegal has full decision-making autonomy, including, inter alia, the ability, without consultation with, or the consent or approval of, any other party, to (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish an account in a financial institution in the name of MCA-Senegal and hold MCC Funding in that account, (iv) expend MCC Funding, (v) engage one or more fiscal agents who will act on behalf of MCA-Senegal on terms acceptable to MCC, (vi) engage one or more procurement agents who

will act on behalf of MCA-Senegal, on terms acceptable to MCC, to manage the acquisition of the goods, works, and services required by MCA-Senegal to implement the activities funded by this Compact, and (vii) competitively engage one or more auditors to conduct audits of its accounts. In accordance with Section 3.2(d) of this Compact, MFG-MCA, established by Décret N°2008-53 dated January 29, 2008, will act on behalf of the Government with respect to the Compact and the Program until MCA-Senegal is established. For the avoidance of doubt, the Government will take all appropriate actions to ensure that MCA-Senegal is established as soon as possible after the ratification of this Compact, and, in any event, in accordance with the applicable condition precedent to the disbursement of Compact Implementation Funding set forth in Annex IV to this Compact.

MCA-Senegal will be administered and managed by the following bodies: (1) Le Conseil de Surveillance, acting as its board of directors (the “Board”); (2) la Direction Générale, acting as its management unit (the “Management Unit”); and (3) le Comité des Parties Prenantes, acting as its stakeholders committee (the “Stakeholders Committee”). The governance of MCA-Senegal will be set forth in more detail in the Establishment Decree, the Program Implementation Agreement, and the internal regulations of MCA-Senegal (“MCA-Senegal Bylaws”), which will, collectively, set forth the responsibilities of the Board, the Management Unit, and the Stakeholders Committee. The MCA-Senegal Bylaws will be developed and adopted in accordance with MCC’s Guidelines for Accountable Entities and Implementation Structures, published on the MCC Web site (the “Governance Guidelines”), and will be in form and substance satisfactory to MCC.

(i) Board (le Conseil de Surveillance).

(1) Composition. MCA-Senegal will be governed by the Board, which will consist of voting members representing those Government ministries and civil society and private sector organizations set forth in the Establishment Decree. The Board will also consist of those non-voting observers set forth in the Establishment Decree. All voting members will be named in writing by their respective Government ministries and civil society and private sector organizations, as applicable, and must be sufficiently senior and qualified to make decisions on behalf of their respective ministries and civil society and private sector organizations, as applicable. Each voting member named to serve on the Board, and any

replacement for any voting member or any alteration of the size or composition of the Board, shall be subject to MCC prior approval.

(ii) Roles and Responsibilities. The Board will be responsible for overseeing the implementation of the Program and will have final decision-making authority over the implementation of the Program. The Board will meet regularly; the frequency of meetings will be set forth in the MCA-Senegal Bylaws and will be in accordance with the Governance Guidelines. The specific roles of the voting members and non-voting observers will be set forth in the Establishment Decree and the MCA-Senegal Bylaws.

(iii) Management Unit (la Direction Générale).

(1) Composition. The Management Unit, which will be led by a competitively selected Director General, will be composed of competitively recruited Directors with expertise in the key components of the Program, including, without limitation, a Roads Director, an Irrigation and Water Resources Management Director, and a Land Tenure Security Director, as well as a Deputy Director General, a Chief Financial Officer, a General Counsel, and other key Directors, including, without limitation, an Environmental and Social Assessment Director, a Procurement Director, a Monitoring and Evaluation Director, and a Communications Director. The Management Unit will also include such other managers and officers as may be agreed by the Government and MCC, including, without limitation, an internal auditor and a Human Resources Officer. The Directors will be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities.

(iv) Roles and Responsibilities. The Management Unit will be based in Dakar, Senegal, and will be responsible for managing the day-to-day implementation of the Program, with oversight from the Board. The Management Unit will serve as the principal link between MCC and the Government, and will be accountable for the successful execution of the Program, each Project, and each Activity. As a Government entity, MCA-Senegal will be subject to Government audit requirements. As a recipient of MCC Funding, MCA-Senegal will also be subject to MCC audit requirements.

(v) Stakeholders’ Committee (le Comité des Parties Prenantes).

(1) Composition. Pursuant to the Establishment Decree, the composition of the Stakeholders Committee will be determined by the Board in accordance

with the Governance Guidelines and subject to MCC approval. Without limiting the foregoing, the Establishment Decree provides that the Stakeholders Committee will be composed of, inter alia, Program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Program, key NGOs, and any applicable civil society and private sector representatives. In addition, the Board may establish regional, informal stakeholders committees in the project intervention zones composed of, inter alia, Program beneficiaries, regional and local government representatives, entities with an interest or involvement in the implementation of the Program, key NGOs, and any applicable civil society and private sector representatives. The establishment and composition of any such regional, informal stakeholders committees will also be subject to MCC approval.

(2) Roles and Responsibilities. Consistent with the Governance Guidelines, the Stakeholders Committee (and any informal, regional stakeholders committees established by the Board) will be responsible for continuing the consultative process throughout implementation of the Program. While the Stakeholders Committee (and any informal, regional stakeholders committees established by the Board) will not have any decision-making authority, it will be responsible for, inter alia, reviewing, at the request of the Board or the Management Unit, certain reports, agreements, and documents related to the implementation of the Program in order to provide advice and input to MCA-Senegal regarding the implementation of the Program.

(d) The “Cellule d’Appui au MCA-Sénégal.”

As referenced in Article 8 of the Compact, the Government will contribute to the Program, inter alia, through the establishment of and financial support for a “Cellule d’Appui au MCA-Sénégal” (the “Cellule”). Exclusively Government-funded and exclusively Government-run, the Cellule’s focus would be distinct from, but related to, the Program. The Cellule will contain staff to perform certain functions, which may include, but are not limited to, the following:

(i) Guichet Unique. Certain Cellule staff will be engaged to assist MCA-Senegal and contractors working on the Program with navigating the tax exemption procedures to ensure that they benefit from the tax exemptions provided by the Compact.

(ii) Administration and Finance. Certain Cellule staff will be engaged to perform administration and finance functions with respect to the Cellule's operations, any mesures d'accompagnement described in paragraph b above, the start up or closure of MCA-Senegal, and any Government financial obligations arising out of the Compact, including, but not limited to, Sections 2.6(a) or 8.1 of the Compact.

(iii) Monitoring Eligibility Criteria. Certain Cellule staff will be engaged to monitor and evaluate Senegal's level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

(iv) Mesures d'Accompagnement. To the extent the Government undertakes certain social development activities outside of the Program in the Project areas (such activities may be designed to, inter alia, diversify current livelihood strategies, slow emigration from the Delta, link Podor to markets, and improve the ability of women and youth to take advantage of the economic opportunities presented by an improved environment for agricultural production), the Cellule may contain staff to manage the implementation of such social development activities.

(e) Implementing Entities.

Subject to the terms and conditions of this Compact and any other related agreements entered into in connection with this Compact, the Government and MCC have identified certain principal public institutions that may or will serve as implementing entities (each, an "Implementing Entity") to implement and carry out certain Projects and/or Activities (and/or any component thereof) in furtherance of this Compact. Such Implementing Entities include, but are not limited to, (i) AATR, for the Roads Rehabilitation Project and (ii) SAED, for the Irrigation and Water Resources Management Project. The Government will ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement between MCA-Senegal and each Implementing Entity, which agreement must be in form and substance satisfactory to MCC (each an "Implementing Entity Agreement").

(f) Fiscal Agent.

Unless MCC otherwise agrees in writing, the Government will engage a fiscal agent (a "Fiscal Agent"), who will be responsible for assisting the Government with its fiscal management and assure appropriate fiscal accountability of MCC Funding, and whose duties will include those set

forth in the Program Implementation Agreement.

(g) Procurement Agent.

Unless MCC otherwise agrees in writing, the Government will engage one or more procurement agents (each, a "Procurement Agent") to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of each Procurement Agent will be set forth in the Program Implementation Agreement or such agreement as the Government enters into with each Procurement Agent, which agreement shall be in form and substance satisfactory to MCC. Each Procurement Agent will adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan adopted by the Government pursuant to the Program Implementation Agreement, unless MCC otherwise agrees in writing.

