# MILLENNIUM CHALLENGE COMPACT

**BETWEEN**

**THE UNITED STATES OF AMERICA**

**ACTING THROUGH**

**THE MILLENNIUM CHALLENGE CORPORATION**

**AND**

**THE REPUBLIC OF SENEGAL**

**ACTING THROUGH**

**THE MINISTRY OF ECONOMY, FINANCE AND PLANNING**

**MILLENNIUM CHALLENGE COMPACT**

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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 Ministry of Economy, Finance and Planning (the "***Government***") (individually, a "***Party***" and collectively, the "***Parties***"). Capitalized terms used in this Compact shall have the meanings provided in Annex VII.

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact, signed at Washington, D.C., September 16, 2009, which entered into force on September 23, 2010, and expired by its terms on September 23, 2015, that advanced the progress of Senegal in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with MCC's core policies and standards;

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Senegal and that MCC assistance under this Compact supports Senegal's demonstrated commitment to strengthening good governance, economic freedom, and investments in people;

Recalling that the Government consulted with the private sector and civil society of Senegal to determine the priorities for the use of MCC assistance, and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Senegal implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the "***Program***");

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 through economic growth in Senegal (the "***Compact Goal***"). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Senegal.

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each a "***Project***" and collectively, the "***Projects***"). The objective of each of the Projects (each a "***Project Objective***" and collectively, the "***Project Objectives***") is to:

(a) provide quality electricity from the lowest cost sources available to Senelec to meet the growing demand on the interconnected network in Senegal (the "***Transmission Project Objective***");

(b) increase the supply of and demand for quality electricity in rural and peri-urban areas of Senegal (the "***Access Project Objective***"); and

(c) create an enabling environment to improve the financial viability of, and to ensure good governance in, the power sector, with the intent of improving the quality and quantity of the electricity supply (the "***Reform Project Objective***").

## ARTICLE 2.

## FUNDING AND RESOURCES

Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Five Hundred Twelve Million Two Hundred Thousand United States Dollars (US$512,200,000) ***("Program Funding")*** for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact CDF.

(a) Upon the signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Thirty-Seven Million Eight Hundred Thousand United States Dollars (US$37,800,000) ("***Compact CDF***") under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the "***MCA Act***"), for use by the Government to facilitate implementation of this Compact, including 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 rent, computers and other information technology or capital equipment;

(iii) monitoring and evaluation activities;

(iv) feasibility, design and other project preparatory studies; and

(v) other activities to facilitate Compact implementation as approved by MCC.

The allocation of Compact CDF is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact CDF shall be effective, for purposes of Compact CDF only, as of the date this Compact is signed by MCC and the Government.

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

(d) If MCC determines that the full amount of Compact CDF available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact CDF available under Section 2.2(a) (such excess, the "***Excess Compact CDF Amount***"). In such event, the amount of Compact CDF granted to the Government under Section 2.2(a) shall be reduced by the Excess Compact CDF Amount, and MCC shall have no further obligations with respect to such Excess Compact CDF 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 Compact CDF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding. Program Funding and Compact CDF are collectively referred to in this Compact as "***MCC Funding***," and includes any refunds or reimbursements of Program Funding or Compact CDF paid by the Government in accordance with this Compact.

Section 2.4 Disbursement. In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a "***Disbursement***"). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall 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 for Program expenditures.

Section 2.5 Interest. The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) Consistent with MCC's Guidelines for Country Contributions, the Government shall make a contribution of Fifty Million United States Dollars (US$50,000,000) over the Compact Term toward meeting the Project Objectives of this Compact (the "***Government Contribution***"), or less as provided below. The allocation of the Government Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation Agreement, along with additional terms and conditions applicable to the Government Contribution. The Government Contribution shall be subject to any legal requirements in Senegal for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Government Contribution may be reduced with MCC approval, provided that (i) the modified contributions continue to advance the Project Objectives, and (ii) no modification shall be made that reduces the amount of the Government Contribution to an amount that is less than 7.5 percent of the MCC Funding.

(b) The Government shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government's responsibilities under this Compact.

(c) The Government shall 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 budgets for the duration of the Program.

(d) The Government shall 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.

(e) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall 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 <u>Limitations on the Use of MCC Funding</u>. The Government shall ensure that MCC Funding is not 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, 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 Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "***MCC Environmental Guidelines***"); or

(d) to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, 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 <u>Taxes</u>.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions or other similar charges (but not fees or charges for services that are generally applicable in Senegal, reasonable in amount and imposed on a non-discriminatory basis) ("***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). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Senegal in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (iv) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program, except in the case of this clause (iv): (1) natural persons who are citizens or permanent residents of Senegal and (2) legal persons formed under the laws of Senegal (but excluding MCA-Senegal II and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) for certain principal taxes are set forth in Annex VI. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund or reimbursement of Taxes by the Government to MCC, MCA-Senegal II or to the taxpayer, or payment by the Government to MCA-Senegal II or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex VI, the Government shall 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 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 or MCA-Senegal II) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

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

## ARTICLE 3.

## IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding and the Government Contribution, among other matters (the "***Program Implementation Agreement***" or "***PIA***"); and the Government shall implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement and any Implementation Letter.

Section 3.2 Government Responsibilities.

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

(b) With the prior consent of MCC, the Government shall designate an entity, to be established as an autonomous agency through the issuance of a decree, as the accountable entity to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage and implement the Program, including without limitation, managing the implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as "***MCA-Senegal II***" and shall have the authority to bind the Government with regard to all Program activities. Any provision of the Compact obligating MCA-Senegal II to take any action or refrain from taking any action, as the case may be, means that the Government shall cause MCA-Senegal II to take such action or refrain from taking such action, as the case may be. The Government hereby also designates MCA-Senegal II to exercise and perform the Government's right and obligation to oversee, manage and implement the activities described in the Compact Development Funding Agreement, dated June 6, 2017, as amended, between the Government and MCC (the "***CDF Agreement***"). Prior to MCA-Senegal II's establishment, the Government hereby designates the *Unité de Formulation et de Coordination du Second Programme MCA-Sénégal* ("***UFC-MCA Sénégal***"), established by Decret Nº 1783 dated November 10, 2016 to act on behalf of the Government with respect to the Program and the CDF Agreement, and any reference herein or in the PIA to "MCA-Senegal II" shall be deemed a reference to UFC-MCA Sénégal until such time as MCA-Senegal II is duly established. The designations contemplated by this Section 3.2(b) does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall ensure that the Program is implemented with, and that the Government carries out its obligations hereunder with, due care, efficiency, and diligence in conformity with sound technical, financial, procurement, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, any Implementation Letter, and the Program Guidelines.

(f) The Government hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I, the Government shall 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 Accuracy of Information. The Government assures MCC that, 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.

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. The Government shall use such guidance in implementing the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements. Both types of writings are referred to herein as "***Implementation Letters***."

Section 3.6 Procurement and Grants.

(a) The Government agrees to ensure that the procurement of all goods, works, and services by the Government or any Provider to implement the Program shall be in accordance with MCC's *Program Procurement Guidelines* (the "***MCC Program Procurement Guidelines***"). The MCC Program Procurement Guidelines include the following requirements, among others:

(i) 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;

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

(iii) 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

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

(b) Unless MCC otherwise consents in writing, the Government shall ensure that any grant issued in furtherance of the Program (each, a "***Grant***") is awarded, implemented, and managed pursuant to open, fair, and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC shall agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures shall be posted on the MCA-Senegal II website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall 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 and all of the Government Contribution and the implementation and results of the Program ("***Compact Records***"). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government shall maintain, and shall 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 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 applicable legal requirements.

(c) Access. Upon MCC's request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC ("***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, assets, and activities funded in whole or in part by MCC Funding or the Government Contribution.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government shall, on at least an annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding and the Government Contribution covering the period from signing of this Compact until the earlier of the following March 31 or September 30 and covering each annual period thereafter ending March 31 or September 30, through the end of the Compact Term, as well as the 120-day period following expiration of the Compact Term. In addition, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with MCC's *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* (the "***Audit Guidelines***"). Audits shall be performed in accordance with such Audit Guidelines, and/or other processes and procedures directed from time to time by MCC, and shall include the Government Contributions as part of the audit. Each audit must be completed and the audit report delivered to MCC no later than 90 days after the applicable audit period or the commencement of audit services, whichever is later, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Senegal II in accordance with Audit Guidelines and Program Implementation Agreement and as approved by MCC (the "***Audit Plan***"). The requirements of this Section 3.8(a) do not preclude the Government from conducting audits of MCA-Senegal II or of the Program, as may be required by Senegalese law.

(b) Audits of Other Entities. The Government shall ensure that MCC-financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered

Provider, on the other hand, 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; and (iii) a non-US Covered Provider (whether a for-profit or nonprofit organization), on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely, corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audits necessitate adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audits. MCC or the Government shall each have the right to arrange for audits of the Government's use of MCC Funding and the Government Contribution .

(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. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
1099 Fourteenth Street NW, Suite 700
Washington, DC 20005
United States of America
Facsimile: +1 (202) 521-3700
Telephone: +1 (202) 521-3600
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of Economy, Finance and Planning
Attention: Ministry of Economy, Finance and Planning
Facsimile: +221 33 822 41 95
Telephone: +221 33 889 21 04 / +221 33 889 21 05
Email: amadouba@minfinances.sn / arniang@minfinances.sn

with a copy to:

Ministry of Petroleum and Energy
Attention: Minister of Petroleum and Energy
Facsimile: +221 33 823 44 70
Telephone: +221 33 889 27 90
Email: mansour-elimane.kane@mpe.sn / aminata-seck.niang@mpe.sn

To MCA-Senegal II:

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

with a copy to:

UFC-MCA Sénégal (until MCA-Senegal's establishment)
Attention: Coordonnateur
Telephone: +221 33 889 05 13 / +221 33 889 05 10
Email: mdecraene@ufc-mcasn.com / bintou.diatta@ufc-mcasn.com

Section 4.2 Representatives. For all purposes relevant to implementation of this Compact, the Government shall be represented by the individual holding the position of, or acting as, the minister for the ministry responsible for finance, and MCC shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations (each of the foregoing, a "***Principal Representative***"). Each Party, by written notice to the other Party, may designate one or more additional representatives of the Government or MCC, as appropriate (each, an "***Additional Representative***") for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). The Government hereby designates the National Coordinator of UFC-MCA Sénégal as an Additional Representative, to be replaced by the chief executive officer of MCA-Senegal II upon the establishment of MCA-Senegal II. MCC hereby designates the Deputy Vice President for Africa and the Resident Country Director for Senegal as Additional Representatives for MCC. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes .

## ARTICLE 5.

## TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party 30 days' prior written notice. MCC may also terminate this Compact or MCC Funding without cause in part by giving the Government 30 days' prior 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 (as notified to the Government in writing) has occurred, which circumstances include, but are not limited to the following:

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

(ii) any statement, affirmation or assurance of the Government made in this Compact, the PIA, any Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been willfully false or misleading as of the date when made;

(iii) an event or series of events has occurred that makes it probable that any Project Objective is not going to be achieved during the Compact Term or that the Government is not going to be able to perform its obligations under this Compact;

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

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) 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 such act or any other provision of law;

(vii) 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; and

(viii) Senegal is classified as a Tier 3 country in the United States Department of State's annual Trafficking in Persons Report; and

(ix) the Government or a person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, the Government Contribution, any related Disbursements and Program Assets. Any portion of this Compact, MCC Funding, the Government Contribution, the Program Implementation Agreement or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) 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 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, 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 thereon in accordance with Section 5.4 within 30 days after the Government's receipt of MCC's request for repayment. The Government shall 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 Section 5.3(a) to obtain a refund shall 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 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then-current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7 (Limitations on the Use of MCC Funding), 2.8 (Taxes), 3.2(f), 3.7 (Records; Accounting; Covered Providers; Access), 3.8 (Audits; Reviews), 5.2 (Consequences of Termination, Suspension or Expiration), 5.3 (Refunds; Violation), 5.4 (Late Payment Interest), and 6.4 (Governing Law) shall survive the expiration, suspension or termination of this Compact, provided that the terms of Section 2.8 shall survive for only 120 days following this Compact's expiration.

## 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 and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex in order to, in particular, but without limitation (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework described in Annex I, (iv) add, change or delete any indicator, baseline or target or other information set forth in Annex III in accordance with the MCC M&E Policy, (v) add, modify or delete any condition precedent described in Annex IV, or (vi) modify the mechanisms for exempting MCC Funding from Taxes as set forth in Annex VI; *provided that*, in each case, any such modification (1) is consistent in all material respects with the Project Objectives, (2) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (3) does not cause the amount of Compact CDF to exceed the aggregate amount specified in Section 2.2(a), and (4) does not extend the Compact Term.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, shall prevail; or

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

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by 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 shall 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 Website. Unless expressly provided otherwise, 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 Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination.

(a) Unless expressly provided otherwise, 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 shall 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 shall 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.

(b) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

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 assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Senegal for any claim or loss arising out of activities or omissions under this Compact.

## ARTICLE 7.

## ENTRY INTO FORCE

Section 7.1 Domestic Procedures. The Government shall proceed in a timely manner to complete all of its domestic requirements for this Compact to enter into force. The Parties understand that this Compact and the PIA, upon entry into force, shall prevail over the domestic laws of Senegal.

Section 7.2 Conditions Precedent to Entry into Force. Each of the following conditions must be fulfilled, in each case to the satisfaction of MCC, before this Compact enters into force:

(a) the Program Implementation Agreement must have been signed by the parties thereto;

(b) The Government must have delivered to MCC:

(i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to

MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Supreme Court 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 necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available.

(c) MCC shall not have determined, at the time of this Compact's entry into force, that the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and

(d) The conditions set forth in Annex V have been satisfied

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact shall 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 shall provisionally apply the terms of this Compact; *provided that*, no MCC Funding, other than Compact CDF, shall be made available or disbursed before this Compact enters into force.

## ARTICLE 8.

## ADDITIONAL GOVERNMENT COVENANTS

Section 8.1 Covenant Regarding Sector Funding and Performance. The Government shall take steps to ensure the long term financial sustainability of the electricity sector, including without limitation (a) providing adequate funding for Senelec's operations throughout the Compact Term in accordance with the Sector Repayment Plan, the Tariff Plan, and any other recommendations validated by the Government under relevant assessments or studies supported by the Program, and (b) supporting efforts to improve Senelec's operational and financial performance.

**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**

IN WITNESS WHEREOF, each Party, through its duly authorized representative, has signed this Compact.

Done at Washington, D.C., this 10th day of December 2018, in duplicate in the English language. A French language text shall be prepared which shall be considered an authentic version of the Compact upon an exchange of diplomatic notes between the Parties confirming its conformity with the English language text. In the case of a divergence of interpretation between authentic texts of the Compact, the English language version of the Compact shall prevail.

| | |
|---|---|
| FOR THE UNITED STATES OF AMERICA, acting through THE MILLENNIUM CHALLENGE CORPORATION | FOR REPUBLIC OF SENEGAL, acting through THE MINISTRY OF ECONOMY, FINANCE AND PLANNING |
| /s/ | /s/ |
| Name: Jonathan G. Nash<br>Title: Chief Operating Officer | Name: Amadou Ba<br>Title: Minister of Economy, Finance and Planning |

**SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT BETWEEN THE UNITED STATES OF AMERICA ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION AND THE REPUBLIC OF SENEGAL ACTING THROUGH THE MINISTRY OF ECONOMY, FINANCE AND PLANNING**

# ANNEX I

# PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Government Contribution during the Compact Term.

## A. PROGRAM OVERVIEW

### 1. Background and Consultative Process.

(a) Background.

Senegal concluded its first Millennium Challenge Compact on September 23, 2015. That compact, which was signed on September 16, 2009, and entered into force on September 23, 2010, was designed to reduce poverty and increase economic growth by unlocking the country's agricultural productivity and expanding access to markets and services through investments in roads rehabilitation and irrigation and water resource management. Based on the strength of Senegal's performance on this first compact, as well as the country's sustained positive performance in the policy areas measured by MCC's scorecard, MCC's Board of Directors selected Senegal as eligible to develop a second compact program in December 2015.