Schedule 1 of Annex I Delta Activity Construction Activities

The work on the main irrigation channels of the Delta Activity consists of weed removal, dredging, profiling of berms, and increasing levee heights, as well as the rehabilitation or replacement of the associated structures and pumping stations of the following sections:

| Irrigation section | Length/targeted flow rate | Associated improvements |
|---------------------|---------------------------|--|
| Gorom Amont | 25 km/30 m3s-1 | Ronkh Intake: increase of gravity flow capacity from 20m3s-1 to 30m3s-1 by reopening two additional gates and increase of pumping capacity from 8.3m3s-1 to 20m3s-1. |
| Gorom Aval | 22 km/23 m3s-1 | Intake G: construction of an additional control bridge with four gates to increase the gravity flow capacity from 20m3s-1 to 40m3s-1; Rehabilitation of the Boundoum Dam Bridge. |
| Lampsar Amont | 20 km | Replacement of the Boundoum Bridge with a control bridge. |
| Lampsar Aval | 24 km/12 m3s-1 | Replacement of the Lampsar Bas Bridge with a control bridge; Repairs on the Bango Bridge. |
| Ngalam | 8 km | Rehabilitation of the Ndiaoudoun Bridge. |
| Djawel | 4 km | Rehabilitation of the Djawel Bridge. |
| Kassack | 20 km | Rehabilitation of the Demba and Diambar Bridges. |
| Djeuss | | Partial transformation into a main drainage channel. |

Schedule 2 to Annex I Form of MCA-Senegal Decree

Republic of Senegal

One People—One Goal—One Faith

Order No. * * * establishing the Millennium Challenge Account Senegal (hereinafter, "MCA-Senegal").

The President of the Republic,

Having regard to Constitution of the Republic of Senegal (hereinafter, "Senegal"), and in particular articles 43 and 76 thereof;

Having regard to the Millennium Challenge Compact (hereinafter, the "Compact") signed on [insert signature

and date] between the Republic of Senegal (hereinafter "Senegal"), acting through its government (hereinafter, the "Government") and the government of the United States of America, acting through the Millennium Challenge Corporation (hereinafter, "MCC");

Having regard to Law No. [insert number and date] whereby the National Assembly authorized the President of Senegal to ratify the Compact;

Having regard to Letter No. [insert number and date] whereby the President ratified the Compact;

Having regard to Order No. 2008-53 of January 29, 2008 establishing the

Mission to Develop and Manage the Millennium Challenge Account Senegal;

Whereas the Compact establishes the general terms and conditions under which MCC offers to grant an amount not to exceed [insert amount in words and figures] to the Government for a program to reduce poverty in Senegal through economic growth (hereinafter, the "Program");

Considering the Government's commitment established in the Compact (Annex I: Program description) to establish a separate legal entity with financial autonomy to coordinate and execute the Program;

Orders

Article 1: Establishment; Legal Capacity

An autonomous entity, “MCA-Senegal” is hereby established as a juristic person with financial autonomy to assume responsibility for managing the Program for Senegal. MCA-Senegal shall be a unit within the Office of the Prime Minister. MCA-Senegal shall have full legal capacity and financial autonomy, including, *inter alia*, the ability to enter into contracts and agreements; to open, maintain and close bank accounts; to recruit personnel through competitive processes and terminate them; and to appear as a party to legal proceedings.

Article 2: Responsibilities of MCA-Senegal

MCA-Senegal shall:

- Assume responsibility, on behalf of the Government, for overseeing the activities associated with management and implementation of the Program;
- Represent the Government, in consultation with the responsible Government agencies, in negotiations with MCC regarding technical, financial and administrative issues relating to the Compact;
- Execute legal instruments on behalf of the Government in its relationships with stakeholders or other persons involved in managing, monitoring and implementing the Program for the Government.

Article 3: MCA-Senegal Management Bodies

In performing its functions, MCA-Senegal shall be supported by a deliberative body, an executive body and an advisory body:

- The Supervisory Board shall serve as the deliberative body,
- The Management Unit (*direction générale*) shall serve as the executive body,
- The Stakeholders Committee shall serve as the advisory body.

No member of the Supervisory Board, the Management Unit or the Stakeholders Committee or other representative of MCA-Senegal shall have a direct or indirect conflict of interest with the performance of the functions for which MCA-Senegal is responsible.

Article 4: Powers of the Supervisory Board

The MCA-Senegal Supervisory Board shall have the broadest powers to act in all circumstances and make decisions concerning the objectives, policies, administration and oversight of the Management Unit’s operations.

To this end, the Supervisory Board shall:

- Determine the strategic objectives of the Program,
- Approve the administrative organization of MCA-Senegal,
- Approve any decision to dissolve MCA-Senegal or modify its structure,
- Adopt the MCA-Senegal annual activity report prepared by the Executive Director,
- Approve the MCA-Senegal annual budget,
- Approve the financial statements prepared by the Executive Director within three months after the close of the fiscal year,
- Recruit the Executive Director,
- Approve the Executive Director’s contract, the Management Unit organization chart and the form of employment contract for key personnel,
- Terminate the Executive Director and approve the termination of executive or key personnel of MCA-Senegal,
- Approve plans to award contracts, and
- Perform all other tasks prescribed by MCC directives or the internal regulations of the Supervisory Board.

The decisions of the Supervisory Board shall be subject to MCC’s no objection.

Article 5: Composition of the Supervisory Board

The Supervisory Board shall be composed of the following members with voting rights (individually a “Member”):

- A representative of the Prime Minister,
- A representative of the Minister of Foreign Affairs,
- A representative of the Minister of Economy and Finance,
- A representative of the Minister of Infrastructure,
- A representative of the Minister of the Environment,
- A representative of the Minister of Decentralization and Local Authorities,
- A representative of the Minister of Justice,
- A representative of the Minister of Agriculture,
- A representative of the Minister of Social Development and Gender,
- Two representatives from the most representative employer organizations,
- Two representatives from the most representative society organizations, including one woman.

Each Member shall have one vote.

The following individuals shall serve in an advisory capacity on the Supervisory Board as nonvoting permanent observers:

- A representative of MCC,
- The Executive Director of MCA-Senegal.

The Supervisory Board Members representing the Government shall be designated in writing by their respective ministers. They shall have the authority and powers to represent their ministries and make all decisions during Supervisory Board meetings. The term of office of a Member representing the Government shall expire with that of the minister concerned or following the respective minister’s written decision to replace the Member.

The Members representing civil society and employer organizations shall be designated in writing by their organization’s deliberative body. The Members representing civil society and employer organizations shall have all powers in the context of their mission to act on behalf of their organization. The term of office of a Member representing a civil society or employer organization shall expire following the written decision of the respective organization’s deliberative body to replace the Member.

The terms of Supervisory Board members shall commence upon their appointment.

MCC’s no objection shall be required for any proposal or modification of the Supervisory Board’s composition.

Article 6: Supervisory Board Operations

The Supervisory Board shall meet as often as required and at least once each quarter. It shall be convened by a representative of the Office of the Prime Minister or at the request of at least four (4) Members. The rules governing the procedures for convening meetings, establishing a quorum and adopting decisions shall be established by the internal regulations.

The Executive Director of MCA-Senegal shall serve as secretary of the Supervisory Board.

The Members of the Supervisory Board shall receive no remuneration. However, each Member of the Supervisory Board shall be entitled to reimbursement of reasonable expenses incurred in connection with attendance at Supervisory Board meetings, in accordance with MCC directives.

The Supervisory Board may decide to retain the services of experts and specialists to assist it in performing its functions. Such experts and specialists shall participate in Supervisory Board meetings in an advisory capacity.

The Supervisory Board may, if necessary, establish committees formed of Members and/or observers to which it may delegate tasks related to its functions.

Article 7: Stakeholders Committee

The Stakeholders Committee shall be an advisory body responsible for monitoring projects and providing technical assistance to the Management Unit and Supervisory Board, to which it may also provide opinions.

The Stakeholders Committee shall consist of the project beneficiaries, the entities involved in or having an interest in Program execution, and representatives from the Government, employer organizations and civil society.

The members of the Stakeholders Committee representing the Government shall be appointed by their respective ministries, and the members representing employer and civil society organizations by their respective organizations.

The Supervisory Board shall designate the members of the Stakeholders Committee and determine its composition and operating procedures.

The Supervisory Board may decide to establish local stakeholder subcommittees in the Program's area of influence. The members of such subcommittees shall be designated under the same terms and conditions as the national Stakeholders Committee.

Article 8: Management Unit

MCA-Senegal shall be managed by a Management Unit headed by an Executive Director. The Executive Director shall be recruited by the Supervisory Board in accordance with MCC directives.

The process of recruiting members of the Management Unit personnel shall be subject to MCC's no objection.