Following selection, MCC worked closely with the Government's compact development team UFC-MCA Sénégal to develop the Program. Working with UFC-MCA Sénégal, MCC and the Government conducted a constraints analysis in 2016. The constraints analysis identified two binding constraints to economic growth in Senegal: (i) complex and burdensome administrative, regulatory, and legal barriers in tax administration, labor regulation, and customs; and (ii) the high cost of energy.

Based on consultations and the Government's prioritization of the electricity sector in its national development plan, the *Plan Sénégal Emergent* ("***PSE***"), MCC and the Government jointly agreed to focus the second compact on constraints in the electricity sector. In doing so, MCC and the Government further defined these constraints as the high cost of electricity to grid-connected firms, low access to electricity outside of Dakar, and the unreliability of electricity to consumers, which reduces firms' cost-effectiveness by increasing costs and uncertainty of production.

The electricity sector in Senegal is among the most developed in West Africa, with over 1001 megawatts ("***MW***") of installed generation capacity as of the end of 2017, a 67.9 percent national electrification rate, and significant private sector participation in the sector, primarily through independent power producers ("***IPPs***") and rural electrification concessions in rural areas. However, Senegal has among the highest user-tariffs in the region, and rural electrification rates are approximately 40 percent. The poor quality of grid-supplied electricity and lack of connections to the grid force firms and households to switch to more expensive and less efficient sources of energy. A 2014 study by the African Development Bank ("***AfDB***") estimated that a one percent increase in access to electricity in Senegal could increase total factor productivity by 12 percent in the short-term, and by between 21-29 percent in the longer term. These large returns to an expansion in supply indicate significant unmet demand for electricity. Ensuring consistent and affordable access to energy enables businesses to grow, catalyzes private sector investment, increases productivity and employment, and ultimately supports diversification and growth of Senegal's economy.

With support from various donors, the Government is mobilizing nearly $2.1 billion to address the socio-economic challenges created by the high cost of and low access to electricity. The Program shall bolster this effort by leveraging key partnerships opportunities that aim to secure the financial sustainability of the sector and increase private sector participation.

(b) Consultative Process.

Throughout the multi-year, compact development process, MCC and the Government engaged in regular, inclusive consultations with a wide range of stakeholders, including relevant Government ministries and institutions, local communities and officials, representatives from local and international civil society and non-governmental organizations, private sector leaders, other donors, and U.S. Government partners, such as the U.S. Embassy in Dakar and U.S. Agency for International Development ("***USAID***"). Highlights include:

Consultations with local leaders in communities throughout Senegal, including consumer groups, civil society representatives, and local non-governmental organizations to inform the design of, and increase awareness and support for, the Program. This included consultations with communities likely to be impacted by Program investments.

Close coordination with USAID/Power Africa and USAID/Feed the Future on potential collaboration in the electricity sector and support for agriculture value chains in Program intervention areas;

Regular consultations with other donors investing in Senegal's electricity sector, including the World Bank, International Finance Corporation ("***IFC***"), European Union ("***EU***"), the AfDB, the *Agence Francaise de Développement* ("***AFD***"), and the *Kreditanstalt für Wiederaufbau* **(**"***KfW***"***)***. MCC and the Government specifically solicited input from these and other donors on Program-related studies and project documents; and

Extensive engagement with the local and international private sector representatives, including consultations with independent power producers in Dakar during the constraints analysis, multiple meetings with relevant private firms throughout compact development, and hosting an electricity sector investment event in Washington, D.C., which attracted more than 80 participants from across the U.S. to explore business opportunities in Senegal.

**2. Description of Program and Beneficiaries.**

(a) Program Description.

The Program consists of three related Projects that respond to a critical constraint to economic growth in Senegal, align with the Government's national development priorities as defined in the PSE, and contribute to securing high-quality, reliable electricity supply to meet growing demand – (i) the Modernizing and Strengthening Senelec's Transmission Network Project,(ii) the Increasing Access to Electricity in Rural Areas Project, and (iii) the Enabling Environment and Capacity Development Project.

(b) Intended Beneficiaries.

The Program is projected to benefit a total of 12,781,000 people as detailed in the table below. This includes 6,300,000 beneficiaries defined as "poor" (including 2.1 million "extremely poor") and 4,100,000 beneficiaries defined as "near-poor".[1]

| Project | Projected Number of Beneficiaries (people) |
|---|---|
| Modernizing and Strengthening Senelec's Transmission Network Project | 4,600,000 |
| Increasing Access to Electricity in Rural and Peri-Urban Areas Project | 181,000 |
| Power Sector Enabling Environment and Capacity Development Project | 12,600,000 |
| **Total** (Note: some individuals benefit from more than one Project) | **12,781,000** |

## B. DESCRIPTION OF PROJECT

Set forth below is a description of each of the Projects that the Government agrees to implement, or cause to be implemented, using MCC Funding and the Government Contribution to advance the applicable Project Objective. In addition, specific activities that shall be undertaken within each Project (each, an "***Activity***"), including sub-activities, are also described.

### 1. Modernizing and Strengthening Senelec's Transmission Network Project

(a) Summary of Project and Activities.

The objective of the Modernizing and Strengthening Senelec's Transmission Network Project (the "***Transmission Project***") is set forth in Section 1.2(a) of the Compact. To accomplish the Transmission Project Objective, the Project shall support ongoing efforts by Senelec to develop a reliable high-voltage transmission network in and around greater Dakar, which accounts for roughly 60 percent of the nation's electricity demand and 20 percent of its population. This is necessary for Senegal to effectively capitalize on private sector-led investment in generation and to ensure that electricity is reliably delivered to consumers. This is particularly important since much of the private sector interest in the sector is focused on new, lower-cost generation projects including wind, solar, and natural gas, which rely heavily on a reliable, stable transmission network.

The Transmission Project includes the following three Activities:

(i) Transmission Network Build-out Activity.

This Activity aims to ensure the security and reliability of electricity supply to the Dakar peninsula, while guaranteeing long-term demand, through the construction of a 225 kilovolt

[1]These beneficiary categories are defined based on the following levels of consumption per day (in 2011 PPP international dollars): Extremely poor: less than $1.90; Poor: less than $3.20; Near-poor: between $3.20 and $5.50.

(“***kV***”) transmission loop and related infrastructure.  MCC and the Government identified and agreed on specific components under this Activity through an assessment of the optimum transmission network configuration and development of an investment plan.  This Activity is anticipated to include final design and construction of the following:

(A) a second, approximately 22 km, 225 kV circuit between Kounoune and Patte-d'Oie, along with related conduits and manholes;

(B) an underground, 225 kV, double circuit between Kounoune - Cap des Biches of approximately 7 km in length, an extension of the existing 225 kV gas-insulated substation at Kounoune, as well as installation of two new 150 megavolt amperes (“***MVA***”), 225/90 kV transformers, and a gas-insulated substation, including busbars and four feeders, at Cap des Biches substation; and

(C) a 16 km, 225 kV, undersea cable, between Cap des Biches and Rive Bel Air, and a 225 kV underground, double circuit of approximately 2 km in length from Rive Bel Air to Centrale Bel Air.  The substation improvements shall include two new 150 MVA 225/90 kV transformers, new gas-insulated substations, 225 kV feeders and switches, grounding equipment, and control equipment, as well as an extension of the existing 90 kV gas-insulated substation at Centrale Bel Air.

Final network configuration for this Activity shall be determined and validated during final design.

(ii) Transformer Replacement Program Activity.

This Activity aims to address grid reliability and electricity quality in light of growing electricity demand resulting from increased access and Senegal’s strong economic growth.  Specifically, the Activity includes support for an existing transformer replacement initiative on the high- and medium-voltage networks by upgrading or replacing critical transformers at Touba, Diass, Hann, and Aeroport substations.  In conjunction with investments under the Transmission Network Build-out Activity, these upgraded or replaced transformers are intended to strengthen Senegal’s transmission network to facilitate further extension of the interconnected electrical grid under the Access Project, as well as future grid extension investments by the Government or others.

(iii) Grid Stabilization Activity.

This Activity aims to support the sustainability of the Transmission Project and the optimal performance of Senegal’s transmission network through the addition of spinning reserves to address network stability issues.  This is anticipated to include a combination of network management improvements and batteries for energy storage sufficient to ensure the availability of spinning reserve capacity necessary to ensure network stability during frequency excursion scenarios and to smooth the intermittent nature of renewable energy generation.  In light of potential private sector interest in investing in battery storage and the opportunity to leverage available MCC Funding and the Government Contribution to obtain sufficient spinning reserve capacity through battery storage, the Parties shall explore the possibility of structuring a public private partnership (“***PPP***”) to implement the battery storage component of this Activity; provided that if a PPP is not possible MCC and the Government shall identify and implement an alternative combination of interventions to ensure the availability of sufficient spinning reserves.

(b) Environmental and Social Mitigation Measures.

The Transmission Project is designated as "Category A" according to the MCC Environmental Guidelines. This requires the preparation and implementation of detailed Environmental and Social Impact Assessments (each an "***ESIA***") and/or Environmental and Social Management Plans (each an "***ESMP***"), as well as Resettlement Action Plans (each a "***RAP***", in each case as necessary and in accordance with the IFC Performance Standards and Senegal's legal and regulatory framework. In addition, the Government agrees to implement the IsDB-funded first Kounoune – Patte d'Oie circuit in accordance with the IFC Performance Standards.

This categorization reflects the nature of the Activities, which primarily consist of the construction of high-voltage substations, as well as the installation of underground and underwater electrical cables. Although the majority of the cable shall be underground in order to avoid resettlement impacts in a dense urban setting, smaller segments may require some land takings and resettlement. Other anticipated impacts include the health and safety of workers and local community members, impacts on the physical environment and habitat, including disturbance of biodiversity and coastal ecosystems in the Bay of Dakar (e.g., sediment disturbance on marine life), and impacts on artisanal fishing and other local economic activities.

With regard to the laying of the underwater sea cable, MCC and the Government shall assess the existence of prior seabed contamination related to marine transport spills, unexploded ordnance, and artificial reefs, as well as shipwrecks. This is standard in the preparation and assessment of seabed projects, and may involve historical research, followed by detection and identification on site, and revised cable routing decisions, including any appropriate treatment or disposal.

In addition, MCC and the Government must assess health and safety and contamination issues in and around implicated substations, including assessing the potential for PCB contamination.

(c) Gender and Social Inclusion.

The Transmission Project primarily focuses on reinforcing the existing network in Dakar, which represents one-quarter of Senegal's population, where the poverty rate is the lowest (13 percent) and where the rate of electrification is the highest (93 percent). Improving grid stability shall lessen the need of poor families to develop alternative sources of energy. In addition, the Project is responsive to stakeholder consultations, during which poorer consumers reported significant equipment losses due to electricity surges. These poor consumers are less able to repurchase damaged equipment due to a lack of financial resources.

The Project also presents additional gender and social inclusion opportunities and risks related to construction. During construction, MCC and the Government shall closely monitor implementation to ensure compliance with the IFC Performance Standards as they relate to women and vulnerable populations. In particular, women are heavily involved with the fishing industry as sellers, and MCC and the Government shall monitor the impact of the undersea cable on the fishing industry to determine any differential impact on women. Additional measures aimed at mitigating social risks and expanding the benefits of the Project include: (i) supporting the creation of short-term economic opportunities for women and local communities around Project (e.g. skills development and employment on construction sites, opportunities for informal actors and microenterprises to provide catering and other support services); and (ii) identifying opportunities to increase women's participation in training programs.

Senegal is also on the U.S. Department of State's Tier 2 Watch List for 2018, and the Project presents high risks for trafficking in persons ("***TIP***") and child labor. In accordance with the MCC Counter-Trafficking in Persons Policy, the Project shall be assessed by MCC, with support from the Government and MCA-Senegal II, for TIP risks. Activities shall be classified as low-risk or high risk. For low risk Activities, Counter-TIP Minimum Compliance Requirements (as defined in the MCC Counter-Trafficking in Persons Policy) shall be included in relevant solicitation documents and contracts. For Activities classified as high risk, MCA-Senegal II shall develop a specific TIP risk management plan, to be approved by MCC prior to issuing a solicitation for such procurements.

(d) Donor Coordination.

For the Transmission Project, MCC and the Government have coordinated closely with AFD and Islamic Development Bank ("***IsDB***") both of whom are undertaking significant investments that directly complement the Dakar Transmission Network Build-out Activity. The IsDB is financing the first circuit in a 225kV line from Kounoune to Patte d'Oie (21Kms), commencing work in fall 2018; the Project shall support a second circuit along this corridor. Because it has been known that a second circuit would eventually be needed along this corridor, the IsDB-funded work had been previously designed such that a second circuit could be easily added when funding became available. Thus, the Project is able to support installation of the second circuit without incurring significant civil works costs or direct environmental or resettlement costs. In addition, AFD remains invested in enhancing and developing Senelec's capacity to operate and maintain its infrastructure, and MCC and the Government shall continue to coordinate with AFD and others to avoid duplication of efforts as it relates to the Program.

(e) USAID.

MCC and the Government coordinated with USAID/Power Africa throughout development to leverage complementary studies and align efforts. Specifically, USAID/Power Africa funded the Senelec Generation and Transmission Master Plan, which served as the technical basis for the development of the Transmission Project, particularly the Transmission Network Build-out Activity. USAID/Power Africa has also funded a grid-code study, which shall help inform further work on the Grid Stabilization Activity.

(f) Sustainability.

The Activities under the Transmission Project are linked to ensure that the transmission network can secure both the supply and the demand for electricity through 2030, and that the transmission network is operated in such a way as to ensure that physical infrastructure assets last for their expected design life. In addition, by installing lines largely underground, although at higher cost to the Program, the Project shall minimize maintenance requirements and the potential for vandalism and damage going forward.

However, the sustainability of the Dakar high voltage transmission network, as well as Senelec's entire interconnected network at all voltages, is also dependent on improving Senelec's capacity as a transmission system operator and overall sector planning, as well as adherence to a regularly updated generation master plan. The Reform Project is designed to address these challenges, among others. In particular, the Utility Strengthening Activity includes a sub-activity to improve transmission and distribution planning, and the Sector Governance Activity shall support the unbundling of Senelec, to include an operationalized transmission system operator. Additionally, Senelec must commit to the implementation of a synchronous reserve strategy as recommended by the feasibility studies to protect the network in the event of significant losses in generation capacity.

(g) Policy, Legal and Regulatory Reforms.

Policy, legal and regulatory reform related to the Transmission Project are addressed largely through the measures outlined with respect to the Reform Project (see Section B.3 of this Annex 1 below). Specifically, the Reform Project includes a sub-activity under the Utility Strengthening Activity to improve transmission and distribution system planning. In addition, the Sector Governance Activity of the Reform Project includes support for the unbundling of Senelec into public subsidiaries and the creation of a transmission system operator, directly supporting the achievement and sustainability of the Transmission Project Objective.

In addition to support under the Reform Project, the Transmission Project's Grid Stabilization Activity includes the development of an action plan for Senelec identifying specific transmission network operational practices needed to ensure network stability.

**2. Increasing Access to Electricity in Rural and Peri-Urban Areas Project**

(a) Summary of Project and Activities.

The objective of the Increasing Access to Electricity in Rural and Peri-Urban Areas Project (the "***Access Project***") is set forth in Section 1.2(b) of the Compact. To achieve the Access Project Objective, the Project supports the extension of the electrical grid in selected areas in the southern and central regions of Senegal. Through demand-side interventions, the Access Project also aims to increase rates of adoption and consumption of electricity, facilitate opportunities for income generating activities in these regions and improve the understanding of energy efficiency at a national level. In addition, the Project aims to improve the quality of service and reduce losses in the distribution network outside of Dakar.

The Access Project includes the following three Activities:

(i) Supply-Side Activity.

This Activity aims to extend the electrical grid in identified regions of the country through the construction of approximately 660 km of medium voltage ("***MV***") distribution lines and the electrification of approximately 325 localities in five areas in the southern and central regions of Senegal – specifically, Kolda, Tambacounda, Fatick, Kaolack, and Sédhiou. While Senegal's grid extension needs are vast, MCC and the Government identified areas with potential productive uses that would provide sufficient demand to ensure sufficient economic returns and justify electrification. During detailed design, MCC and the Government shall also endeavor to identify critical social infrastructure (e.g., clinics, schools, community-owned infrastructure like mills and irrigation equipment) to determine if they can feasibly be connected, thereby increasing the social benefits of the Activity. The Activity includes support for:

(A) Construction of approximately 155 km of MV lines in the banana-producing regions of the Tambacounda to serve irrigated banana plots and approximately 29 non-electrified neighboring localities;

(B) Construction of approximately 281 km of MV lines in the cashew-producing areas in Foundiougne and approximately 186 neighboring localities;

(C) Construction of approximately 157 km of MV lines in Nioro du Rip, Medina Yoro Foulah/Bounkiling to serve approximately 66 localities in key cashew production areas; and

(D) Construction of approximately 64 km of MV lines in rice growing areas in Velingara and electrification of approximately 44 localities;

provided that in (A)-(D) above the final number of kilometers and localities shall be determined based on detailed designs and available funding, and may be higher or lower than indicated.

(ii) Consumer Demand Support Activity.

This Activity aims to sustain and increase electricity demand through demand-side interventions, including support for improved customer service and connection equipment, a consumer education campaign, and improved access to equipment and appliances for customers. The Activity includes the following:

(A) To facilitate new connections, the Activity includes (1) technical assistance for customer service support to ensure that Senelec's (and/or the relevant concession's commercial/customer service unit) and its regional offices are able to efficiently connect new customers and have the inventory management systems to ensure that equipment is available for connections, and (2) an assessment of the availability and qualifications of service providers for interior wiring for households and businesses and grid extension to households and businesses further than 35/45 meters away from the grid.

(B) To help educate potential and existing electricity consumers, the Activity includes support customer education and behavior change communications, including, without limitation, electricity literacy and energy efficiency, with approaches designed for specific audiences (e.g., as rural vs. urban areas, men, women and youth, different ethnic and linguistic groups, etc.) targeting (1) connected customers at the national level, (2) unconnected customers in the Project intervention areas, (3) unconnected and connected rural customers for productive uses, and (4) other key stakeholder groups, such as local governments and municipalities, civil society organizations, and private sector leaders and associations; and

(C) To facilitate access to equipment and appliances, the Activity includes technical assistance for equipment and appliance suppliers, financial institutions, and consumers to improve the availability of and financing for equipment and appliances, particularly single-phase equipment.

(iii) Distribution Network Reinforcement Activity.

This Activity aims to reduce technical losses and the frequency and duration of power outages in the MV network outside of Dakar through improvements to the 30kV distribution network including, without limitation, installation of circuit-breakers, capacitors, new or upgraded transformers, local and remote-controlled switches to minimize the faulty area on the main section of the lines, automatic control switches at the beginning of long derivation, new line configurations, load transfers, load corrections, and fault indicators to guide operators more quickly during outages and thus reduce their duration.

(b) Environmental and Social Mitigation Measures.

The Access Project is categorized as "Category B" according to the MCC Environmental Guidelines. As necessary and in accordance with IFC Performance Standards and the Senegalese legal and regulatory framework, the Access Project shall require the preparation and implementation of ESIAs and ESMPs, as well as RAPs. Areas affected by the proposed rural MV lines differ widely depending on the nature of land use (agricultural, residential, sensitive habitat, including wetlands, and conservation) and the specific social context. Potential anticipated impacts relate to the physical environment, biodiversity and ecosystems, agro-economic activities and habitat. Physical works most likely involve some resettlement and may induce relocation, or temporary or permanent loss of land and economic activities. These Impacts shall be minimized through the design and corridor choice.

(c) Gender and Social Inclusion.

The Access Project is specifically designed to address gender and social exclusion factors in Senegal. The Access Project's primary intervention areas (Fatick, Kaolack, Kolda, Sédhiou and Tambacounda), are among the poorest in Senegal, with low rates of electrification. These areas also have extremely high percentages of young people, and these youth have few job opportunities due to the low levels of economic activity.

The Supply-Side Activity focuses on key agriculture value chains, each of which have specific gender and social inclusion considerations. Women and youth are typically excluded from full productivity due to a lower level of access to the factors of production (land, capital, finance, etc.), so specific design considerations must be integrated to ensure benefits also accrue to women and youth (and even if they do, to ensure that these benefits are not then captured by male members of the household). MCC and the Government shall monitor changes and identify mitigation activities measures as necessary, such as diversification of production/processing. As a risk mitigation mechanism, MCC and the Government shall assess support for social infrastructure connections to benefit the overall community, such as schools, health clinics and/or community-owned productive use facilities, like mills and pumps. The Consumer Demand Support Activity is also designed to ensure the distribution of benefits among beneficiaries by providing access to information for men, women and youth on electricity connections and its benefits, as well as access to information on potential labor- and time-saving devices such as irrigation pumps, mills, etc., and equipment financing.

Like the Transmission Project, temporary employment opportunities for men, women and youth in the Project intervention areas on or around construction sites shall be explored, based on skills available in the region and the needs of the contractor.  Pursuant to the MCC Counter-Trafficking in Persons Policy, the MCC and the Government shall also assess TIP risks and act accordingly.

(d) Donor Coordination.

For the Access Project, MCC and the Government have worked closely with other U.S. government agencies, as well as KfW, AFD, the United Kingdom's Department for International Development, and Global Affairs Canada, all of whom are all actively engaged in promoting productive uses of electricity in agricultural value chains for men, women and youth.

(e) USAID.

For the Access Project, MCC and the Government shall continue to work closely with USAID, including USAID/Power Africa as well as USAID/Feed the Future.  USAID is supporting value chains and income generating activities in the Project intervention areas, as well as making investments in education and health sectors, both of which could benefit from new electricity access to be facilitated through the Project.  Given this significant regional overlap between the Project intervention areas and the location of USAID's work, there are also opportunities for collaboration moving forward to maximize the potential benefits from our respective investments.

(f) Sustainability.

In conjunction with the Reform Project, the Access Project is designed to reinforce sustainability of the Program by (i) ensuring the availability and quality of supply, while encouraging demand for electricity and electricity-using appliances and equipment, and (2) testing different supply and demand activities for rural electrification that Senegal can scale up.  The Supply-Side and Distribution Network Reinforcement Activity aim to extend the grid and improve the grid in a cost-conscious manner focused on connecting new households and businesses while maintaining and improving the quality of service.  The Consumer Demand Support Activity aims to encourage consumer behaviors to adopt and use electricity – more customers using more electricity contributes to the financial viability of the utility and concessionaires, as well as their network investments.  However, improving rural electrification in Senegal is also dependent on the results, and implementation, of the Roadmap process, the enforcement of concession contracts, accurate and detailed planning, and the incorporation of the variety of needs of the population, which are all integrated into the Reform Project.

(g) Policy, Legal and Regulatory Reforms.

Policy, legal and regulatory reforms related to the Access Project are addressed largely through the measures outlined with respect to the Reform Project (see Section B.3 of this Annex 1 below).  These include assistance to CRSE on training and capacity development to undertake performance monitoring of concession contracts to ensure they meet rural electrification targets and other contractual standards.  In addition, the Reform Project includes targeted training on single-phase technology and off-grid reforms for the institutions responsible for rural electrification. In addition, the Roadmap process as described in the Reform Project aims to set the overall vision for the sector, including distribution roles and responsibilities as well as the policy, legal, and institutional requirements to accompany this vision, including with respect to rural electrification.

However the Access Project also includes support for technical assistance on inventory management systems and customer service, with the intent of simplifying the connection process to ensure that connections happen efficiently.

### 3. Power Sector Enabling Environment and Capacity Development Project.

(a) Summary of Project and Activities.

The objective of the Power Sector Enabling Environment and Capacity Development Project (the "***Reform Project***") is set forth in Section 1.2(c) of the Compact. To accomplish the Reform Project Objective, the Project shall strengthen the laws, policies, and regulations governing Senegal's electricity sector, as well as the institutions responsible for implementing them, particularly the utility ("***Senelec***"), the regulator (the *Commission de Régulation du Secteur de l'Electricité* or "***CRSE***"), and the ministry responsible for energy and petroleum ("***Ministry of Energy***").

The Reform Project builds on the participatory electricity sector planning process (the "***Roadmap***") supported by MCC under the CDF Agreement. Through the Roadmap, the Government has articulated and selected a long-term vision for Senegal's electricity sector, key features of which include an operational re-organization of the sector that allows for Senelec to become a public holding company, with separate and autonomous production, transmission and distribution subsidiaries; a re-organization of sales and the off-grid system; a stronger enabling environment for the private sector in production, transmission, distribution, and sales; and a complementary legal, institutional and regulatory framework.

The Reform Project includes the following three Activities:

(i) Sector Governance Activity.

This Activity aims to support implementation of the Government's medium- and long-term legal, regulatory, and sectoral framework and strategy. This includes the following (in each case where applicable, consistent with the Roadmap):

(A) Technical assistance to implicated sector institutions to update the legal and regulatory framework for, and restructure, the sector consistent with the Roadmap, including the unbundling of Senelec into public subsidiaries, among which shall be an operationalized transmission system operator;

(B) Support to the Ministry of Energy and its entities for (1) the development, implementation, and monitoring of an integrated sector investment planning framework, (2) the development and implementation of a long-term plan to transition rural concessionaires to leaseholders (*affermages*), (3) the development and initial operationalization of a gender mainstreaming integration plan, (4) training and technical assistance to the institutions responsible for rural electrification to support business plan development, environmental compliance, and the roll-out of single phase technology and smart metering to support tariff harmonization, (5) technical assistance to support preparation of the Ministry of

Energy's next sector policy letter (covering calendar years 2024-2028), and (6) technical assistance to support monitoring, and periodic assessments, of sector strategic action plans under the Roadmap; and

(C) Support to facilitate increased private sector participation in the sector, including (1) development of an online *guichet unique*, serving as a "one-stop shop", for existing and new private companies seeking to invest in the sector, (2) technical assistance for market opportunity analysis, preparation of policy recommendations, and planning and transaction assistance for ancillary services (e.g. batteries, operating reserve, frequency regulation, etc.), (3) technical assistance to analyze the market for electricity to be opened directly between IPPs and large commercial or other consumers, and (4) development of a private sector participation/IPP solicitation framework to streamline the process for potential IPPs, as well as potential private sector participants in transmission.

(ii) <u>Regulatory Strengthening Activity</u>.

This Activity aims to build and expand the capacity of CRSE to fulfil its statutory mandate, as described in the Roadmap and the new electricity code required under the Compact, as well as to meet new requirements in light of Senegal's expanding electricity sector. This includes:

(A) Support to improve CRSE's core functions, including (1) technical assistance to conduct a grid audit, licensee assessments, and evaluations of regulatory effectiveness, (2) technical assistance to develop a monitoring and enforcement strategy, including evaluation of integrated sector investment plans and identification of available enforcement powers, (3) technical assistance to develop and implement a more effective organizational structure, (4) development of a multi-year communications plan, and (5) completion of a comprehensive salary and financial autonomy study for CRSE; and

(B) Support to enable CRSE to meet new requirements and opportunities in light of changes adopted by the Government through the Roadmap, including technical assistance to (1) undertake and implement a comprehensive tariff reform study to assess the appropriateness of the current tariff methodology and financial and economic modeling for the sector, (2) perform a cost of service study, (3) develop recommendations on tariff rate design and the treatment of new sector assets (e.g., batteries), (4) develop and implement new regulations, standard operating procedures, and templates (e.g., licenses, standard solicitation documents, *affermage* agreements, etc.), and (5) implement a communications campaign to share information about new tariff rates and outcome of studies.

(iii) <u>Utility Strengthening Activity</u>.

This Activity aims to improve Senelec's commercial, financial, operational, and environmental performance. This includes:

(A) Technical assistance to improve internal audit and control, procurement, financial management, and information services, including establishing, monitoring, and measuring technical, commercial, accounting, and financial management indicators, establishing business objectives, and overall performance monitoring and evaluation;

(B) Establishing a utility performance incentive program, which is anticipated to include conditional disbursements to Senelec in the form of grants (funded by the Government Contribution) if Senelec is able to satisfy identified key performance indicators ("***KPIs***") (such as technical loss reductions, new connections, etc.). The incentive program shall be governed by an operations manual and related guidelines or agreements, each subject to MCC approval, setting forth the specific terms and conditions of the program, including but not limited to the identified KPIs and targets, the value of the conditional grants, permissible uses for the grants, and the role of CRSE or other sector institutions in the program;

(C) Technical assistance to improve the management of Senelec's transmission and distribution network, including to (1) improve safety management, (2) train and orient new and/or young staff, (3) strengthen asset management capabilities, including the provision of, and training with, key equipment and materials, (4) centralize and upgrade the geospatial information system database, including technical assistance to utilize and manage the new system; and

(D) Technical assistance to Senelec, as well as other relevant electricity sector stakeholders, to adopt and implement best practices for environment and social performance, including (1) preparation of key plans and documentation for assessing, monitoring, and evaluating electricity projects, such as environmental and social management systems (each an "***ESMS"***), resettlement policy frameworks (each a, "***RPF***"), and RAPs, (2) integration of improved health, safety, and environmental policies and practices, (3) managing and mitigating the impact of resettlement in project zones, and (3) provision of, and training with, key environment compliance monitoring equipment and tools.

(b) Environmental and Social Mitigation Measures.

Activities in the Reform Project do not involve any physical works and are not anticipated to result in any significant environmental, health, or safety hazards. As such, the Project is classified as "Category C" under the MCC Environmental Guideline. Even though the Reform Project poses few environmental and social risks, it presents numerous opportunities to improve Senelec's management of the sector in those areas, as detailed in Section B.3(a)(iii)(D) of this Annex I.

(c) Gender and Social Inclusion.

Having a sound policy and institutional framework as well as an enabling environment for improved performance for the electricity sector has direct implications for social inclusion, and gender and social inclusion considerations have been incorporated into numerous components of the Reform Project.

- As described in Section B.3(a)(i)(B) to this Annex I, the Reform Project supports the Ministry of Energy's integration of gender through the development and initial operationalization of a gender mainstreaming plan, to account for the different energy needs for men and women.

- Through the Utility Strengthening Activity, proposed components to improve KPIs for connections performance and improve the MV network have direct implications for poor and vulnerable populations in Senelec territory.
- The Regulatory Strengthening Activity implicates gender and social inclusion issues as follows:
  - By supporting the Government's efforts to update the regulatory, policy, and institutional arrangements in the sector, the Reform Project aims to facilitate additional investment in rural electrification and ensure that CRSE has the capacity to monitor contract compliance (and take appropriate action when a licensee is noncompliant), thereby contributing to the reduction of geographical discrepancies of access and quality, which excludes poorer and rural populations from the electrification process.
  - To combat electricity illiteracy and lack of consumer awareness and protections, the Reform Project also supports CRSE to engage more effectively with consumer stakeholders and others through technical assistance to develop appropriate communications strategies and plans.
  - While the Program is designed to lower the cost of service in the long-run, the Parties recognize that there may be a short-term increase in the tariff, with an associated risk of adverse social impact. To mitigate this risk, the Reform Project includes a specific communication plan to accompany any change in the tariff (either in tariff value or in structure), and a social inclusion approach shall be integrated into the cost of service study planned under the Reform Project.

(d) Donor Coordination.

MCC and the Government have coordinated closely with all the donors active in the electricity sector during development of the Program. For the Reform Project, MCC and the Government shall continue to collaborate closely with the World Bank, which has been, and shall continue to be, active in institutional strengthening and reform. The World Bank contributed to the participatory planning process that resulted in the Roadmap, provided input on Project design to ensure alignment of efforts, and shall continue to coordinate on various terms of reference and studies planned under the Reform Project.

(e) USAID.

MCC and the Government engaged extensively with USAID, particularly with Power Africa, throughout the definition and development of the Reform Project. This included coordination during early assessments of Senegal's electricity sector environment, as well as USAID/Power Africa participation in the MCC-funded Roadmap workshops. The Project also leveraged a USAID-funded report assessing power purchase agreements in Senegal, as well as a draft grid code, both of which are foundational documents that the Reform Project build on through the Project's support for CRSE.

(f) Sustainability.

The Reform Project reinforces and supports Government policy and institutional reform commitments (see below) to enhance the sustainability of the Program and the long-term performance of Senegal's electricity sector. In addition, Reform Project Activities and sub-activities are intended to improve the Ministry of Energy's, CRSE's, and Senelec's capacity to sustainably perform their responsibilities in the sector and better manage and maintain sector assets, thereby improving and expanding service delivery to current and future customers.