The key personnel of MCA-Senegal shall be recruited or terminated by the Executive Director in accordance with MCC directives and subject to the Supervisory Board's approval.

The Executive Director shall provide day-to-day oversight and supervision of MCA-Senegal's operations and shall serve as the Additional Representative within the meaning of the Compact. He shall prepare the work of the Supervisory Board and implement the policies it establishes.

The duties of the Executive Director shall include:

- Exercising administrative and management authority over all personnel and departments of MCA-Senegal,
- Reporting to interested parties, including the Supervisory Board and the Stakeholders Committee, on progress in implementing the Program,

- Preparing and executing the MCA-Senegal budget in accordance with the provisions of article 9,

- Preparing an annual activity report and submitting it to the Supervisory Board for approval,

- Preparing the financial statements and submitting them to the Supervisory Board for approval,

- Performing all other tasks prescribed by MCC directives or the Supervisory Board.

Article 9: MCA-Senegal Budget

MCA-Senegal shall have a budget outlining its receipts and expenditures.

MCA-Senegal's receipts shall consist of the budget appropriation provided in the Compact. MCA-Senegal's funding shall also consist of an annual budget appropriation from the Government as provided by the Compact and related agreements, which shall be managed by the MCA-Senegal Support Unit (*Cellule d'Appui*) provided in the Compact.

All MCA-Senegal funding, whether provided under the Compact or by the Government, shall be used exclusively to fulfill the responsibilities of MCA-Senegal as described in article 2.

In accordance with article 8, the budget shall be prepared and executed by the Executive Director under the supervision of the Supervisory Board.

Article 10: Audit and Oversight

MCA-Senegal shall be subject to audits by the Inspector General of Finance, the Auditor General (*Inspection Générale d'Etat*) and the Court of Auditors (*Cour des Comptes*) as provided, *inter alia*, by Law No. 90-07 June 26, 1990. As provided by the Compact and related agreements and MCC directives, it shall also be subject to audits by independent firms, MCC, the Inspector General of the United States Agency for International Development, and the United States Government Accountability Office.

Article 11: Effects of the Order

This order repeals Order No. 2008-53 of January 29, 2008 establishing the Mission to Develop and Manage the Millennium Challenge Account Senegal (hereinafter, "MFG-MCA"). The Government of Senegal shall replace the MFG-MCA in the exercise of its rights and the performance of its legal and contractual obligations, including employer and tax obligations and monies payable by MFG-MCA to service providers; however, provided it expressly indicates its intent to do so, MCA-Senegal may: (1) Receive the benefit of services performed for MFG-MCA and exercise the rights attached to those powers (without assuming any

obligations); or (2) assume the obligations and rights that had been performed for the benefit of MG-MCA.

Article 12: Transitory Provisions

Without prejudice to the other provisions of this order, the Supervisory Board shall meet either at the request of at least four Members or at the initiative of the Prime Minister or his representative until the internal regulations of the Supervisory Board are adopted.

The meetings of the Supervisory Board shall be convened by the Prime Minister or his representative, who shall chair the meetings.

The Supervisory Board shall have a quorum if one-half of its Members are present or represented. The decisions of the Supervisory Board, other than the decision to adopt the internal regulations, shall be adopted by an absolute majority of the Members present or represented. An absolute majority of the Supervisory Board Members shall be required to adopt the internal regulations or written decisions.

Article 13: Execution of the Order

The Prime Minister, the Minister of Foreign Affairs; the Minister of Economy and Finance; the Minister of the Interior; the Minister of the Environment and Protection of Nature, Retention Basins and Artificial Lakes; the Minister of Infrastructure and National Planning; the Minister of Decentralization and Local Authorities; the Minister of Justice; the Minister of Social Development and Gender; each with respect to his or her ministry, shall be responsible for executing this order, which shall be published in the Official Journal.¹

Executed at Dakar, this _____

By the President of the Republic
Abdoulaye Wade
The Prime Minister

Annex II Multi-Year Financial Plan Summary

This Annex II summarizes the Multi-Year Financial Plan for the Program.

1. General

A multi-year financial plan summary ("*Multi-Year Financial Plan Summary*") is attached hereto as Exhibit A. By such time as specified in the PIA, the Government will adopt, subject to MCC approval, a Multi-Year Financial Plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Government's contribution of funds and resources, the

¹ The exact titles to be confirmed.

annual and quarterly funding requirements for the Program (including administrative costs) and for each project, projected both on a commitment and cash requirement basis.

EXHIBIT A—MULTI-YEAR FINANCIAL PLAN SUMMARY

[Multi-year financial plan (US\$)]

| Project | CIF | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|-----------|------------|-------------|-------------|------------|------------|-------------|
| 1. Irrigation & Water Resources Management Project: | | | | | | | |
| Infrastructure Activity | | | | | | | |
| Land Tenure Security Activity | | | | | | | |
| Social Safeguard Measures | | | | | | | |
| Sub-Total | 0 | 19,812,280 | 69,915,184 | 63,538,624 | 16,667,272 | 75,500 | 170,008,860 |
| 2. Roads Rehabilitation Project: | | | | | | | |
| National Road #2 | | | | | | | |
| National Road #6 | | | | | | | |
| Sub-Total | 0 | 48,695,302 | 101,844,436 | 95,320,317 | 56,859,947 | 21,342,497 | 324,062,499 |
| 3. Monitoring and Evaluation (M&E): | | | | | | | |
| Monitoring and Evaluation | | | | | | | |
| Sub-Total | 0 | 571,500 | 771,500 | 546,500 | 671,500 | 1,196,500 | 3,757,500 |
| 4. Program Administration and Audit ¹ : | | | | | | | |
| MCA-Senegal | | | | | | | |
| Fiscal Agent/Procurement Agent | | | | | | | |
| Audit | | | | | | | |
| Sub-Total | 5,000,000 | 7,248,022 | 7,324,764 | 7,403,964 | 7,383,539 | 7,810,852 | 42,171,141 |
| Grand Total | 5,000,000 | 76,327,104 | 179,855,884 | 166,809,405 | 81,582,258 | 30,425,349 | 540,000,000 |

¹ These amounts do not include any costs required to be borne by the Government pursuant to the Compact, including, but not limited to Sections 2.6(a) and Section 8.1 of the Compact.

Annex III Description of the Monitoring and Evaluation Plan

This Annex III (this “*M&E Annex*”) generally describes the components of the Monitoring and Evaluation Plan (“*M&E Plan*”) for the Program. The actual content and form of the M&E Plan will be agreed to by MCC and the Government, and may be modified from time to time without requiring an amendment to this Annex III.

1. Overview

MCC and the Government will formulate, agree to and the Government will implement, or cause to be implemented, an M&E Plan that specifies (a) how progress toward the Compact Goal, Program Objective and Project Objectives will be monitored, (“*Monitoring Component*”), (b) a process and timeline for the monitoring of planned, ongoing, or completed Project Activities to determine their efficiency and effectiveness, and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program (“*Evaluation Component*”). Information regarding the Program’s performance, including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the Web site of MCA-Senegal and elsewhere.

2. Program Logic

The M&E Plan will be built on a logic model which illustrates how the Program, Projects and Activities contribute to poverty reduction and economic growth in Senegal. In sum, the goal of the Program is to contribute to economic growth and poverty reduction by: (a) increasing household and firm incomes through increased irrigated agricultural production and productivity on irrigated perimeters; and (b) increasing household and firm access to domestic and international markets through improved road quality and reduced travel times and costs.

3. Monitoring Component

To monitor progress toward the achievement of the impact and outcomes, the Monitoring Component of the M&E Plan will identify (a) the Indicators (as defined below), (b) the definitions of the Indicators, (c) the sources and methods for data collection, (d) the frequency for data collection, (e) the party or parties responsible, and (f) the timeline for reporting on each Indicator to MCC.

Further, the Monitoring Component will track changes in the selected Indicators for measuring progress towards the achievement of the objectives during the Compact Term. Before the initiation of implementation activities for each Project, MCA-Senegal will collect baseline data on the selected

Indicators or verify already collected baseline data.