(g) Policy, Legal and Regulatory Reforms.

The Reform Project reflects MCC's and the Government's recognition that the Program can only achieve the Project Objectives if amplified by policy and institutional reforms that strengthen relevant laws, policies, and regulations, while building the capacity of implicated sector institutions. In support of the Reform Project, and the broader Program, the Government has made several commitments to reform and strengthen this policy and institutional framework, in addition to adopting and publishing the Roadmap during compact development. Specifically, the Government has committed to:

- Adopt and enact a new electricity code as described in paragraph (b) of Annex V to the Compact.
- Ensure an appropriate instrument is in place to provide financial incentives for Senelec's progress on KPIs through the performance incentive program;
- Develop and adopt the Tariff Plan in accordance with paragraph (e) of Annex V to the Compact;
- Ensure the financial autonomy and provision of adequate resources for CRSE and Senelec;
- Prepare and adopt an integrated investment planning framework, and audits to verify compliance to this planning framework.
- Ensure the long term financial sustainability of the sector in accordance with Section 8.1 of the Compact, including without limitation by adopting and complying with the Sector Repayment Plan and the Tariff Plan.

## C. IMPLEMENTATION FRAMEWORK

### 1. MCA-Senegal II.

(a) Independence and Autonomy.

MCA-Senegal II shall have operational and legal independence and 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 bank accounts with a financial institution in its own name and hold MCC Funding and the Government Contribution in those accounts, (iv) expend MCC Funding and the Government Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Senegal II shall be set forth in more detail in the Program Implementation Agreement and the constitutive documents and internal regulations of MCA-Senegal II (or as otherwise agreed in writing by the Parties). Remuneration for members of the MCA-Senegal II Board of Directors shall be consistent with the MCC Program Guidelines.

MCA-Senegal II shall be administered, managed and supported by a board of directors (the "***Board of Directors***") and a management unit (the "***Management Unit***").

(b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Senegal II, as well as the overall implementation of the Program. The Board of Directors shall be comprised of nine voting members and one, non-voting observer. As of the date hereof, the voting members of the Board of Directors shall include representatives from each of the following:

- Office of the Prime Minister (one representative);
- Ministry responsible for finance (one representative);
- Ministry of Energy (one representative);
- Ministry responsible for foreign affairs and Senegalese abroad (one representative);
- Ministry responsible for environment and sustainable development (one representative);
- The private sector (two representatives);
- Women's organizations (one representative); and
- Civil society (one representative)

The number of voting members and their identity may be changed through amendments to MCA-Senegal II's constitutive documents and internal regulations, with MCC's approval. The process of selecting the members of the Board of Directors shall be further stipulated in such internal regulations. MCC's resident country director shall be a non-voting observer of the Board of Directors.

(c) Management Unit.

The Management Unit shall report to the Board of Directors and have principal responsibility for the day-to-day operations and management of MCA-Senegal II and implementation of the Program. The Management Unit shall be led by a chief executive officer and shall be composed of the directors and officers as agreed between the Parties and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent). The officers shall be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities.

MCA-Senegal II shall develop and adopt a stakeholder engagement plan for sustaining public consultation and engagement with the private sector and civil society organizations and allowing them opportunities to provide advice and input. The stakeholder engagement plan must be consistent with the requirements of IFC Performance Standard 1 for the Assessment and Management of Environmental and Social Risks and Impacts and must include feedback and communication features that satisfy the stakeholder committee structures required by MCC's Guidelines for Accountable Entities and Implementation Structures.

(d) The "*Cellule d'Appui au MCA-Sénégal*."

The Government intends to support the Program, *inter alia*, through the establishment of and financial support for a "*Cellule d'Appui au MCA-Sénégal II*" (the "***Cellule***"). Exclusively Government-funded and Government-run, the Cellule's focus is distinct from, but related to, the

Program. Cellule staff are anticipated to perform certain functions, which may include, but are not limited to, the following:

(i) *Guichet Unique*. Certain Cellule staff are anticipated to be engaged to assist MCA-Senegal II 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 are anticipated to be engaged to perform administration and finance functions with respect to the Cellule's operations, the startup or closure of MCA-Senegal II, and any additional Government financial obligations arising out of the Compact; and

(iii) *Monitoring Eligibility Criteria*. Certain Cellule staff are anticipated to 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.

**2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an "***Implementing Entity***"). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "***Implementing Entity Agreement***").

**3. Fiscal Agent.**

Unless MCC agrees otherwise in writing, the Government, acting through MCA-Senegal II (or prior to MCA-Senegal II's establishment, UFC-MCA Sénégal), shall engage an individual or firm with expertise in financial management and reporting to serve as fiscal agent (the "***Fiscal Agent***"), which shall be responsible for assisting the Government with its financial management and reporting and assuring appropriate fiscal accountability of MCC Funding and the Government Contribution. The roles and responsibilities of the Fiscal Agent shall include those set forth in the Program Implementation Agreement, as well as those set forth in such agreement as the Government enters into with the Fiscal Agent, which agreement shall be in form and substance satisfactory to MCC.

**4. Procurement Agent.**

Unless MCC agrees otherwise in writing, the Government, acting through MCA-Senegal II (or prior to MCA-Senegal II's establishment, UFC-MCA Sénégal), shall engage an individual or firm with expertise in procurement and contract management to serve as procurement agent (the "***Procurement Agent***"), which shall be responsible for assisting the Government to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent shall include those set forth in the Program

Implementation Agreement, as well as those set forth in such agreement as the Government enters into with the Procurement Agent, which agreement shall be in form and substance satisfactory to MCC. The Procurement Agent shall adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the procurement plan by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

**ANNEX II**

**MULTI-YEAR FINANCIAL PLAN SUMMARY**

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

**A. General.**

A multi-year financial plan summary ("***Multi-Year Financial Plan Summary***") is attached hereto as Exhibit A to this Annex II. By such time as specified in the Program Implementation Agreement, the Government shall 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 Contribution, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project and Activity, projected both on a commitment and cash requirement basis.

**B. Government Contribution.**

During the Compact Term, the Government shall make contributions as are necessary to carry out the Government's responsibilities under Section 2.6(a) of this Compact. These contributions may include in-kind and financial contributions. In connection with this obligation the Government has developed a budget over the Compact Term to complement MCC Funding through budget allocations to the Program, as further described in the Program Implementation Agreement. The Government shall make a contribution of Fifty Million United States Dollars (US$50,000,000), as provided in Section 2.6(a). Such contribution shall be in addition to the Government's spending allocated toward such Project Objectives in its budget for the years immediately preceding the date this Compact is signed and the date of entry into force of this Compact. The Government Contribution shall be subject to any legal requirements in Senegal for the budgeting and appropriation of such contribution, including approval of the Government's annual budget by its legislature. The Parties may set forth in the Program Implementation Agreement or other appropriate Supplemental Agreements certain requirements regarding this Government Contribution, which requirements may be conditions precedent to the Disbursement of MCC Funding.

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# EXHIBIT A TO ANNEX II

# MULTI-YEAR FINANCIAL PLAN SUMMARY

## MULTI-YEAR FINANCIAL PLAN

| | COMPACT CDF PERIOD | COMPACT TERM | | | | | CLOSEOUT PERIOD | TOTAL OF COMPACT CDF AND MCC FUNDING | TOTAL OF GOVERNMENT CONTRIBUTION | TOTAL PROGRAM |
|---|---|---|---|---|---|---|---|---|---|---|
| | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | | | |
| **1. Modernizing and Strengthening Senelec's Transmission Network Project** | $ 10,800,000 | $ 46,400,000 | $ 177,400,000 | $ 127,400,000 | $ 13,300,000 | $ 1,500,000 | $ - | $ 376,800,000 | $ 26,200,000 | $ 403,000,000 |
| 1.1 Transmission Network Build Out Activity | $ 6,500,000 | $ 20,700,000 | $ 169,700,000 | $ 123,800,000 | $ 7,100,000 | $ 100,000 | $ - | $ 327,900,000 | $ 17,900,000 | $ 345,800,000 |
| 1.2 Transformer Replacement Program Activity | $ 1,700,000 | $ 5,400,000 | $ 7,700,000 | $ 3,600,000 | $ 6,200,000 | $ 1,400,000 | $ - | $ 26,000,000 | $ 6,200,000 | $ 32,200,000 |
| 1.3 Grid Stabilization Activity | $ 2,600,000 | $ 20,300,000 | $ - | $ - | $ - | $ - | $ - | $ 22,900,000 | $ 2,100,000 | $ 25,000,000 |
| **2. Increasing Access to Electricity in Rural and Peri-Urban Areas Project** | $ 1,600,000 | $ 5,300,000 | $ 28,800,000 | $ 17,000,000 | $ 3,600,000 | $ 1,000,000 | $ - | $ 57,300,000 | $ 5,900,000 | $ 63,200,000 |
| 2.1 Supply-Side Activity | $ 100,000 | $ 200,000 | $ 22,000,000 | $ 10,600,000 | $ 100,000 | $ - | $ - | $ 33,000,000 | $ 1,500,000 | $ 34,500,000 |
| 2.2 Consumer Demand Support Activity | $ 1,500,000 | $ 3,800,000 | $ 4,100,000 | $ 2,400,000 | $ 1,400,000 | $ 200,000 | $ - | $ 13,400,000 | $ 1,300,000 | $ 14,700,000 |
| 2.3 Distribution Network Reinforcement Activity | $ - | $ 1,300,000 | $ 2,700,000 | $ 4,000,000 | $ 2,100,000 | $ 800,000 | $ - | $ 10,900,000 | $ 3,100,000 | $ 14,000,000 |
| **3. Enabling Environment and Capacity Development Project** | $ 8,200,000 | $ 9,300,000 | $ 14,100,000 | $ 7,300,000 | $ 4,400,000 | $ 200,000 | $ - | $ 43,500,000 | $ 3,400,000 | $ 46,900,000 |
| 3.1 Sector Governance Activity | $ 1,300,000 | $ 4,000,000 | $ 3,800,000 | $ 2,600,000 | $ 2,100,000 | $ 200,000 | $ - | $ 14,000,000 | $ 1,700,000 | $ 15,700,000 |
| 3.2 Regulatory Strengthening Activity | $ 2,900,000 | $ 1,900,000 | $ 4,500,000 | $ 2,000,000 | $ 600,000 | $ - | $ - | $ 11,900,000 | $ 600,000 | $ 12,500,000 |
| 3.3 Utility Strengthening Activity | $ 4,000,000 | $ 3,400,000 | $ 5,800,000 | $ 2,700,000 | $ 1,700,000 | $ - | $ - | $ 17,600,000 | $ 1,100,000 | $ 18,700,000 |
| **4. Monitoring and Evaluation** | $ 300,000 | $ 1,500,000 | $ 4,500,000 | $ 2,500,000 | $ 2,300,000 | $ 600,000 | $ 100,000 | $ 11,800,000 | $ 2,600,000 | $ 14,400,000 |
| **5. Program Administration** | $ 16,900,000 | $ 9,300,000 | $ 10,100,000 | $ 9,800,000 | $ 8,000,000 | $ 3,400,000 | $ 3,100,000 | $ 60,600,000 | $ 11,900,000 | $ 72,500,000 |
| **Total** | $ 37,800,000 | $ 71,800,000 | $ 234,900,000 | $ 164,000,000 | $ 31,600,000 | $ 6,700,000 | $ 3,200,000 | $ 550,000,000 | $ 50,000,000 | $ 600,000,000 |

**ANNEX III**

**COMPACT MONITORING & EVALUATION SUMMARY**

This Annex III summarizes components of the monitoring and evaluation plan for this Compact ("***M&E Plan***"). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with MCC's Policy for Monitoring and Evaluation of Compacts and Threshold Programs (the "***MCC M&E Policy***"). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

## 1. Objective

MCC and the Government shall formulate and agree to, and the Government shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Senegal II shall (i) monitor to determine whether the Projects are on track to achieve their intended results ("***Monitoring Component***"), and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of Compact interventions ("***Evaluation Component***"). The M&E Plan shall summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any monitoring and evaluation ("***M&E***") requirements that MCA-Senegal II must meet in order to receive Disbursements, and shall serve as a communication tool so that MCA-Senegal II staff and other stakeholders clearly understand the objectives and targets the MCA-Senegal II is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Senegal II and on the MCC Website.

## 2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a compact program. This model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. Secondly, it reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the economic rate of return ("***ERR***"). Lastly, it notes critical risks and assumptions related to achieving results. The program logic forms the basis of the M&E Plan.

### 2.1 Logic Models

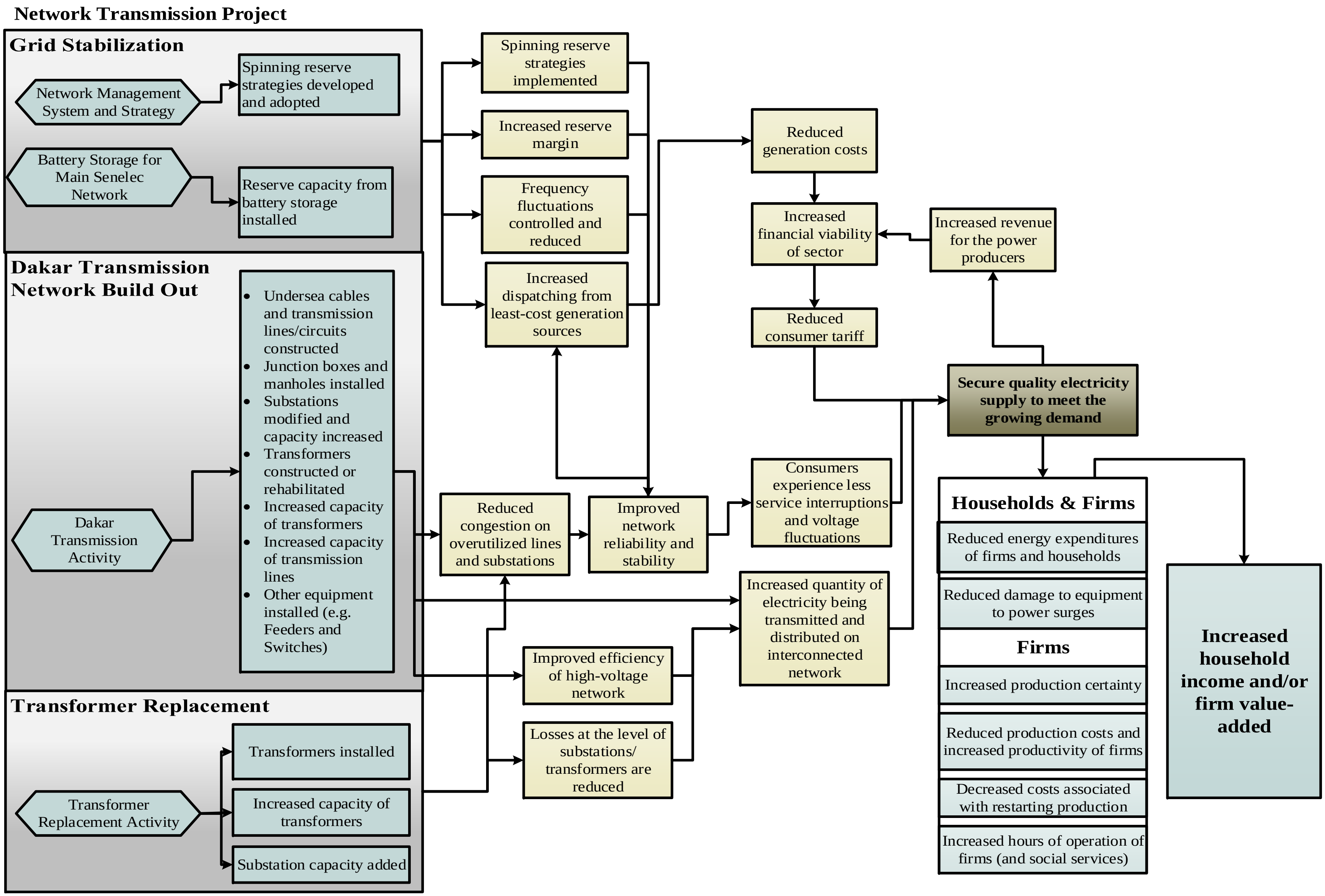
The M&E Plan shall summarize the clearly defined Project-level logic models, which, for each Project, illustrate how the Activities and sub-activities contribute to the Project Objectives and Compact Goal. All logic models shall clearly summarize the outputs, outcomes, and goals expected to result from the Program. A description of the logic underlying each Project is included below:

### (a) Transmission Project

The objective of the Transmission Project is to provide quality electricity from the lowest cost sources available to Senelec to meet the growing demand in on the interconnected network in Senegal. The key indicators to measure this result are the share of the electricity supply dispatched from non-heavy fuel oil ("***HFO***") sources and the quantity of electricity consumed. The Transmission Project is expected to achieve this objective mainly through the improvement of the inter-connected network's reliability as measured by the quantity of non-distributed energy and the duration and frequency of service interruptions, as well as its frequency stability. These grid-level improvements are expected to increase consumers' maximum willingness to pay for electricity services and to increase overall electricity consumption of firms and other grid-connected consumers. Firm productivity is expected to increase as improved service quality would result in less reliance on back-up generators, less damage to equipment, and increased hours of operation. Other grid-connected customers, such as households and social services, would experience similar outcomes.

Improving network reliability and stability also has a less direct (but not less important) effect on grid-connected consumers. It increases the share of less costly generation sources, many of which are renewable, which has the overall effect of reducing generation costs. This may enable a positive feedback loop among the following results: increased financial viability of the sector, reduced consumer tariffs, increased induced demand, and increased revenue for the national utility and other power sector companies. In other words, an improvement in efficiency and viability of the sector enables the Government and/or CRSE to decrease consumer tariffs. This increases electricity demand and consumption, which increases revenue for the utility and improves its long-term financial viability.

A detailed Project logic diagram for the Transmission Project is included below.


Network Transmission Project
Grid Stabilization
Network Management System and Strategy
Spinning reserve strategies developed and adopted
Battery Storage for Main Senelec Network
Reserve capacity from battery storage installed
Dakar Transmission Network Build Out
Dakar Transmission Activity
Undersea cables and transmission lines/circuits constructed
Junction boxes and manholes installed
Substations modified and capacity increased
Transformers constructed or rehabilitated
Increased capacity of transformers
Increased capacity of transmission lines
Other equipment installed (e.g. Feeders and Switches)
Transformer Replacement
Transformer Replacement Activity
Transformers installed
Increased capacity of transformers
Substation capacity added
Spinning reserve strategies implemented
Increased reserve margin
Frequency fluctuations controlled and reduced
Increased dispatching from least-cost generation sources
Reduced congestion on overutilized lines and substations
Improved network reliability and stability
Improved efficiency of high-voltage network
Losses at the level of substations/ transformers are reduced
Reduced generation costs
Increased financial viability of sector
Reduced consumer tariff
Increased revenue for the power producers
Consumers experience less service interruptions and voltage fluctuations
Increased quantity of electricity being transmitted and distributed on interconnected network
Secure quality electricity supply to meet the growing demand
Households & Firms
Reduced energy expenditures of firms and households
Reduced damage to equipment to power surges
Firms
Increased production certainty
Reduced production costs and increased productivity of firms
Decreased costs associated with restarting production
Increased hours of operation of firms (and social services)
Increased household income and/or firm value-added

The M&E Plan shall also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the Program logic. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions for the Transmission Project are set out in the list below.

- Sufficient and reliable electricity generation comes online in accordance with projections of Senelec and the Power Africa Master Plan.
- Senelec has the technical capacity to manage and assess the technical/economic criteria for network extension and densification.
- The increase in electricity demand due to mining companies connecting to the grid is realized.
- The distribution network is sufficiently strong to deliver electricity reliably to consumers.
- Senelec implements the synchronous reserve strategy.

**(b) Access Project**

The objective of the Access Project is to increase the supply of and demand for quality electricity in peri-urban and rural areas of Senegal. The key indicator for measuring this objective is the level of electricity consumption in the proposed areas of intervention. The cost-benefit analysis conducted to estimate the economic rate of return modeled increased land value of rural Senegalese without access to electricity as the key benefit stream. The Project addresses both supply and demand aspects in light of recent studies highlighting low adoption rates even among households in close proximity to the grid (Lee et al, 2016; Chaplin et al, 2017).

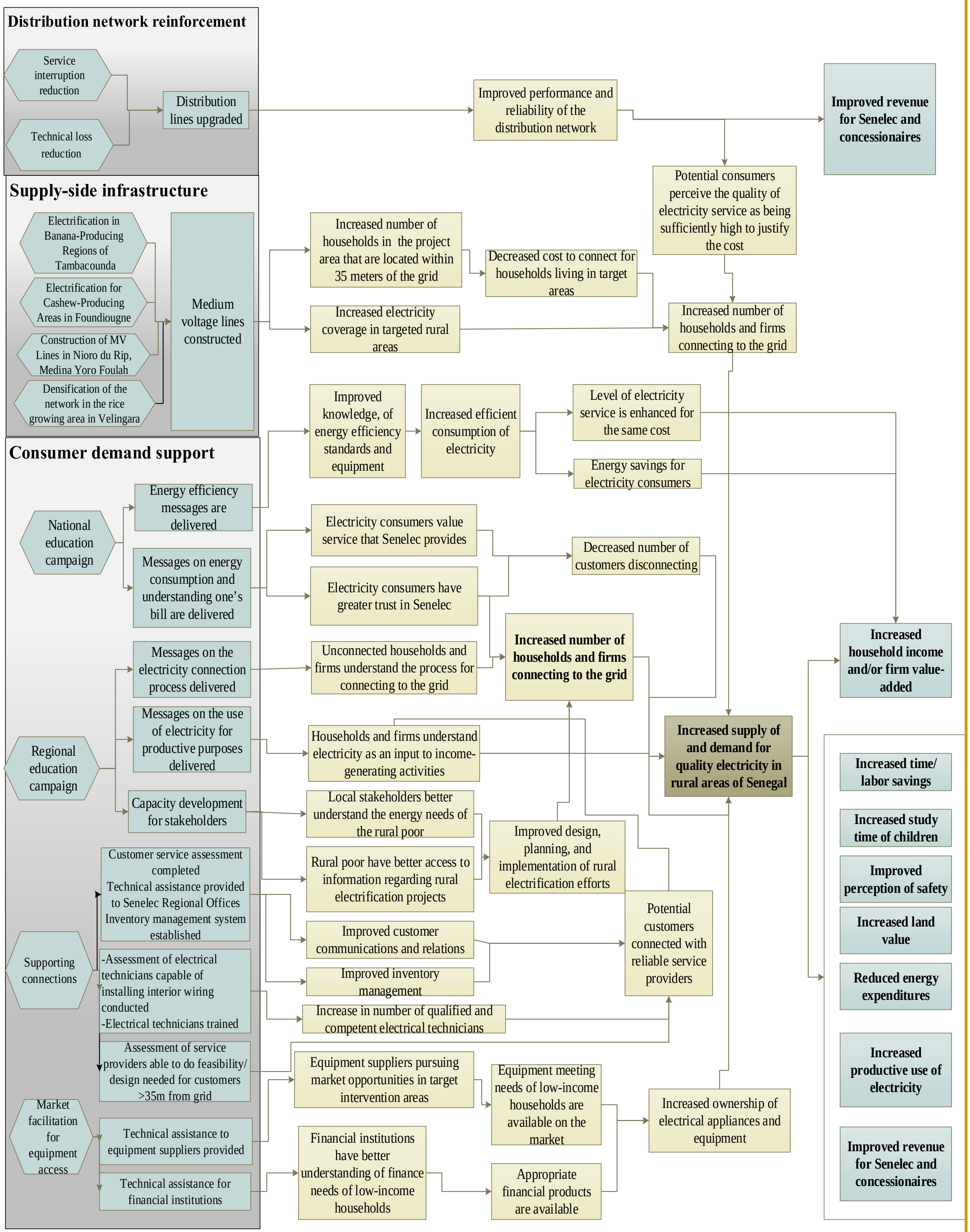
The Supply-Side Activity includes the construction of MV distribution lines intended to electrify localities in five regions in the Center and South of Senegal (as further described in Annex I to this Compact). The four sub-activities under this Activity target regions of Senegal with low access to electricity, relatively high willingness to pay, and agricultural production activities that would benefit from gaining access to electricity. Building electricity infrastructure in regions with these characteristics is expected to increase the number of households, businesses, and social structures that connect to the grid and begin using electricity.

The Consumer Demand Support Activity consists of three sub-activities focused on: enabling new connections, education campaign for electricity literacy, and market facilitation for electrical equipment and appliances. The first sub-activity aims to reduce the time to connect new customers by improving Senelec's customer service, increasing the availability and management of equipment needed to connect new customers, and improving the capacity of electricians to do interior wiring for new customers. The second sub-Activity increases the understanding of targeted beneficiaries on the connection process, energy efficiency, and productive uses of electricity. Increased knowledge of the connection process is intended to increase the likelihood that prospective customers actually connect when the grid arrives. Customers who are educated on electricity use as it pertains to efficiency and productive uses are more likely to save money on their electricity bills and remain connected. Finally, the third sub-activity seeks to develop the market of electrical appliances to increase the ownership of those appliances, which is necessary for electricity adoption rates that are sufficiently high to justify MCC's support for the Program. The Project uses a market facilitation approach to prevent market distortions, to ensure there is credible and reliable after-customer support, and to ensure the results of this sub-activity outlast the Project. In order to increase productive use of electricity, consumers must be able to access equipment and appliances that increase value-added and labor savings, particularly of women.

The Distribution Network Modernization Activity aims to strengthen the 30 kV distribution network through the addition of circuit-breakers, remote-controlled switches, automatic control switches, fault indicators, and shunt capacitators. It aims to ensure high quality of electricity in rural areas across Senegal, and particularly in the regions where the Project includes support for the construction of supply-side infrastructure. Where the grid already exists this is designed to result in fewer technical losses and service interruptions. The former allows Senelec and concessionaires to serve customers more efficiently, sell more electricity, and, by extension, improve their financial standing such that they are able to invest in further electrification.

Finally, targeted beneficiaries whose electricity demand is met are expected to experience increased use of electricity for productive purposes, increased time/labor savings, increased study time for children, improved perception of safety, reduced energy expenditures, and increased household income and/or firm-value added. The population living in newly electrified areas are expected to experience an increase in land values, regardless of whether they are connected.

A detailed Project logic diagram for the Access Project is included below.


Distribution network reinforcement
Service interruption reduction
Technical loss reduction
Distribution lines upgraded
Improved performance and reliability of the distribution network
Improved revenue for Senelec and concessionaires
Supply-side infrastructure
Electrification in Banana-Producing Regions of Tambacounda
Electrification for Cashew-Producing Areas in Foundiougne
Construction of MV Lines in Nioro du Rip, Medina Yoro Foulah
Densification of the network in the rice growing area in Velingara
Medium voltage lines constructed
Increased number of households in the project area that are located within 35 meters of the grid
Decreased cost to connect for households living in target areas
Increased electricity coverage in targeted rural areas
Potential consumers perceive the quality of electricity service as being sufficiently high to justify the cost
Increased number of households and firms connecting to the grid
Consumer demand support
Energy efficiency messages are delivered
National education campaign
Messages on energy consumption and understanding one's bill are delivered
Improved knowledge, of energy efficiency standards and equipment
Increased efficient consumption of electricity
Level of electricity service is enhanced for the same cost
Energy savings for electricity consumers
Electricity consumers value service that Senelec provides
Electricity consumers have greater trust in Senelec
Decreased number of customers disconnecting
Messages on the electricity connection process delivered
Unconnected households and firms understand the process for connecting to the grid
Increased number of households and firms connecting to the grid
Increased household income and/or firm value-added
Regional education campaign
Messages on the use of electricity for productive purposes delivered
Households and firms understand electricity as an input to income-generating activities
Increased supply of and demand for quality electricity in rural areas of Senegal
Capacity development for stakeholders
Local stakeholders better understand the energy needs of the rural poor
Improved design, planning, and implementation of rural electrification efforts
Rural poor have better access to information regarding rural electrification projects
Increased time/ labor savings
Increased study time of children
Improved perception of safety
Increased land value
Reduced energy expenditures
Increased productive use of electricity
Improved revenue for Senelec and concessionaires
Customer service assessment completed
Technical assistance provided to Senelec Regional Offices
Inventory management system established
Supporting connections
-Assessment of electrical technicians capable of installing interior wiring conducted
-Electrical technicians trained
Improved customer communications and relations
Improved inventory management
Potential customers connected with reliable service providers
Increase in number of qualified and competent electrical technicians
Assessment of service providers able to do feasibility/ design needed for customers >35m from grid
Equipment suppliers pursuing market opportunities in target intervention areas
Equipment meeting needs of low-income households are available on the market
Increased ownership of electrical appliances and equipment
Market facilitation for equipment access
Technical assistance to equipment suppliers provided
Technical assistance for financial institutions
Financial institutions have better understanding of finance needs of low-income households
Appropriate financial products are available

The M&E Plan shall also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the Program logic. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions the Access Project are set out in the list below.

- Electricity service in rural areas is sufficiently reliable to incentivize new customers.
- Tariff harmonization is implemented before project implementation.
- Targeted beneficiaries see the value and being willing to pay for electricity, whether it is for residential or productive use.
- External actors provide complementary business development support to agricultural producers where it is needed.
- There is sufficient human capital to do interior wiring and to maintain rural electrification infrastructure.

**(c) Reform Project**

The Reform Project objective is to create an enabling environment to improve the financial viability of, and to ensure good governance in, the power sector, with the intent of improving the quality and quantity of the electricity supply. This objective encompasses distinct but interconnected results, which are improvements in the financial viability of the electricity sector, the quality of customer service, the reliability of electricity, and the quantity of electricity supplied. The key indicators for these results are, respectively, Senelec's operating cost-recovery ratio, average customer satisfaction, average frequency and duration of outages, and electricity supply (the sum of domestic electricity generation and imports), plus additional indicators to measure results. For example, adherence with CRSE's service standards shall be measured and assessed along with overall customer satisfaction. Similarly, electricity supply shall be interpreted in relationship to losses and electricity consumption. Analyzing these indicators in conjunction with consumption per capita and access rates enables MCC and the Government to assess the extent to which changes in electricity consumption levels are driven by new or existing consumers.

The Reform Project is comprised of three activities (Sector Governance, Regulatory Strengthening, and Utility Strengthening), which together are expected to achieve the Reform Project Objective. These are designed to re-define the rules of the game (i.e. policy reform), support organizational capacity and performance (i.e. institutional development), and strengthen the relationships among electricity actors.

The Sector Governance Activity changes the structure of the sector notably through an update of the legal and regulatory framework, the unbundling of Senelec into public subsidiaries, the creation of a transmission system operator, the re-definition of distribution perimeters, and the clarification of private and public ownership of rural electrification assets. It creates an online "one-stop shop" to reduce the cost of doing business in the electricity sector. It also strengthens the Ministry of Energy's capacity to plan, monitor, and evaluate investments in the sector, which is expected to improve the cash flow of electricity providers through improved decision-making. Together, these actions are designed to decrease the costs of electricity sector companies along the supply chain from production to retail.