(a) Indicators. The M&E Plan will measure the results of the Program using quantitative, objective and reliable data (“*Indicators*”). Each Indicator will have benchmarks that specify the expected value and the expected time by which that result will be achieved (“*Target*”). The M&E Plan will be based on a logical framework approach that classifies Indicators as goal, outcome, output, and process milestones. The Compact Goal Indicators (“*Goal Indicators*”) will measure the general contribution of the Projects to the national economic growth and poverty reduction. Second, the Project Objective and outcome Indicators (“*Project Objective and Outcome Indicators*”) will measure the final result of each Project. Third, output Indicators and process milestones (“*Activity Indicators*”) will measure the early and intermediate results of the Project Activities. For each Project Objective and Outcome Indicator and each Activity Indicator, the M&E Plan will define a strategy for obtaining and verifying the value of such Indicator prior to undertaking any activity that affects the value of such Indicator (such value, a “*Baseline*”). All Indicators will be disaggregated by gender, income level and age, and beneficiary types to the extent practicable. Subject to prior written approval from MCC, MCA-Senegal may add Indicators or refine the

definitions and Targets of existing Indicators.

(i) Goal. The M&E Plan will contain the Goal Indicators listed below specifying the definition, baseline, and end of Compact Target for each. The economic analysis estimates that:

- Over a 20-year period, the Irrigation and Water Resources Management Project is expected to contribute to an average increase in net revenue of 35% among beneficiaries.

- Over a 20-year period, benefits of the RN2 Road Activity are expected to be comparable to an average increase of 13 percent of annual consumption among the catchment area population (5 kilometers on either side of the road).²

- Over a 20-year period, benefits of the RN6 Road Activity are expected to be comparable to an average increase of 9 percent of annual consumption among the catchment area population (5 kilometers on either side of the road).

(ii) Project Objective and Outcome Indicators and Activity Indicators. The M&E Plan will contain Project Objective and Outcome Indicators, which will measure the two Projects and are listed below with their definitions, baselines and targets. Prior to the initiation of implementation of an Activity, MCC and MCA-Senegal will agree on a final set of Activity Indicators. The M&E Plan will contain these Indicators or will be amended to contain these Indicators.

IRRIGATION AND WATER RESOURCES MANAGEMENT PROJECT OBJECTIVE AND OUTCOME INDICATORS

| Irrigation and water resources management project | Indicator | Definition | Baseline value | Year 5 target |
|--|---|--|----------------|---------------------|
| Project Objective: Increased irrigated agricultural production and productivity on newly irrigated perimeters in the Delta and N'Gallenka. | Volumes of irrigated rice production (Tons). | Total quantity of rice cultivated by year on the irrigated areas (irrigation and dry season). | 55,000 | 263,000 |
| | Agricultural cropping intensity | Total number of hectares cultivated by year/Total irrigated area. | 0.95 | 1.50 |
| | Area of land under irrigation (hectares). | Total number of hectares of land using irrigation for agricultural production. | 11,800 | ³ 39,740 |
| Outcomes | Indicator | Definition | Baseline value | Year 5 target |
| Increased efficiency of water infrastructure for irrigated agriculture. Improved land tenure management on irrigated perimeters. | Efficiency of irrigation infrastructure (m ³ /s). | Water flow over time in the Lampar canal. | 13 | 65 |
| | Percent of allocated parcels with "titres d'affectation" ⁴ . | Total numbers of parcels with land titles (i.e., "titres d'affectation")/total numbers of parcels allocated. | 0 | ⁵ 100% |
| | Percent of "titres d'affectation" registered at the CRs. | Total numbers of registered land titles (i.e., "titres d'affectation")/total numbers of parcels allocated. | 0 | 100% |
| | Percent of new land conflicts resolved | Total numbers of new conflicts resolved/total numbers of new conflicts registered. | 0 | 95% |

ROADS REHABILITATION PROJECT OBJECTIVE AND OUTCOME INDICATORS

| National road #2 | Indicator | Definition | Baseline value | Year 5 target |
|---|--|---|---|--|
| Activity Objective: Increased access to domestic and international markets. | Average Annual Daily Traffic | Total number of vehicles on rehabilitated road. | RichardToll-Ndioum: 870. | RichardToll-Ndioum: 1240. |
| | Transport times | Travel time saved due to improved conditions on rehabilitated road. | TBD ⁶ | 50% reduction. |
| Outcomes | Indicator | Definition | Baseline value | Year 5 target |
| Improved road quality | International Roughness Index (proxy for vehicle operating costs). | Measurement of pavement roughness on rehabilitated road. | RichardToll-Ndioum: 8.4. | RichardToll-Ndioum: 2.4. |
| Extended road network | Kms of road rehabilitated | Total number of kilometers of road rehabilitated. | 0 | 120 km. |
| National road #6 | Indicator | Definition | Baseline value | Year 5 target |
| Activity Objective: Increased access to domestic and international markets. | Average Annual Daily Traffic | Total number of vehicles on rehabilitated road. | Ziguinchor-Tanaf: 540 Tanaf-Kolda: 820 | Ziguinchor-Tanaf: 680. Tanaf-Kolda: 1490 Kolda-Kounkane: 1850. |

²Note: some of the beneficiaries of the RN2 will overlap with those of the Irrigation and Water Resources Management Project.

ROADS REHABILITATION PROJECT OBJECTIVE AND OUTCOME INDICATORS—Continued

| National road #2 | Indicator | Definition | Baseline value | Year 5 target |
|-----------------------------|--|---|----------------|-----------------------|
| | Transport times | Travel time saved due to improved conditions on rehabilitated road. | TBD | 50% reduction. |
| Outcomes | Indicator | Definition | Baseline value | Year 5 target |
| Improved road quality | International Roughness Index (IRI) (proxy for vehicle operating costs). | Measurement of pavement roughness on rehabilitated road. | 15 | 2.5. |
| Extended road network | Kms of road rehabilitated | Total number of kilometers of road rehabilitated. | 0 | 260 km ⁷ . |

(b) Data Collection and Reporting. The M&E Plan will establish guidelines for data collection and reporting, and identify the responsible parties. Compliance with data collection and reporting timelines will be conditions for Disbursements for the relevant Project Activities as set forth in the Program Implementation Agreement. The M&E Plan will specify the data collection methodologies, procedures, and analysis required for reporting on results at all levels. The M&E Plan will describe any interim MCC approvals for data collection, analysis, and reporting plans.

(c) Data Quality Reviews. As determined in the M&E Plan or as otherwise requested by MCC, the quality of the data gathered through the M&E Plan will be reviewed to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data across different implementation units and reporting institutions. Such data quality reviews also will serve to identify where those levels of quality are not possible, given the realities of data collection.

(d) Management Information System. The M&E Plan will describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The system development will

³ Incremental increase of 19,490 hectares rehabilitated and 8,000 hectares in extension in the Delta region, and 440 hectares in extension in N'Gallenka. All hectares are expected to be formalized under the land tenure security activity.

⁴ See the Land Tenure Security Activity section of this document for definitions of French terms.

⁵ The total number of parcels to be allocated and registered will be determined by the land allocation criteria.

⁶ Baseline values for travel times will be available with final results of the ongoing studies.

⁷ Final value to be confirmed.

take into consideration the requirement and data needs of the components of the Program, and will be aligned with MCC existing systems, other service providers, and ministries.

(e) Role of MCA-Senegal. The monitoring and evaluation of this Compact spans across two discrete Projects and will involve a variety of governmental, non-governmental, and private sector institutions. MCA-Senegal holds full responsibility for implementation of the M&E Plan. MCA-Senegal will oversee all Compact-related monitoring and evaluation activities conducted for each of the Projects, ensuring that data from all implementing entities is consistent, accurately reported and aggregated into regular Compact performance reports as described in the M&E Plan.

4. Evaluation Component

The Evaluation Component of the M&E Plan will contain three types of evaluations: Impact Evaluations, Project Performance Evaluations, and Special Studies. Plans for each type of evaluation will be finalized before any Disbursement for specific Program or Project activities. The Evaluation Component of the M&E Plan will describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. The results of all evaluations will be made publicly available in accordance with MCC's guidelines for monitoring and evaluation plans posted from time to time on the MCC Web site (the "*MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs*").

(a) Impact Evaluation. The M&E Plan will include a description of the methods to be used for impact evaluations and plans for integrating the evaluation method into Project design. Based on in-country consultation with stakeholders, the strategies outlined below were jointly determined as having the strongest potential for rigorous impact evaluation. The M&E

Plan will further outline in detail these methodologies. Final impact evaluation strategies are to be jointly determined before the approval of the M&E Plan. The following is a summary of the potential impact evaluation methodologies:

(i) Irrigation and Water Resources Management Project.

An impact evaluation will be conducted to estimate the causal relationship between the project and its objective of increasing agricultural production and productivity; as well as its long-term goal of increasing household and firms' incomes. The evaluation will likely use a difference-in-difference methodology comparing three geographic zones: (1) Areas expected to benefit from the irrigation systems rehabilitation under the project, (2) areas that will benefit from irrigation systems extension, and (3) a comparison area that is not covered by the Compact. Surveys conducted in all three areas before and after the project will allow rigorous analysis to estimate the project's incremental contribution to the targeted objectives and goals.

(ii) Roads Rehabilitation Project.

Similarly, a difference-in-difference methodology will be used to estimate the causal relationship between road rehabilitation and increased economic activity. Surveys will be conducted before and after road rehabilitation in two zones: (1) one area within five kilometers of each side of the road⁸; (2) one area outside of the five kilometer corridor. Analyzing conditions among the two groups over two points in time will allow estimates of the project's incremental impact.

(b) Final Evaluation. The M&E Plan will make provision for Final Project level evaluations ("*Final Evaluations*"). With the prior written approval of MCC, MCA-Senegal (or MCC independently) will engage independent evaluators to

⁸ The economic analysis used 5 kilometers on either side of the road as an estimated "catchment area" of beneficiaries.

design the Final Evaluations to be conducted at the end of each Project. The Final Evaluations will review progress during Compact implementation and provide a qualitative context for interpreting monitoring data. They must at a minimum (i) evaluate the efficiency and effectiveness of the Project Activities; (ii) determine if and analyze the reasons why the Compact Goal, Program Objective and Project Objective(s) were or were not achieved; (iii) identify positive and negative unintended results of the Program; (iv) provide lessons learned that may be applied to similar projects; and (v) assess the likelihood that results will be sustained over time.

(i) Special Studies. The M&E Plan will include a description of the methods to be used for special studies funded through this Compact or by MCC. Plans for conducting the special studies will be determined jointly between MCA-Senegal and MCC before the approval of the M&E Plan. The M&E Plan will identify and make provision for any other special studies, ad hoc evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or MCA-Senegal may request special studies or ad hoc evaluations of Projects, Project Activities, or the Program as a whole prior to the expiration of the Compact Term. When MCA-Senegal engages an evaluator, the evaluator will be externally contracted and independently source selected by MCA-Senegal. The aforementioned engagement will be subject to the prior written approval of MCC, following a tender in accordance with the MCC Program Procurement Guidelines, and in accordance with any relevant Implementation Letter or supplemental agreement. Contract terms must ensure non-biased results and the publication of results.

(c) Request for Ad Hoc Evaluation or Special Study. If MCA-Senegal requires an ad hoc independent evaluation or special study at the request of the Government for any reason, including for the purpose of contesting an MCC determination with respect to a Project or Activity or to seek funding from other donors, no MCC Funding or MCA-Senegal resources may be applied to such evaluation or special study without MCC's prior written approval.

5. Other Components of the M&E Plan

In addition to the Monitoring and Evaluation Components, the M&E Plan will include the following components for the Program, Projects and Project Activities, including, where

appropriate, roles and responsibilities of the relevant parties and providers:

(a) Costs. A detailed cost estimate for all components of the M&E Plan.

(b) Assumptions and Risks. Any assumption or risk external to the Program that underlies the accomplishment of the Program Objective, Project Objectives and Activity outcomes. However, such assumptions and risks will not excuse any Party's performance unless otherwise expressly agreed to in writing by the Parties.

6. Implementation of the M&E Plan

(a) Approval and Implementation. The approval and implementation of the M&E Plan, as amended from time to time, will be in accordance with this Annex III, the Program Implementation Agreement and any other relevant supplemental agreement, and the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs.

Annex IV Conditions to Disbursement of Compact Implementation Funding

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Implementation Funding (each a "*CIF Disbursement*"). Capitalized terms used in this Annex IV and not defined in this Annex IV or in the Compact have the meanings assigned to such terms in the form of Program Implementation Agreement attached to the Compact as Annex VII. Upon execution of the Program Implementation Agreement, each CIF Disbursement shall be subject to the terms and conditions of the Program Implementation Agreement (including, without limitation, Section 3.3 thereof).

1. Conditions to All CIF Disbursements (Including the Initial CIF Disbursement)

Each of the following conditions precedent must have been met to MCC's satisfaction prior to each CIF Disbursement:

(a) Delivery by MFG-MCA (or, upon its establishment, MCA-Senegal) to MCC of a complete, correct, and fully executed Disbursement Request for the relevant Disbursement Period, together with any applicable Periodic Reports covering such Disbursement Period, in each case in form and substance satisfactory to MCC and submitted in accordance with the Reporting Guidelines. Each Disbursement Request shall include the following reference number: GR09SEN09010.

(b) MCC is satisfied, in its sole discretion, that: (i) Each activity being funded by such CIF Disbursement is necessary, advisable, or is otherwise

consistent with the goal of facilitating the implementation of the Compact; (ii) there has been no violation of, and the use of the requested funds for the purposes requested will not violate, the limitations on the use or treatment of (x) MCC Funding, as set forth in this Compact, including under Section 2.7, or (y) Compact Implementation Funding; (iii) no material default or breach of any covenant, obligation, or responsibility of the Government or MFG-MCA (or, upon its establishment, MCA-Senegal) under this Compact, the Program Implementation Agreement, any supplemental agreement, or any Program Guidelines has occurred or is continuing; and (iv) any Taxes paid with MCC Funding through the date ninety (90) days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with this Compact.

(c) MCC is satisfied, in its sole discretion, that MFG-MCA (or, upon its establishment, MCA-Senegal) is sufficiently mobilized in order for MFG-MCA (or MCA-Senegal, as the case may be) to be able to fully perform its obligations and act on behalf of the Government.

(d) MFG-MCA (or, upon its establishment, MCA-Senegal), shall have adopted a Procurement Plan, in form and substance satisfactory to MCC, with respect to the Compact Implementation Funding, and such Procurement Plan remains in full force and effect.

(e) MFG-MCA (or, upon its establishment, MCA-Senegal), shall have adopted an Fiscal Accountability Plan, in form and substance satisfactory to MCC, and such Fiscal Accountability Plan remains in full force and effect.

2. Conditions to Specific CIF Disbursements (and Each CIF Disbursement Thereafter)

Each of the following conditions precedent must have been met to MCC's satisfaction prior to the applicable CIF Disbursement:

(a) Prior to any CIF Disbursement on or after January 1, 2010, MCA-Senegal shall be fully formed and in good standing under the laws of Senegal.

(b) Prior to any CIF Disbursement on or after January 1, 2010, the Fiscal Agent shall have been duly appointed, and MCA-Senegal shall have duly executed the Fiscal Agent Agreement, and such agreement shall be in full force and effect without modification, alteration, rescission, or suspension of any kind, unless otherwise agreed by MCC, and no material default has occurred or is continuing thereunder.

(c) Prior to any CIF Disbursement on or after January 1, 2010, the Procurement Agent shall have been duly appointed, and MCA-Senegal shall have duly executed the Procurement Agent Agreement, and such agreement shall be in full force and effect without modification, alteration, rescission, or suspension of any kind, unless otherwise agreed by MCC, and no material default has occurred or is continuing thereunder.

(d) Prior to any CIF Disbursement on or after January 1, 2010, the Bank shall have been duly appointed, and MCA-Senegal and the Fiscal Agent shall have duly executed the Bank Agreement, and such agreement shall be in full force and effect without modification, alteration, rescission, or suspension of any kind, unless otherwise agreed by MCC, and no material default has occurred or is continuing thereunder.

(e) Prior to the deposit of any CIF Disbursement into any Permitted Account in accordance with an approved Disbursement Request, MCC shall have received satisfactory evidence of the establishment of such Permitted Account.

Annex V Definitions

AATR has the meaning provided in paragraph 1(e) of Part B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

Activity has the meaning provided in Part B of Annex I.

Activity Indicators has the meaning provided in paragraph 3(a) of Annex III.

AE has the meaning provided in Schedule A of Annex VI.

AFD has the meaning provided in paragraph 2(d) of Part B of Annex I.

Approval Documents has the meaning provided in Schedule B of Annex VI.

Audit Guidelines has the meaning provided in Section 3.8(a).

Baseline has the meaning provided in paragraph 3(a) of Annex III.

Bilateral Agreement has the meaning provided in Schedule A of Annex VI.

Board has the meaning provided in paragraph 3(c) of Part B of Annex I.

Casamance has the meaning provided in paragraph 1 of Part A of Annex I.

CCs has the meaning provided in paragraph 2(a)(iv) of Part B of Annex I.

Cellule has the meaning provided in paragraph 3(d) of Part B of Annex I.

CIF Disbursement has the meaning provided in Annex IV.