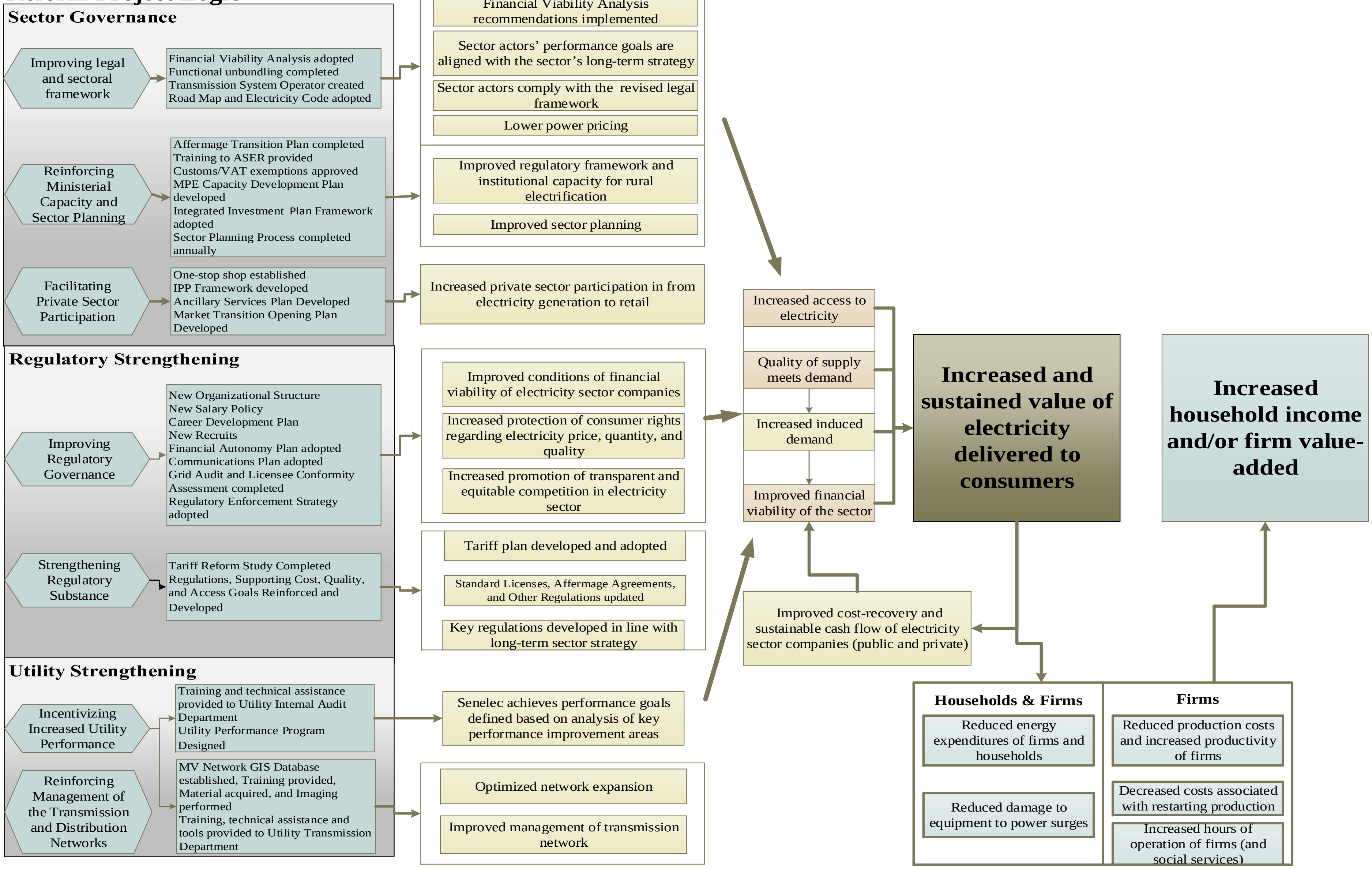
The Regulatory Strengthening Activity supports the energy sector regulator's role in promoting the financial viability of electricity sector companies and protecting consumer interests as it pertains to the price, quality, and access of electricity service. This Activity aims to improve *regulatory governance* through the development of a new organizational structure, a strategic plan, a financial autonomy study, a salary study and career development plan, a communications plan, improved IT systems, a grid audit, an assessment of licensee compliance with technical norms and standards, evaluations of regulatory effectiveness, and a monitoring and enforcement strategy. It aims to improve *regulatory substance* through the development of a cost of service and/or tariff reform study, the Government's commitment to a phased implementation of tariff reform, the regulator application of the new tariff regime, and various other regulations formulated to promote the rational development of the supply of electricity. This activity clarifies and increases the transparency around sector regulations and their application. It strengthens the regulator's capacity to execute its stated mandate of improving conditions of financial viability, protecting consumer rights, and promoting competition and private sector participation.

The Utility Strengthening Activity is expected to improve the national utility's commercial, financial, operational, and environmental performance. This Activity includes the provision of incentives to improve key performance indicators, develop a GIS database of the MV network, and provide technical assistance to develop Senelec's capacity in managing the transmission network, all leading to improved network performance (i.e. reduced frequency and duration of outages and reduced losses). Reductions in these technical indicators are intended to improve Senelec's operating-cost recovery ratio. The Activity also includes support to improve Senelec's asset management, procurement, accounting, and financial management performance in order to reduce the life-cycle costs related to both operating and capital expenditures.

The overall reduction of long-run marginal costs in the sector is designed to enable the Government to reduce tariffs in the long-term, which should further stimulate electricity consumption, and to reduce the sector's quasi-fiscal deficit, which represents approximately 2.2 percent of GDP (Trimble et al, 2016). Reducing the utility's quasi-fiscal deficit creates savings for the Government, which can use those funds for sectors supporting the country's development. Finally, the sector's sustained financial viability supports increased investment in improving access to a quality and reliable supply of electricity in Senegal.

The Project logic diagram for the Reform Project is included below:

## Reform Project Logic



The M&E Plan shall also outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the Program logic. However, such assumptions and risks shall not excuse any Party's performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions for the Reform Project are set out in the list below.

- Fuel prices do not increase too much. This would apply an upward pressure on the tariff and affect the government's commitment towards difficult reforms.
- Relatively strong economic growth and favorable macro-economic conditions persist.
- Changes in leadership of public and quasi-public institutions are minimal and do not harm institutional commitment to reform.
- Institutional and organizational actors perceiving reforms to be against their interest do not stall the project's implementation.

## 2.2 Projected Economic Benefits and Beneficiaries

The Government and MCC have conducted an economic analysis of each Project to determine the cost effectiveness of the planned investments. The economic analysis of the Program consists of a cost-benefit analysis ("***CBA***"), which is summarized by an estimated ERR, as well as a beneficiary analysis. Each are described below, as well as key risks and assumptions.

### (a) Projected Economic Benefits and Rates of Return

The economic analysis for the Program is summarized in the following table and summarized for each Project below.

| Project | Estimated ERRs |
|---|---|
| Transmission Project | 33% |
| Access Project | 17% |
| Reform Project | 18% |

In addition, full ERR datasets and additional disaggregated ERR information is available on the MCC website at www.mcc.gov/our-impact/err.

**ERR for the Transmission Project**:

The ERR of the Transmission Project overall is 33 percent, and the net present value at a 10 percent discount rate is $1.04 billion. The Transmission Network Build-out Activity and the Transformer Replacement Program Activity augment the capacity of the Dakar transmission network by adding new 225 kV transmission cables, and by increasing capacity of transformers and substations. These investments relieve transmission constraints at times of peak demand, permitting additional electricity to be transmitted to consumers. Valuing the benefits associated with consumption of this additional electricity yields the economic benefit stream of the Transmission Project. The amount of additional electricity transmitted due to the Project was estimated via load flow modeling of the transmission network, taking into account the location and size of generation plants, network characteristics, and the temporal and spatial pattern of electricity demand over the 20-year analytical horizon of the economic model. The value of additional electricity transmitted is estimated using the difference between average willingness to

pay from a recent willingness to pay survey, and the economically efficient equilibrium price of electricity that would fully recover Senelec's cost of service.
The Grid Stabilization Activity aims to enhance stability of the electricity grid via provision of synchronous reserve and battery storage. These investments are intended to increase the reliability of the transmission grid and decrease the level of unmet demand due to network outages and load shedding due, in turn, to low frequency on the network.

A critical feature of the Project-level ERR is that it maintains "business as usual" policy and institutional reform assumptions as the basis for modeling the additional electricity transmitted due to the Project's infrastructure investments. If this were not the case, then there would likely be some double-counting of benefits between the Transmission Project and the Reform Project. A key assumption of the economic models is that operation and maintenance spending results in sufficiently effective implementation of maintenance activities, such that the amount of additional electricity transmitted through the network does not degrade substantially over time. Consistent with the Transmission Project's logic, the economic models capture the aggregate benefits of an array of investments in the capacity and stability of the transmission network in terms of incremental energy transmitted to consumers.

Sensitivity analysis of the Transmission Project ERR indicates that this ERR estimate is most sensitive to the value of incremental energy, to overruns in capital costs, and to the level of operations and maintenance costs. The estimated probability that the Transmission Project ERR exceeds ten percent is 99.8 percent.

**ERR for the Access Project**:

The overall ERR of the Access Project is 17 percent, and the net present value at a 10 percent discount rate is $33.5 million. This aggregate ERR includes benefit streams from all three activities and their respective sub-activities.

Key factors for the stability of this overall ERR are assumptions regarding the adoption rate for productive use as well as the estimated cost of electricity production using gasoline powered generation units. While the assumptions regarding productive use take up rate are based on detailed assessments, as well as assumptions regarding the impact of the Consumer Demand Support Activity, the cost of electricity generation using gasoline powered generators can be sensitive to international oil prices. To mitigate this assumptions, MCC conducted simulations across both one and two standard deviation from the mean of the two variables to gauge the sensitivity of Project-level (as well as the disaggregated ERRs) to these factors

In addition, the Consumer Demand Support Activity is considered separately because of: (1) the Activity's nationwide implications, (2) the fact that it is designed to target both existing and future consumers, and (3) the difficulty of assigning the share of the campaign costs across the Project. At this stage, the single source benefit stream for this Activity is a reduction in energy consumption by currently connected households due to adoption of efficient lighting. This is measured by estimating total electricity bill savings if all electrified households retrofitted existing 40W incandescent lightbulbs with 6W LED lights, assuming (i) 10 percent of households already use LED, (ii) a 2 percent growth rate in adoption per year, and (3) that an average household uses 5 hours of lighting per day. Only this single source benefit stream can be identified at this time because the details of the regional aspects of this Activity are going to be further elaborated during initial implementation, and because assumptions regarding resulting behavior change. Because of this continuing uncertainty, MCC and the Government shall periodically revise available ERR information until entry into force based on new Project design parameters.

The key benefit stream for the Distribution Network Reinforcement Activity is the economic value of non-distributed electricity, which is valued at $2.48 per kWh, as well as the economic value of distribution losses, valued at $0.097/kwh. The Activity aims to reduce non-distributed energy and reduce technical losses.

**ERR for the Reform Project**:

The ERR of the Reform Project overall is 18 percent, and the net present value at a 10 percent discount rate is $39.7 million. The three Activities comprising the Project support reforms led by different sectoral actors and invest in the development of these entities' capacity.

The economic analysis of the Reform Project is based on empirical evidence from a structured literature review on impacts of electricity sector reforms in developing countries. In particular, MCC and the Government reviewed evidence on country experience with electricity sector reforms to identify studies that met three criteria:

- Scope and extent of reforms relevant to those envisioned in the Compact;
- Country coverage sufficiently inclusive to be broadly relevant for the Senegal study methodology; and
- Sufficiently rigorous to yield credible, internally-valid estimates of reform outcomes.

In all, this review identified seven cross-country studies spanning five broad categories of reforms and providing twelve parameter estimates for reform outcomes. The table below summarizes the reforms and outcome variables on which these seven studies focus and on which benefits depend.

**Summary of types of reforms and associated outcome variables examined in the electricity sector reform literature that underpin the Project ERR**

| *Outcome variables* / *Reforms* | Transmission & distribution losses | Duration of interruptions | Frequency of interruptions | Electricity generation per capita | Access |
|---|---|---|---|---|---|
| **Regulation** | | | | | |
| **Restructuring** | X | | | | X |
| **Competition** | | | | X | |
| **Private sector participation** | X | X | X | X | |
| **Combinations of reforms** | X | | | X | |

Note: An "X" in the table indicates that this analysis included one or more studies examining the impact of a given reform on a particular outcome variable and providing associated parameter estimates.

The timing of some reforms included in the analysis highlights a key risk of the Reform Project, and a risk to which the economic returns are sensitive. Namely, some reforms such as the creation of the *affermages* are expected to both be initiated and produce impacts only after the expiration of the Compact Term. This is one example of the higher inherent risks typical of such reform programs; at the same time, such programs often offer prospects of greater and more sustainable returns.

The Reform Project ERR has characterized the content of the Program's proposed reforms in some detail and assessed the prospects for an economically viable project using available cross-country evidence. What is more challenging to evaluate on an objective basis and with confidence is the prospect of success of particular reforms—particularly those more distant in time, after expiration of the Compact Term —as a function of institutional and political context in Senegal. Sensitivity analysis can be helpful in identifying those parameters in the model to which returns are most sensitive. In this case, the Reform Project's returns are sensitive to the timing of reforms, parameters connecting reform progress to key sectoral outputs and outcomes, the efficacy of reform implementation, and the value of incremental energy attributable to successful reforms.

Sensitivity analysis of the Reform Project ERR indicates that this ERR estimate is most sensitive to the value of incremental energy, to Senelec's efficiency in carrying out reforms, and to the impact of regulatory, structural, and competitive reforms on transmission and distribution losses. The estimated probability that the Reform Project ERR exceeds ten percent is 66 percent.

Consistent with the Project's program logic, the economic model aims to capture the combined benefits of a range of investments in sectoral reforms and of the development of capacity and expertise that underpins these reforms.

### (b) Projected Program Beneficiaries

The M&E Plan shall also define in detail the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of economic rate of return analysis that seeks to disaggregate the total increase in income to determine specifically which segments of society shall benefit from the Projects and Activities. MCC considers beneficiaries[2] of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be) through higher real incomes. The "Program Overview" section of Annex I presents the projected number of beneficiaries of this Compact.

## 3. Monitoring Component

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify (i) the Indicators (as defined below), (ii) the definitions of the Indicators, (iii) the sources and methods for data

[2] As used in this Compact, the term "beneficiary" has the meaning described in MCC's *Guidelines for Economic and Beneficiary Analysis*.

collection, (iv) the frequency for data collection, (v) the party or parties responsible for collecting and analyzing relevant data, and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some indicators shall continue to be tracked after the Compact Term as necessary.

### 3.1 Goal, Outcome, Output, and Process Indicators

The full M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data ("***Indicators***").

(a) The full M&E Plan shall establish baselines for every Indicator (each a, "***Baseline***"). An Indicator's Baseline should be established prior to the start of the corresponding Project, Activity and/or Sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms, and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(b) The full M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result shall be achieved ("***Target***").

(c) The full M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.

(d) According to the MCC M&E Policy, a "Goal Indicator" measures the economic growth and poverty reduction that occurs during or after implementation of the program. This is typically a direct measure of local income. Measurement of the Goal Indicator shall be attempted in all Compacts and is therefore not listed in the table below.

(e) Outcome, output and process indicators are all defined in the MCC M&E Policy.

(f) MCC's Common Indicators (as described in the MCC M&E Policy) shall also be included as relevant.

(g) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.

(h) MCA-Senegal II must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table ("***ITT***") in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in *MCC's Guidance on Quarterly MCA Disbursement Request and Reporting Package*.