CDI has the meaning provided in paragraph 2(a)(iv)(2) of Part B of Annex I.

Compact has the meaning provided in the Preamble.

Compact Contract has the meaning provided in Schedule C of Annex VI.

Compact Goal has the meaning provided in Section 1.1.

Compact Implementation Funding has the meaning provided in Section 2.2(a).

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Covered Provider has the meaning provided in Section 3.7(c).

CRs has the meaning provided in paragraph 2(a)(iv) of Part B of Annex I.

DD has the meaning provided in Schedule B of Annex VI.

Delta has the meaning provided in paragraph 2(a) of Part B of Annex I.

DGD has the meaning provided in Schedule B of Annex VI.

DGID has the meaning provided in Schedule A of Annex VI.

Disbursement has the meaning provided in Section 2.4.

Establishment Decree has the meaning provided in paragraph 3(c) of Part B of Annex I.

EU has the meaning provided in paragraph 1(d) of Part B of Annex I.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Excess CIF Amount has the meaning provided in Section 2.2(d).

Exempt Person has the meaning provided in Schedule D of Annex VI.

Exempt Vendor has the meaning provided in Schedule C of Annex VI.

Fuel Approval Documents has the meaning provided in Schedule E of Annex VI.

Final Evaluations has the meaning provided in paragraph 4(b) of Annex III.

Fiscal Agent has the meaning provided in paragraph 3(f) of Part B of Annex I.

Goal Indicators has the meaning provided in paragraph 3(a) of Annex III.

Government has the meaning provided in the Preamble.

Governance Guidelines has the meaning provided in paragraph 3(c) of Part B of Annex I.

Implementation Letter has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in paragraph 3(e) of Part B of Annex I.

Implementing Entity Agreement has the meaning provided in paragraph 3(e) of Part B of Annex I.

Indicators has the meaning provided in paragraph 3(a) of Annex III.

Inspector General has the meaning provided in Section 3.8(a).

Irrigation Maintenance Action Plan has the meaning provided in paragraph 2(e) of Part B of Annex I.

Management Unit has the meaning provided in paragraph 3(c) of Part B of Annex I.

M&E Annex has the meaning provided in Annex III.

M&E Plan has the meaning provided in Annex III.

MCA Act has the meaning provided in Section 2.2(a).

MCA-Senegal has the meaning provided in Section 3.2(b).

MCA-Senegal Bylaws has the meaning provided in paragraph 3(c) of Part B of Annex I.

MCC has the meaning provided in the Preamble.

MCC Environmental Guidelines has the meaning provided in Section 2.7(c).

MCC Funding has the meaning provided in Section 2.3.

MCC Gender Policy has the meaning provided in paragraph 3 of Part A of Annex I.

MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs has the meaning provided for in paragraph 4 of Annex III.

MCC Program Procurement Guidelines has the meaning provided in Section 3.6.

MCC Resettlement Guidance has the meaning provided in paragraph 3 of Part A of Annex I.

MCC Web site has the meaning provided in Section 2.7.

MFG-MCA has the meaning provided in Section 3.2(b).

MoEF has the meaning provided in Schedule A of Annex VI.

Monitoring Component has the meaning provided in paragraph 1 of Annex III.

Multi-Year Financial Plan Summary has the meaning provided in paragraph 1 of Annex II.

NGOs has the meaning provided in paragraph 1 of Part A of Annex I.

OMB has the meaning provided in Section 3.8(b).

OP 4.12 has the meaning provided in paragraph 3 of Part A of Annex I.

PACR has the meaning provided in paragraph 2(d) of Part B of Annex I.

Party and Parties has the meaning provided in the Preamble.

PDMAS has the meaning provided in paragraph 2(d) of Part B of Annex I.

Permitted Account has the meaning provided in Section 2.4.

POAS has the meaning provided in paragraph 2(a)(iv)(2) of Part B of Annex I.

Podor has the meaning provided in paragraph 2(a) of Part B of Annex I.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in paragraph 3(g) of Part B of Annex I.

Program has the meaning provided in the Preamble.

Program Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Governance Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC Policy for Monitoring and Evaluation of Compacts and Threshold Programs, and any other guidelines, policies or guidance papers from time to time published on the MCC Web site.

Program Implementation Agreement or *PIA* has the meaning provided in Section 3.1.

Program Objective has the meaning provided in Section 1.2.

Project(s) has the meaning provided in Section 6.2(b).

Project Objective(s) has the meaning provided in Section 1.3.

Project Objective and Outcome Indicators has the meaning provided in paragraph 3(a) of Annex III.

Provider has the meaning provided in Section 3.7(c).

RN2 has the meaning provided in paragraph 1(a) of Part B of Annex I.

RN6 has the meaning provided in paragraph 1(a) of Part B of Annex I.

Road Fund has the meaning provided in paragraph 1(e) of Part B of Annex I.

SAED has the meaning provided in paragraph 2(a) of Part B of Annex I.

Senegal has the meaning provided in the Preamble.

Stakeholder's Committee has the meaning provided in paragraph 3(c) of Part B of Annex I.

Target has the meaning provided in paragraph 3(a) of Annex III.

Taxes has the meaning provided in Section 2.8(a).

TE has the meaning provided in Schedule B of Annex VI.

Temporary Admission Request has the meaning provided in Schedule B of Annex VI.

United States Dollars means the lawful currency of the United States of America.

US\$ means United States Dollars.

USAID has the meaning provided in paragraph 1(d) of Part B of Annex I.

USDA has the meaning provided in paragraph 2(d) of Part B of Annex I.

Valley has the meaning provided in paragraph 1 of Part A of Annex I.

Vendor has the meaning provided in Schedule A of Annex VI.

Annex VI Specific Tax Exemption Mechanisms

Schedule A Value Added Tax (VAT)⁹

Legal Basis for Exemption

1. The Compact.

⁹ To the extent that VAT is imposed at the port of entry ("*bureau d'entrée*") on imported goods,

2. The Agreement dated May 13, 1961, by and between the United States Government and the Government relating to Economic, Financial and Technical Assistance, which entered into force on May 13, 1961 (the "*Bilateral Agreement*").

3. Applicable provisions of the Code Général des Impôts.

4. Applicable textes d'application.

Beneficiaries of Exemption

MFG—MCA (to be replaced by MCA-Senegal, both of which shall be referred to herein collectively as "*MCA-Senegal*"), each Implementing Entity and any individuals or legal persons providing services, goods or works in connection with the Compact Program (each a "*Vendor*").

Procedures

A. Local Purchases by MCA-Senegal

- MCA-Senegal requests a final invoice free of VAT ("*hors TVA*") for the services, goods or works to be purchased from the applicable supplier.¹⁰

- MCA-Senegal submits the final invoice to the "Direction Generale des Impôts et Domaines" ("*DGID*") of the Ministry of Economy and Finance ("*MoEF*"), requesting exoneration from VAT, together with (i) a reference to the registered Compact or (ii) a copy of the instrument of Compact ratification and the applicable Compact tax provisions. For the avoidance of doubt, MCA-Senegal may also submit the final invoice together with a copy of its "Attestation d'Exoneration" ("*AE*") and a copy of the Compact.

- Within forty-eight (48) hours, DGID stamps the final invoice and returns the same to MCA-Senegal and the purchase(s) can be made by MCA-Senegal free of VAT ("*hors TVA*").

B. Local Purchases by Any Implementing Entity or Any Vendor

- The Implementing Entity/Vendor requests a final invoice free of VAT ("*hors TVA*") for the goods or services to be purchased from the applicable supplier.¹¹

- The Implementing Entity/Vendor submits the final invoice to MCA-Senegal for approval and onward submission to DGID.

- MCA-Senegal submits a request to DGID with the final invoice, requesting exoneration from VAT, together with (i)

together with custom duties, the applicable tax exemption procedures are described in *Schedule B* below.

¹⁰ For efficiency, the request should reflect the amount of goods needed for several months.

¹¹ For efficiency, the request should reflect the amount of goods needed for several months.

a reference to the registered Compact or (ii) a copy of the instrument of Compact ratification and the applicable Compact tax provisions. For the avoidance of doubt, MCA-Senegal may also submit the final invoice together with a copy of its AE and a copy of the Compact.

- Within forty-eight (48) hours, DGID stamps the final invoice and returns the same to MCA-Senegal.

- MCA-Senegal delivers the stamped, final invoice to the Implementing Entity/Vendor as soon as practicable and the purchase(s) can be made by the Implementing Entity/Vendor free of VAT ("*hors TVA*").

Schedule B Customs Duties

Legal Basis for Exemption

1. The Compact.
2. The Bilateral Agreement.
3. Applicable provisions of the Code des Douanes.
4. Applicable textes d'application.

Beneficiaries of the Exemption

MCA-Senegal, each Implementing Entity and any Vendor importing goods in connection with the Compact Program.

Procedures

A. Purchases of Imported Goods by MCA-Senegal

- MCA-Senegal obtains a pro forma invoice free of all customs duties, including but not limited to VAT and any other applicable Taxes ("*hors taxes—hors douane*"), for the specific items being imported for Compact-related work, and completes a "Titre d'Exoneration" ("*TE*"), which can be obtained from the Chamber of Commerce.¹²

- MCA-Senegal properly signs the TE and submits a request to the "Direction Generale des Douanes" ("*DGD*" of the MoEF requesting the exoneration of all customs duties, including but not limited to VAT and any other applicable Taxes ("*hors taxes—hors douane*"), on the goods to be imported. The TE and seven (7) copies of the pro forma invoice are attached to the request.

- Within forty-eight (48) hours, the DGD stamps the TE, and the pro forma invoices, and returns all of the documents (collectively, the "*Approval Documents*") to MCA-Senegal.

- MCA-Senegal provides the Approval Documents to its "Commissionnaire Agréé en Douane" to prepare a "Déclaration de Douane" ("*DD*"), which can be obtained at the

¹² The TE is actually completed by MCA-Senegal's "*Commissionnaire Agréé en Douane*" with the appropriate customs codes for each item to be imported.

port of entry. The “Commissionnaire Agréé en Douane” files the DD, together with the Approval Documents, with the “Bureau Des Douanes d’Importation.”

- Within seventy-two (72) hours, the imported goods can be retrieved free of all customs duties, including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”).

B. Purchases of Imported Goods by Any Implementing Entity or Any Vendor

- The Implementing Entity/Vendor submits a request to MCA-Senegal, which shall include (i) seven (7) copies of a pro forma invoice free of all customs duties, including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”), for the specific items being imported for Compact-related work and (ii) a completed TE.¹³

- MCA-Senegal, on the Implementing Entity/Vendor’s behalf, submits a request to DGD requesting the exoneration of all customs duties, including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”), on the goods to be imported. The TE and the pro forma invoices are attached to the request.

- Within forty-eight (48) hours, the DGD stamps the Approval Documents and returns the Approval Documents to MCA-Senegal.

- MCA-Senegal provides the stamped Approval Documents to the Implementing Entity/Vendor as soon as practicable.

- The Implementing Entity/Vendor provides the Approval Documents to its “Commissionnaire Agréé en Douane” to prepare a DD, which can be obtained at the port of entry. The “Commissionnaire Agréé en Douane” files the DD, together with the Approval Documents, with the “Bureau Des Douanes d’Importation.”

- Within seventy-two (72) hours, the imported goods can be retrieved free of all customs duties, including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”).

C. Temporary Admission of Equipment, Including but Not Limited to Automobiles and Household Goods, by Vendors¹⁴

- The Vender obtains a pro forma invoice free of all customs duties,

including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”), for the equipment, including but not limited to automobiles and household goods, to be imported and prepares a “temporary admission of equipment” request (a “*Temporary Admission Request*”).

- MCA-Senegal, on the Vendor’s behalf, submits the Temporary Admission Request and seven (7) copies of the pro forma invoice to the Director of Studies and Legislation within DGD as soon as practicable.

- Within seventy-two (72) hours, DGD stamps the Temporary Admission Request and the pro forma invoices, which permits the applicable equipment to be imported free of all customs duties, including but not limited to VAT and any other applicable Taxes (“hors taxes—hors douane”), for a period of twelve (12) months.

- MCA-Senegal provides the stamped Temporary Admission Request to the Vendor as soon as practicable.

- The Vendor, through its “Commissionnaire Agréé en Douane,” completes the procedures for the importation of goods set forth in Section B of this Schedule B.

- Thereafter, COTECNA, the control structure approved by the Government (or any successor entity thereto), must validate the purchase price of the equipment, as indicated on the pro forma invoice. COTECNA will identify the origin of the equipment, obtain the actual price of such equipment, and issue a certificate of value, confirming or denying the price set forth in the pro forma invoice. If the purchase price is denied, COTECNA Sénégal saisira COTECNA du pays d’origine du matériel à importer qui contactera à son tour le fournisseur dudit matériel pour avoir son prix réel. Une fois ce prix obtenu, COTECNA Sénégal fournit alors l’avis de notification qui confirme ou infirme le prix déclaré; et dans ce cas, un redressement peut être effectué pour porter la vraie valeur dans la déclaration de douane en admiDGD will correct the purchase price as set forth in the Temporary Admission Request and in its internal records. The time required for COTECNA to validate the purchase price of the equipment varies, but in any case shall not delay the time required for DGD to stamp the Temporary

Admission Request and the pro forma invoice.

- The stamped Temporary Admission Request also exempts the applicable equipment from any fees and/or charges associated with the “service des mines,” including without limitation any registration, sticker and/or license fees.

- The Temporary Admission Request must be renewed every twelve (12) months until the earlier of (i) the completion of the applicable agreement or contract, (ii) the end of the work related to the Compact Program and/or (iii) the expiration or termination of the Compact.

- If the duration of the work related to the Compact Program exceeds twelve (12) months, the Vendor shall submit two requests to MCA-Senegal (for onward submission to the Director of Studies and Legislation within the DGD) prior to the expiration of original Temporary Admission Request:

- A request for exemption from any Taxes payable on the consumption of equipment previously admitted by the DGD; and

- A request for renewal of the Temporary Admission Request.

- Upon the earlier of (i) the completion of the applicable agreement or contract, (ii) the end of the work related to the Compact Program and/or (iii) the expiration or termination of the Compact, the equipment must be re-exported or placed in a bonded warehouse. DGD must provide prior authorization for the equipment to be released for consumption in Senegal, and the pro rata share of any applicable Taxes must be paid at such time in accordance with the laws of Senegal.

Schedule C Corporate Income Tax

Legal Basis for Exemption

1. The Compact.
2. The Bilateral Agreement.
3. Applicable provisions of the Code Général des Impôts.
4. Applicable textes d’application.

Beneficiaries

All Vendors (including companies or other legal persons), other than Vendors formed under the laws of Senegal (each an “*Exempt Vendor*”); provided that in determining if a Vendor has been formed under the laws of Senegal for the purposes of this Schedule C, the status of such Vendor shall be based on its status as of the time it is awarded or executes a Compact-related agreement or contract, and such initial determination shall not change regardless of: (i) The type of agreement or contract used to employ or engage such Vendor, (ii) any laws of Senegal

¹³ The TE is actually completed by the Implementing Entity/Vendor’s “*Commissionnaire Agréé en Douane*” with the appropriate customs codes for each item to be imported.

¹⁴ The Government permits the temporary, tax exempt admission of equipment, including but not limited to automobiles and household goods, if such equipment will be re-exported upon the earlier of (i) the completion of the applicable contract or (ii) the expiration or termination of the Compact; provided that such equipment, including but not

limited to automobiles and household goods, is used solely for Compact-related work. If the equipment, including but not limited to automobiles and household goods, is later sold in Senegal or is used in Senegal in connection with work that is not related to the Compact Program, then the *pro rata* share of the applicable Taxes must be paid at such time in accordance with the laws of Senegal.

that purport to change such status based on period of contract performance or period of time residing and/or working in Senegal and/or (iii) any requirement under the laws of Senegal that a company or other legal person must establish a branch office in Senegal, or otherwise register or organize itself under the laws of Senegal, in order to provide goods, services or works in Senegal.

Procedures

- Any Exempt Vendor earning only Compact-related corporate income in Senegal in any given fiscal year shall be exempt from paying any applicable Taxes on such Compact-related corporate income and shall declare such Compact-related corporate income in its year-end tax filing with DGID solely for informational purposes.

- Any Exempt Vendor earning Compact-related corporate income and non-Compact-related corporate income in any given fiscal year shall:

- Submit and register each Compact-related contract or agreement (each a “Compact Contract”) with DGID, together with a certification from MCA-Senegal confirming that the goods, services or works to be provided under the Compact Contract form a part of the Compact program.

- At the end of any such fiscal year, the Exempt Vendor shall be permitted to exclude, the gross income derived from any Compact Contract(s) (as verified by the registered Compact Contract(s)) for the purposes of determining its corporate income tax liability in Senegal for any such fiscal year. The Exempt Vendor shall declare such Compact-related gross corporate income in its year-end tax filing with DGID solely for informational purposes.