The tables below lists the preliminary set of monitoring and evaluation indicators linked to each result in the Project Logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports. The M&E Plan shall contain the monitoring and evaluation Indicators listed in the tables below:

**Table 1.1: Transmission Project Indicators**

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| **Outcome Indicators** | | | | | | |
| Secure quality electricity supply from the lowest cost sources to meet the growing demand<br><br>(Project Objective) | Electricity supply | Total electricity, in gigawatt hours, produced or imported in a year. | GWh | Value: 3736<br><br>Year: 2017 | TBD | Yes |
| | Electricity demand met | Electricity generated in Senegal ***plus*** Electricity imports ***minus*** Non-distributed energy in a single year | GWh | Value: 3716.33<br><br>Year: 2017 | Value: 9474.13<br><br>Year: 2024 | Yes |
| | Electricity sales | Total electricity sales for HV, MV, and LV customers as reported by Senelec | GWh | Value: 3149<br><br>Year: 2017 | Value: 8027.82<br><br>Year: 2024 | Yes |
| | Share of the electricity supply dispatched from non-HFO sources | Number of megawatt hours of electricity from non-HFO generation sources produced or imported in a year / Total number of megawatt hours in a year produced or imported in a year | Percent | Value: 12.9%<br><br>Year: 2017 | Value: 69%<br><br>Year: 2024 | Yes |
| Increased financial viability of sector | Quasi-fiscal deficit | Net revenue of an efficient utility minus cash collected by the utility in a year. See Trimble et al (2016) for full definition | US Dollars (million) | Value: 325<br><br>Year: 2013 | TBD | Yes |
| Reduced consumer tariff | Average consumer tariff | Sum of consumer tariffs for all consumer categories divided by number of consumer categories | FCFA/KWh | Value:113.61<br><br>Year: 2017 | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Increased revenue for power producers | TBD | TBD | TBD | TBD | TBD | Yes |
| Reduced energy expenditures | TBD | TBD | TBD | TBD | TBD | No |
| Reduced damage to equipment | TBD | TBD | TBD | TBD | TBD | No |
| Increased production certainty | TBD | TBD | TBD | TBD | TBD | No |
| Reduced production costs and increased productivity of firms | TBD | TBD | TBD | TBD | TBD | No |
| Decreased costs associated with restarting production | TBD | TBD | TBD | TBD | TBD | No |
| Improved network reliability and stability | Non-distributed energy | Estimate of how much electricity would have been distributed had there not been a service interruption caused by lack of generation, incidents, load shedding by HV customers, maintenance works, overloaded transformers or lines, and load shedding due to LV. | GWh | Value: 30.6<br>Year: 2017 | TBD | Yes |
| Consumers experience less service interruptions | (P-21) System Average Interruption Duration Index (SAIDI) | Sum of durations, in customer-hours, of all customer interruptions in a quarter / Total number of customers connected to network in the same quarter. | Hours | Value: 53.3<br>Year: 2017 | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| and voltage fluctuations | (P-22) System Average Interruption Frequency Index (SAIFI) | Sum of customer-interruptions in a quarter / Total number of customers connected to network in the same quarter. | Rate | Value: 30.5<br>Year: 2017 | TBD | Yes |
| Increased integration of renewables | (P-26) Share of renewable energy in the country | Total installed generation capacity of on- or off-grid renewable energy, in megawatts / Total installed generation capacity | Percent | Value: 13.25%<br>Year 2016 | TBD | Yes |
| | Share of renewable energy in electricity supply | Total generation of electricity from renewable energy sources, in gigawatts in one year / total generation of electricity in one year | Percent | Value: 2.29%<br>Year: 2017 | TBD | Yes |
| Reduced generation costs | Generation cost | Average variable cost of generating one KWh of electricity of Senelec and IPPs. | FCFA | Value: 53.4<br>Year: 2017 | TBD | Yes |
| Increased reserve margin | Reserve Margin | Installed capacity less peak load, as a percentage of peak load. | Percent | TBD | TBD | Yes |
| | Quantity of available reserve | TBD | Megawatt | Value: 135.5<br>Year: 2018 | TBD | Yes |
| Increased dispatching of least-cost generation sources | Utilization of renewable energy power plants | Actual number of megawatt hours generated in a year from renewable energy power plants / Maximum annual load from renewable energy power plants | Percent | TBD | TBD | Yes |
| Voltage fluctuations controlled and reduced | Voltage stability | Number of hours that the voltage level is within +/- 10 % of its expected level in one year / Total number of hours in a year. | Percent | TBD | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Improved response time of power producers | Compliance with standard response time as defined by the regulator | Power producers with response time that complies with the regulator's standard / total number of power producers | Percent | TBD | TBD | Yes |
| Increased electricity quantity transmitted and distributed on network | Quantity of electricity distributed to substations in the Dakar area | Total quantity of electricity in MWh distributed to substations in the Dakar area per quarter | MWh | TBD | TBD | Yes |
| Improved efficiency of high-voltage network | Network performance | Total megawatt hours billed / Total megawatt hours transmitted out from power plants | Percent | Value: 82%<br>Year: 2016 | TBD | Yes |
| | (P-18) Transmission system technical losses (%) | 1- [Total MWh transmitted out from transmission substations / Total MWh hours received from generation to transmission substations] | Percent | Value : 1.64%<br>Year : 2017 | TBD | Yes |
| Reduced congestion on over-utilized lines and substations[3] | Substation capacity factor or transmission system utilization | TBD | Percent | TBD | TBD | Yes |

[3] The term "congestion" refers to situations where transmission constraints reduce transmission flows or throughput below levels desired by market participants or government policy (US Department of Energy, 2015)

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Substation transformer losses are reduced | Substation transformer losses | 1 – [Quantity of electricity in MWh distributed to transformers rehabilitated with MCC funds / Quantity of electricity leaving MWh transformers rehabilitated with MCC funds] | Percent | TBD | TBD | Yes |
| **Output Indicators** | | | | | | |
| Spinning reserve strategy is developed and adopted | Spinning reserve strategy is developed and adopted | Senelec develops a spinning reserve strategy approved by its board of directors, which includes at least three types of reserve: primary (10 minutes), secondary (30 minutes), and tertiary. | Date | NA | TBD | Yes |
| Reserve capacity from battery storage installed | Batteries installed | Number of batteries installed under the Program | Number | Value: 0 | TBD | Yes |
| | Storage capacity installed | Total capacity in ampere-hours of batteries installed with funding | Ampere-hour (Ah) | Year: NA | TBD | Yes |
| Undersea cables and transmission lines/circuits constructed or rehabilitated | (P-7) Km transmission lines upgraded or built | The sum of linear kilometers of new, reconstructed, rehabilitated, or upgraded transmission lines that have been energized, tested and commissioned with MCC support. | Kilometer | Value: 0<br>Year: NA | Value: 44.5<br>Year: 2024 | Yes |
| Increased capacity of transmission lines | (P-8) Transmission throughput capacity added | Throughput capacity, in megawatts, added by new, reconstructed, rehabilitated, or upgraded transmission lines that have been energized, tested and commissioned with MCC support. | Megawatt | Value: 0<br>Year: NA | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Substations modified and capacity increased | (P-9) Transmission substation capacity added | The total added transmission substation capacity, measured in megavolt amperes, which is energized, commissioned and accompanied by a test report and supervising engineer's certification resulting from new construction or refurbishment of existing substations that is due to MCC support. | Megavolt ampere | Value: 0<br>Year: NA | Value: 44.5<br>Year: 2024 | Yes |

**Table 1.2: Access Project Indicators**

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| **Outcome Indicators** | | | | | | |
| Increased number of households/ firms connected to the grid | (P-25) Percentage of households connected to the national grid | Number of households that have access to a legal connection to electricity service from an electrical utility or service provider / Total number of households in the country. | Percent | Value : 32.4%<br>Year : 2017 | TBD | Yes |
| Increased demand and supply of quality electricity in rural areas of Senegal | Electricity consumption in MCC's intervention areas | The quantity of electricity consumed annually among the population of the target departments | GWh | Value : 32.4%<br>Year : 2017 | 14.7 GWh | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Increased demand and supply of quality electricity in rural areas of Senegal | Land value | The amount of rent income that Project Beneficiaries earned in a calendar year | US dollars | Value: $263.58<br><br>Year: 2011 | Value: $427.28<br><br>Year: 2024 | No |
| Increased electricity coverage in focus rural areas | Electricity coverage | 1 – [individuals living in electrified localities divided / the total population of the area] | Percent | TBD | TBD | Yes |
| Decreased connection cost for rural households | Increased share of households in the project area that are located within 35 meters of the grid | Households located 35/45 meters or less from the grid divided by total households in the area[4] | Number | TBD | TBD | Yes |
| Improved performance and reliability of the distribution network | (P-19) Distribution system losses | 1 – [Total megawatt hours billed / Total megawatt hours received from transmission].<br><br>*Note: This indicator and the two below are measured for customers connected to 30Kv lines constructed or rehabilitated with MCC assistance* | Percent | TBD | TBD | Yes |
| | (P-21) System Average Interruption Duration Index (SAIDI) | Sum of durations, in customer-hours, of all customer interruptions in a quarter / Total number of customers connected to network in the same quarter. | Hours | TBD | TBD | Yes |

[4] In urban areas the distance is 35 meters, and in the concession' areas it is 45 meters (ZOI Tambacounda). It is not clear which distance SENELEC intends to use in the newly attributed rural areas.

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| | (P-22) System Average Interruption Frequency Index (SAIFI) | Sum of customer-interruptions in a quarter / Total number of customers connected to network in the same quarter. | Rate | TBD | TBD | Yes |
| Improved knowledge, of energy efficiency standards and equipment | Knowledge of energy efficiency standards and equipment | Percent of individuals receiving a 'passing grade' on a survey assessing their knowledge, attitudes, and practice of energy efficiency standards and equipment | Percent | TBD | TBD | No |
| Increased efficient consumption of electricity | Adoption of energy efficient practices | Percent of individuals receiving a 'passing grade' on a survey assessing their knowledge, attitudes, and practice of energy efficiency standards and equipment | Percent | TBD | TBD | No |
| Level of electricity service is enhanced for the same cost | Enhanced electricity service | Percent of grid-connected customers (firms, households, and services) who state that they use more electricity, because of their adoption of energy efficient behaviors or products. This includes, but is not limited to, an increase in hours of electricity use and the purchase of additional electrical equipment. | Percent | TBD | TBD | No |
| Energy savings for electricity consumers | Savings in electricity bills | Percent of grid-connected customers experiencing savings in their electricity bills after adopting an energy efficient product or process. | Percent | TBD | TBD | No |
| Energy savings for electricity consumers | Average annual energy savings of grid-connected customers | Average amount of money that grid-connected customers save in one month after adopting an energy efficient product or process ***times*** 12 | US dollars | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Electricity consumers value service that Senelec provides | Electricity consumers' value of Senelec's services | Percent of electricity consumers (in rural areas of Senegal) who state that Senelec's services are "important" or "very important" to their well-being | Percent | TBD | TBD | No |
| Electricity consumers have greater trust in Senelec | Electricity consumers' trust in Senelec's services | Percent of electricity consumers (in rural areas of Senegal) who state that they trust Senelec to provide quality services | Percent | TBD | TBD | No |
| Decreased number of consumers disconnecting | Number of grid-connected customers disconnecting | Number of grid connected customers who disconnect in a single year in the target intervention areas | Number | TBD | TBD | Yes |
| Unconnected households and firms understand the process for connecting to the grid | Understanding of the connection process | Percent of households and firms who respond correctly to at least 75% of survey questions on the connection process | Percent | TBD | TBD | No |
| Households and firms understand electricity as an input to income-generating activities | Household understanding of electricity as an input to income-generating activities | Percent of households who can cite at least one productive use of electricity | Percent | TBD | TBD | No |
| Local stakeholders better understand the energy needs of the rural poor | Number of local organizations promoting rural electrification efforts | Number of local government offices and civil society organizations that have taken concrete steps to promote access to electricity | Number | TBD | TBD | No |
| Rural poor have better access to information regarding | Percent of rural poor with better access to information on rural | Percent of rural population that is very poor, poor, or almost poor (according to World Bank definitions) who correctly cite rural | Percent | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| rural electrification projects | electrification projects | electrification projects occurring in their department | | | | |
| Improved design, planning, and implementation of rural electrification efforts | TBD | TBD | TBD | TBD | TBD | No |
| Improved customer communications and relations | Customer satisfaction index | Rating of customer service (technical and non-technical) by customers | Rate | TBD | TBD | No |
| Improved inventory management | Time to connect | Average number of days that between when a new customer pays the electricity service provider and when s/he is effectively connected | Days | TBD | TBD | Yes |
| Potential customers connected with reliable service provider | Number of potential customers linked to service providers needed for establishing new connection | TBD | TBD | TBD | TBD | No |
| Increase in number of qualified and competent electrical technicians | Number of qualified and competent electrical technicians | Number of electrical technicians in the target intervention areas | Number | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Equipment suppliers pursuing market opportunities in target intervention areas | Number of equipment suppliers marketing in the target intervention areas | Number of equipment suppliers actively engaged in developing business in the target intervention areas. | Number | TBD | TBD | Yes |
| Equipment meeting needs of low-income households are available | Availability of electrical equipment | Percent of rural population who know where to and have the ability to purchase electrical equipment that they demand | Percent | TBD | TBD | No |
| Appropriate financial products are available | Percent of financial institutions who offer new pro-poor financial products | Number of financial institutions participating in MCC-funded technical assistance who offer financial products adapted to the needs of the rural poor / Total number of financial institutions participating in MCC-funded technical number | Percent | TBD | TBD | No |
| Increased ownership of electrical appliances and equipment | Ownership of electrical appliances and equipment | Rural households with an electricity connection in the target intervention areas who own at least one electrical appliance | Percent | TBD | TBD | No |
| **Output Indicators** | | | | | | |
| Distribution lines constructed<br><br>Increased coverage | Km distribution lines upgraded or built (P-10) | The sum of linear kilometers of new, reconstructed, rehabilitated, or upgraded distribution lines that have been energized, tested and commissioned with MCC support. | Kilometers | Value: 0<br><br>Year: NA | Value: 581<br><br>Year: 2024 | Yes |
| Distribution lines are looped | Distribution lines looped | Kilometers of distribution lines looped with MCC assistance | Kilometers | Value: 0 | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| | | | | Year: NA | | |
| Distribution lines are upgraded | Circuit breakers added | Number of circuit breakers added to the distribution network in accordance with the contract's technical specifications | Number | Value: 0<br>Year: NA | Value: 52<br>Year: 2024 | Yes |
| Distribution lines are upgraded | Switchgear added | Number of power switches added to the distribution network in accordance with the contract's technical specifications | Number | Value: 0<br>Year: NA | Value: 438<br>Year: 2024 | Yes |
| Distribution lines are upgraded | Installation of fault detectors | Number of fault detectors | Number | Value: 0<br>Year: NA | Value: 300<br>Year: 2024 | Yes |
| Distribution lines are upgraded | Grid attachments added | Number of grid attachments installed in accordance with the contract's technical specifications | Number | Value: 0<br>Year: NA | Value: 10<br>Year: 2024 | Yes |
| Distribution lines are upgraded | Km distribution lines upgraded or built (P-10) | The sum of linear kms of new, reconstructed, rehabilitated, or upgraded distribution lines energized, tested and commissioned with MCC support. | Kilometers | Value: 0<br>Year: NA | Value: 187.5<br>Year: NA | Yes |
| Energy efficiency messages are delivered | People reached by information and education campaign (energy efficiency) | TBD | Number | Value: 0<br>Year: NA | TBD | Yes |
| Messages on understanding electricity bills are delivered | People reached by information and education campaign (energy consumption) | TBD | Number | Value: 0<br>Year: NA | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Messages on the electricity connection process delivered | People reached by information and education campaign | TBD | Number | TBD | TBD | Yes |
| Capacity development for stakeholders | Individuals participating in capacity development activities | Number of individuals attending at least one full day (or 8 hours) of a capacity development activity (training, workshop, or other) | Number | Value: 0<br>Year: NA | TBD | Yes |
| Technical assistance provided to Senelec Regional Offices | Individuals receiving technical assistance | Number of Senelec personnel receiving at least 20 hours of technical assistance | Number | Value: 0<br>Year: NA | TBD | Yes |
| Senelec has an operational inventory management system | Inventory management system established | TBD | Date | NA | TBD | Yes |
| Assessment of Senelec Customer Service Directorate | Date at which the Senelec customer service assessment is completed | The date at which MCA-Senegal II, MCC, and Senelec accept the final version of the consultant's assessment report | Date | NA | TBD | Yes |
| Assessment of electrical technicians capable of installing interior wiring and/or ready boards conducted | Date at which the electrical technician assessment is completed | The date at which MCA-Senegal II, MCC, and Senelec accept the final version of the consultant's assessment report | Date | NA | TBD | Yes |
| Electrical technicians trained | Trainings completed | Number of training modules completed at least 80%. If one individuals completes five | Number | Value: 0<br>Year: NA | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| | | trainings, this would be counted as five trainings completed. | | | | |
| Assessment of service providers able to do feasibility/design needed for customers >35/45m from grid | Date at which the electrical technician assessment is completed | The date at which MCA-Senegal II, MCC, and Senelec accept the final version of the consultant's assessment report | Date | TBD | TBD | Yes |
| Technical assistance to equipment suppliers provided | Individuals receiving technical assistance | Number of personnel of equipment suppliers receiving at least 20 hours of technical assistance | Number | Value: 0<br><br>Year: NA | TBD | Yes |
| Technical assistance for financial institutions | Individuals receiving technical assistance | Number of personnel of financial institutions receiving at least 20 hours of technical assistance | Number | Value: 0<br><br>Year: NA | TBD | Yes |