- For example, if an Exempt Vendor earned US\$100,000 of gross corporate income under a Compact Contract(s) and an additional US\$500,000 in other Senegal-related gross corporate income, the Exempt Vendor shall be permitted to exclude, the US\$100,000 for the purposes of determining its corporate income tax liability in Senegal for such fiscal year.

Schedule D Individual Income Tax

Legal Basis for Exemption

1. The Compact.
2. The Bilateral Agreement.
3. Applicable provisions of the Code Général des Impôts.
4. Applicable textes d’application.

Beneficiaries

All individuals, other than citizens and permanent residents of Senegal,

working in connection with the Compact Program (each an “Exempt Person”); provided that in determining if an individual is a permanent resident for the purposes of this Schedule D, the status of such individual shall be based on his/her status as of the time that such individual is awarded or executes a Compact-related agreement or contract, and such initial determination shall not change regardless of: (i) The type of contract used to employ or engage such individual and/or (ii) any laws of Senegal that purport to change such status based on period of contract performance or period of time residing and/or working in Senegal.

Procedures

- Any Exempt Person earning only Compact-related personal income in Senegal in any given fiscal year shall be exempt from paying any applicable Taxes on such Compact-related personal income, and shall declare such Compact-related personal income in its year-end tax filing with DGID solely for informational purposes.

- Any Exempt Person earning Compact-related personal income and non-Compact-related personal income in any given fiscal year shall be permitted to exclude the gross amount of such Compact-related personal income for the purposes of determining his/her personal income tax liability in Senegal for any such fiscal year. The Exempt Person shall declare such Compact-related gross personal income in its year-end tax filing with DGID solely for informational purposes.

Schedule E Fuel Tax

Legal Basis for Exemption

1. The Compact.
2. The Bilateral Agreement.
3. Applicable provisions of the Code Général des Impôts.
4. Applicable provisions of the Code des Douanes.
5. Applicable textes d’application.

Beneficiaries

Any fuel purchased for use exclusively in connection with the Compact Program.

Procedures

A. Purchases of Fuel by MCA-Senegal Through Gas Coupons

- MCA-Senegal obtains a pro forma invoice from a Senegal-based oil company for a particular quantity of fuel free of all of customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), and completes a TE,

which can be obtained from the Chamber of Commerce.¹

- MCA-Senegal properly signs the TE and submits a request to DGD requesting the exoneration of all customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), on the fuel to be imported. The TE and seven (7) copies of the pro forma invoice are attached to the request.

- Within seventy-two (72) hours, DGD stamps the TE and the pro forma invoices (collectively, the “Fuel Approval Documents”) and returns the same to MCA-Senegal.

- Thereafter, MCA-Senegal submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.

- Within seventy-two (72) hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- The stamped Fuel Approval Documents shall entitle MCA-Senegal to purchase free from customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), for the price set forth in the pro forma invoice, gas coupons from the Senegal-based oil company equal to, in the aggregate, the quantity of fuel represented on the pro forma invoice.

- Subject to the specific terms of the arrangement with the Senegal-based oil company, the gas coupons can be redeemed at the oil company’s various gas stations in Senegal. Each coupon entitles the bearer to the quantity of fuel set forth on such coupon.

B. Purchase of Fuel by Implementing Entities/Vendors Through Gas Coupons

- The Implementing Entity/Vendor submits a request to MCA-Senegal, which shall include (i) seven (7) copies of a pro forma invoice from a Senegal-based oil company for a particular quantity of fuel free of all of customs duties, including VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), and (ii) a completed TE.²

- MCA-Senegal, on the Implementing Entity/Vendor’s behalf, submits a request to DGD requesting the exoneration of all customs, including VAT, the “tax speciale sur

¹ The TE is actually completed by MCA-Senegal’s “Commissionnaire Agréé en Douane” with the appropriate customs code.

² The TE is actually completed by the Implementing Entity/Vendor’s “Commissionnaire Agréé en Douane” with the appropriate customs code.

hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), on the fuel to be imported. The TE and pro forma invoices are attached to the request.

- Within seventy-two (72) hours, DGD stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- Thereafter, MCA-Senegal submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.

- Within seventy-two (72) hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- MCA-Senegal provides the stamped Fuel Approval Documents to the Implementing Entity/Vendor as soon as practicable.

- The stamped Fuel Approval Documents shall entitle the Implementing Entity/Vendor to purchase free from customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), for the price set forth in the pro forma invoice, gas coupons from the Senegal-based oil company equal to, in the aggregate, the quantity of fuel represented on the pro forma invoice.

- Subject to the specific terms of the arrangement with the Senegal-based oil company, the gas coupons can be redeemed at the oil company’s various gas stations in Senegal. Each coupon entitles the bearer to the quantity of fuel set forth on such coupon.

C. Purchases of Fuel by MCA-Senegal To Be Imported in Bulk

- MCA-Senegal obtains a pro forma invoice from an oil company for a particular quantity of fuel free of all customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), and completes a TE.³

- MCA-Senegal properly signs the TE and submits a request to DGD requesting the exoneration of all customs duties, including but not limited to VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), on the fuel to be imported. The TE and seven (7) copies of the pro forma invoice are attached to the request.

- Within seventy-two (72) hours, DGD stamps the Fuel Approval

Documents and returns the same to MCA-Senegal.

- Thereafter, MCA-Senegal submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.

- Within seventy-two (72) hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- MCA-Senegal provides the Fuel Approval Documents to its “Commissionnaire Agréé en Douane” to prepare a DD, which can be obtained at the port of entry. The “Commissionnaire Agréé en Douane” files the DD, together with the Fuel Approval Documents, with the “Bureau Des Douanes d’Importation.”

- Within seventy-two (72) hours, the fuel can be retrieved free of all of customs duties, including VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”).

D. Purchases of Fuel by an Implementing Entity/Vendor To Be Imported in Bulk

- The Implementing Entity/Vendor submits a request to MCA-Senegal, which shall include (i) seven (7) copies of a pro forma invoice from an oil company for a particular quantity of fuel free of all of customs duties, including VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), and (ii) a completed TE.⁴

- MCA-Senegal, on the Implementing Entity/Vendor’s behalf, submits a request to DGD requesting the exoneration of all customs, including VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”), on the fuel to be imported. The TE and pro forma invoices are attached to the request.

- Within seventy-two (72) hours, DGD stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- Thereafter, MCA-Senegal submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.

- Within seventy-two (72) hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal.

- MCA-Senegal provides the stamped Fuel Approval Documents to the

Implementing Entity/Vendor as soon as practicable.

- The Implementing Entity/Vendor provides the Fuel Approval Documents to its “Commissionnaire Agréé en Douane” to prepare a DD, which can be obtained at the port of entry. The “Commissionnaire Agréé en Douane” files the DD, together with the Fuel Approval Documents, with the “Bureau Des Douanes d’Importation.”

- Within seventy-two (72) hours, the fuel can be retrieved free of all of customs duties, including VAT, the “tax speciale sur hydrocarbons” and any other applicable Taxes (“hors taxes—hors douane”).

Schedule F Registration Tax, Registration Fees and Stamp Duty

Legal Basis for Exemption

1. The Compact.
2. The Bilateral Agreement.
3. Applicable provisions of the Code Général des Impôts.
4. Applicable textes d’application.

Beneficiaries

MCA-Senegal and any Vendors, for any act or transaction related to the Compact Program that is subject to registration fees, stamp duty and/or any other registration taxes.

Procedures

A. MCA-Senegal

- At the time MCA-Senegal presents the applicable Compact Contract to DGID to be stamped and/or registered, MCA-Senegal shall present a copy of the Compact

- Upon presentation of such documentation, DGID shall stamp and/or register the applicable Compact Contract without charge and free from any applicable Taxes.

B. Vendors

- At the time a Vendor presents the applicable Compact Contract to DGID to be stamped and/or registered, the Vendor shall present a copy of the Compact, together with a certification from MCA-Senegal confirming that the goods, services or works to be provided under the Compact Contract form a part of the Compact program.

- Upon presentation of such documentation, DGID shall stamp and/or register the applicable Compact Contract without charge and free from any applicable Taxes.

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³ The TE is actually completed by MCA-Senegal’s “Commissionnaire Agréé en Douane” with the appropriate customs code.

⁴ The TE is actually completed by the Implementing Entity/Vendor’s “Commissionnaire Agréé en Douane” with the appropriate customs code.