**Table 1.3: Reform Project Indicators**

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| **Outcome Indicators** | | | | | | |
| Increased and sustained value of electricity delivered to consumers | (P-14) Cost-reflective tariff regime | Average tariff per kilowatt-hour / Long-run marginal cost per kilowatt-hour of electricity supplied to customers | Percent | TBD | TBD | Yes |
| Improved financial viability of electricity sector | Quasi-fiscal deficit | Net revenue of an efficient utility minus cash collected by the utility in a year. See Trimble et al (2016) for full definition | US Dollars (million) | Value: 325<br>Year: 2013 | TBD | Yes |
| Improved financial viability of electricity sector | Maximum Revenue Allowed (RMA) | See CRSE's RMA formula in publically available documents | FCFA (Million) | Value : 362,628<br>Year : 2017 | TBD | Yes |
| Improved financial viability of electricity sector | (P-24)<br>Operating cost-recovery ratio | Total revenue collected (of Senelec and IPPs) / Total operating cost (of Senelec and IPPs). Total operating cost is defined as operating expenses plus depreciation. | Percent | TBD | TBD | Yes |
| Improved financial viability of electricity sector | Operating cash flow ratio | Cash flow from operations / current liabilities of the utility | Percent | TBD | TBD | Yes |
| Increased induced demand | Electricity demand met | Electricity generated in Senegal + Electricity imported to Senegal – Non-distributed Energy | MWh | Value: 3,716.33<br>Year: 2017 | Value: 9,474.13 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| | | | | | Year: 2024 | |
| Increased consumer surplus | Consumer surplus for quality electricity service | Non-weighted average of the willingness to pay in FCFA for one KWh of electricity of households and firms with and without electricity connections minus the cost-reflective tariff | FCFA | Value: 96.29<br>Year: 2017 | TBD | No |
| Quality of supply meets demand | Non-distributed energy | Estimate of how much electricity would have been distributed had there not been a service interruption caused by lack of generation, incidents, load shedding by HV customers, maintenance works, overloaded transformers or lines, and load shedding due to LV. | GWh | Value: 30.6<br>Year: 2017 | TBD | Yes |
| Increased number of households and firms connected to the grid | (P-25) Percentage of households connected to the national grid | Number of households that have access to a legal connection to electricity service from an electrical utility or service provider / Total number of households in the country. | Percent | Value : 32.4%<br>Year : 2017 | TBD | Yes |
| Lowered contracted power pricing | Power price in Power Purchase Agreements | Sum of average price per KWh as determined in each PPA in effect divided by total number of PPAs in effect. The average price per KWh equals the price per KWh if the PPA has a flat rate. If the price varies over time, the average is computed based on the current year. | FCFA | TBD | TBD | Yes |
| More private sector participation in large procurements | Average number of companies competing on large procurements | Number of companies submitting bids for electricity sector procurements (>$1 Million) divided by number of procurements that are >$1 Million. Companies submitting bids on multiple procurements are counted multiple times. | Number | TBD | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| More private sector participation in generation | Private sector participation in electricity generation | Percentage of privately-owned installed generating capacity as percentage of all installed capacity in Senegal | Megawatt | TBD | TBD | Yes |
| | Private sector participation in electricity generation | Electricity generation from privately-owned generation assets in one year | MWh | Value: 1,415,777<br>Year: 2017 | TBD | Yes |
| Optimized dispatching | Share of least cost generation sources in total energy transmitted | Quantity of energy dispatched from the 50% least expensive generation units in a quarter / Total quantity of energy dispatched in a quarter | Percent | TBD | TBD | Yes |
| Increased access facilitated for third parties | Number of third parties accessing network | Number of third party access contracts fully executed per ECOWAS directives in a year | Number | TBD | TBD | Yes |
| Long Term Strategy and Legal Framework in Effect | TBD | TBD | Number | TBD | TBD | No |
| Improved and focused management for functional entities | TBD | TBD | TBD | TBD | TBD | No |
| Increased transparency of costs for functional entities | TBD | TBD | TBD | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Sustainable required revenue levels allowed to licensees | TBD | TBD | TBD | TBD | TBD | No |
| Increased timeliness of government payment for (collection of) accounts receivable | Time for the Government to make payments to Senelec | TBD | Days | TBD | TBD | Yes |
| Increased cash flow to utility | Utility's cash flow | Net amount of cash and cash-equivalent transferred into and out of Senelec in a quarter | US Dollars | TBD | TBD | Yes |
| Increased value from investments | TBD | TBD | TBD | TBD | TBD | No |
| Increase in planned funds to address sector needs | TBD | TBD | TBD | TBD | TBD | Yes |
| Improved planning | TBD | TBD | TBD | TBD | TBD | No |
| Higher quality partners and services procured | TBD | TBD | TBD | TBD | TBD | No |
| Funding needs better identified for realistic access rural electrification plans | TBD | TBD | TBD | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Financial viability of rural on-grid and off-grid operators increased | Cost-recovery ratio of rural on-grid and off-grid operators | Total revenue collected by all licensed rural electricity companies involved in rural retail / Total operating cost of those companies. Total operating cost is defined as operating expenses plus depreciation. | Percent | TBD | TBD | Yes |
| Capable private sector operators for rural distribution procured | TBD | TBD | TBD | TBD | TBD | No |
| Reduced burden on public finances | TBD | TBD | TBD | TBD | TBD | No |
| Sustainable required revenue levels allowed to licensees | TBD | TBD | TBD | TBD | TBD | No |
| Adjusted cost of service (required revenue) | Adjusted cost of service | Required revenue | FCFA | TBD | TBD | Yes |
| Increased protection of consumer rights with respect to the price, supply and quality of electrical energy | TBD | TBD | TBD | TBD | TBD | No |
| Increased promotion of the rational | TBD | TBD | TBD | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| development of the supply of electricity | | | | | | |
| Tariff Plan Developed and Adopted | (P-14) Cost-reflective tariff regime | Average tariff per kilowatt-hour / Long-run marginal cost per kilowatt-hour of electricity supplied to customers. | Percent | TBD | TBD | Yes |
| Sector Stakeholders Engaged and Sensitized on Updated Regulations and Policy | Sector stakeholder understanding of new sector policies and regulations | Percentage of sector stakeholders who respond correctly to at least 75% of survey questions on new regulations and policies | Percent | TBD | TBD | No |
| Tariff Methodology Decision(s) Transmitted | Adoption of tariff plan | Date at which the tariff plan is developed and adopted | Date | NA | May 26, 2020 | Yes |
| Integrated Investment Planning Framework Decision(s) by Regulator Transmitted | Adoption of integrated investment planning framework | Date at which integrated investment plan framework and related processes adopted by regulatory decision | Date | NA | April 9, 2021 | Yes |
| IPP Procurement Framework Decision(s) by Regulator Transmitted | IPP Procurement Framework Decision(s) by Regulator Transmitted | Date at which IPP Procurement Framework Decision(s) by Regulator Transmitted | Date | NA | April 20, 2021 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Third Party Access Contracts and Documents Drafted | Third Party Access Contracts and Documents Drafted | Date at which Third Party Access Contracts and Documents Drafted | Date | NA | May 13, 2021 | Yes |
| New TSO Interface Contracts and Specific Pricing Developed | New TSO Interface Contracts and Specific Pricing Developed | Date at which new TSO Interface Contracts and Specific Pricing Developed | Date | NA | February 17, 2021 | Yes |
| Regulations and policy incentivize operational efficiency | TBD | TBD | TBD | TBD | TBD | No |
| Regulations and policy incentivize capital efficiency | TBD | TBD | TBD | TBD | TBD | No |
| Regulations and policy incentivize private sector participation | TBD | TBD | TBD | TBD | TBD | No |
| Regulations and policy incentivize operational performance | TBD | TBD | TBD | TBD | TBD | No |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Sustainable required revenue levels allow sufficient cash flow | TBD | TBD | TBD | TBD | TBD | No |
| New applied tariff allows for sustainable funding of revenue | TBD | TBD | TBD | TBD | TBD | No |
| Regulations and policy incentivize new connections | TBD | TBD | TBD | TBD | TBD | No |
| Regulations and policy incentivize demand efficiency | TBD | TBD | TBD | TBD | TBD | |
| Improved continuity of service | (P-21) System Average Interruption Duration Index (SAIDI) | Sum of durations, in customer-hours, of all customer interruptions in a quarter / Total number of customers connected to network in the same quarter. | Hours | TBD | TBD | Yes |
| Improved continuity of service | (P-22) System Average Interruption Frequency Index (SAIFI) | Sum of customer-interruptions in a quarter / Total number of customers connected to network in the same quarter. | Rate | TBD | TBD | Yes |
| Reduced commercial losses | (P-20) Commercial losses | Total distribution system losses minus distribution technical losses | Percent | Value: 10%<br>Year: 2017 | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Reduced transmission-level technical losses | (P-18) Transmission system technical losses | 1- [Total megawatt hours transmitted out from transmission substations / Total megawatt hours received from generation to transmission substations] | Percent | 1.64% | TBD | Yes |
| Improved competencies of Senelec personnel (DTAE, DAPA, DSI, DFC, DAICG, CFPP) | TBD | TBD | TBD | TBD | TBD | Yes |
| Improved maintenance practices through use of unmanned aerial vehicle (UAV) | TBD | TBD | TBD | TBD | TBD | Yes |
| Improved capacity of Senelec to asset management, accounting, and financial management | TBD | TBD | TBD | TBD | TBD | Yes |
| **Outputs** | | | | | | |
| Financial Viability Analyses Recommendations Transmitted and Adopted | Government adoption of financial viability analyses recommendations | Date at which the financial viability analyses or formally adopted by the Government of Senegal | Date | NA | June 30, 2019 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Operational and financial restructuring of SENELEC | Senelec restructuring | Date at which SENELEC is unbundled into public subsidiaries under a public holding company | Date | NA | May 20, 2024 | Yes |
| Roadmap and Action Plan Adopted | Roadmap and Action Plan Adopted | Date at which the roadmap and action plan are formally adopted by the Government of Senegal | Date | NA | TBD | Yes |
| Electricity Code Enacted | Electricity Code Enacted | Date at which the electricity code is formally adopted by the Government of Senegal | Date | NA | October 7, 2019 | Yes |
| Transmission System Operator (TSO) Created and Operationalized | TSO Operational | Date at which the TSO is staffed at least 75% and has an allocated budget | Date | NA | May 20, 2024 | Yes |
| Regulatory and legal framework and implementing decrees are validated | Regulatory and legal framework and implementing decrees validated | Regulatory and legal framework supporting the 2035 vision (including electricity code) and implementing decrees are validated | Date | NA | April 9, 2021 | Yes |
| Affermage Transition Plan Developed | Plan to support transition from concessionaires to affermages developed and adopted | Date at which Affermage Transition Plan is developed and adopted | Date | NA | April 3, 2023 | Yes |
| Training and Support Program for ASER Completed | Training and capacity | Number of ASER staff participating in a full training course or module funded by MCC | Number | 0 | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| | development support provided | | | | | |
| Customs/VAT Exemption Provisions Approved | Ministry of Economy, Finance and Planning approves customs and VAT exemptions | Date at which the Ministry of Economy, Finance and Planning approves customs and VAT exemptions for off-grid asset/equipment sales deemed satisfactory by MCA Senegal II, MCC, and the relevant implementing entities and consultants | Date | NA | September 30, 2020 | Yes |
| MPE Capacity Building Plan for Integrated Planning Developed | MPE Capacity Building Plan developed | Date at which the MPE Capacity Building Plan receives formal acceptance from MCC, MCA, Senegal II and MPE | Date | NA | January 6, 2021 | Yes |
| Integrated Investment Plan Framework Adopted | Integrated sector investment planning framework | Date at which the integrated sector investment planning framework is formally adopted by the Government of Senegal | Date | NA | April 9, 2021 | Yes |
| Integrated Sector Planning Process (Annual) Completed | Integrated Sector Planning Process (Annual) Completed | Date(s) at which sector planning assessment report is completed | Date | NA | April 4, 2023, 2024, and 2025 | Yes |
| Guichet Unique Operationalized | Guichet Unique Operationalized | Date at which the Guichet Unique is staffed at least 75% and has a budget to operate | Date | NA | February 14, 2022 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| IPP/PSP Procurement Framework Developed | IPP/PSP Procurement Framework Developed | Date at which the IPP/PSP Procurement Framework is formally validated by the Government of Senegal | Date | NA | March 4, 2021 | Yes |
| Ancillary Services Recommendations and Plan Adopted | Ancillary Services Recommendations and Plan Adopted | Date at which the Ancillary Services Recommendations and Plan is formally adopted by the Government of Senegal | Date | NA | October 25, 2021 | Yes |
| Market Opening Transition Plan Developed | Market Opening Transition Plan Developed | Date at which the Market Opening Transition Plan is formally adopted by the Government of Senegal | Date | NA | April 26, 2021 | Yes |
| Tariff Reform Study Completed | Tariff Reform Study Completed | Date at which Tariff Reform Study is formally accepted by MCA Senegal II | Date | NA | January 23, 2020 | Yes |
| Regulations Supporting Cost, Quality, and Access Goals Reinforced and Developed | TBD | TBD | TBD | TBD | TBD | Yes |
| New organizational structured for CRSE Developed and Approved | New organizational framework for CRSE | Date at which CRSE adopts a new organizational framework in line with its strategic objectives developed with MCC assistance | Date | NA | November 26, 2021 | Yes |
| CRSE career development plan completed | CRSE staff development plan completed | Date at which CRSE adopts a staff development plan developed with MCC assistance | Date | NA | May 27, 2021 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| New Salary Recommendations Proposed and Made Policy | Adoption of new salary structure | Date at which CRSE formally adopts new salary structure developed with MCC assistance | Date | NA | May 27, 2021 | Yes |
| Training provided | Number of CRSE staff trained | Number of CRSE staff participating in a full training course or module funded by MCC | Number | 0 | TBD | Yes |
| Technical assistance provided | Technical assistance provided | Number of individuals benefiting from at least 40 hours of technical assistance | Number | 0 | TBD | Yes |
| New Recruits Hired | Number of new technical staff members hired | Number of new technical staff members hired by CRSE with MCC technical and financial assistance | Number | 0 | TBD | Yes |
| Financial Autonomy Plan Adopted | Financial Autonomy Plan Adopted | Date at which Financial Autonomy Plan Adopted by Parliament and the MPE | Date | NA | December 29, 2021 | Yes |
| Communications Plan Implemented | Communications Plan Implemented | Date at which CRSE communications staff are actively working on tasks directly related to the communications plan | Date | NA | April 3, 2023 | Yes |
| Grid Audit and Licensee Conformity Assessment Completed | TBD | Date at which Grid Audit Completed | Date | NA | February 28, 2020 | Yes |
| Regulatory Enforcement Organizational | Regulatory Enforcement Organizational | TBD | TBD | TBD | June 17, 2021 | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Development and Empowerment Strategy Developed | Development and Empowerment Strategy Developed | | | | | |
| Decentralized organizational structure of Senelec's Transmission and Energy Purchases Directorate (DTAE) is adopted | Senelec's adoption of DTAE's new decentralized organizational structure | Date at which a new decentralized organizational structure of DTAE is approved by the Senelec Board of Directors | Date | NA | TBD | Yes |
| Technical assistance is provided | Number of individuals benefiting from technical assistance | Number of individuals benefiting from at least 20 hours of technical assistance aimed at improving Senelec's capacity to manage the transmission network | Number | 0 | TBD | Yes |
| Software to forecast renewable energy production is in operation | Forecasting software is in operation | Date at which the software to forecast renewable energy production is in operation | Date | NA | TBD | Yes |
| The computerized maintenance management system (CMMS) is extended to mobile applications for field technicians | TBD | TBD | TBD | TBD | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Unmanned aerial vehicle provided to better assess maintenance needs | Use of unmanned aerial vehicle to visit lines | Date on which the UAV is procured by Senelec with MCC assistance | Date | NA | TBD | Yes |
| Security procedures are updated | Updated security procedures | Date on which the DTAE's security procedures are updated based on MCC's technical assistance | TBD | TBD | TBD | Yes |
| Trainings provided | Number of DTAE staff trained | Number of Senelec staff participating in a full training course or module provided through MCC assistance | Number | 0 | TBD | Yes |
| Senelec staff participate in technical conferences and works | Number of Senelec staff participating in technical conferences and workshops | Number of Senelec staff participating in technical conferences and workshops | Number | 0 | TBD | Yes |
| Improved maintenance | (P-13) Maintenance expenditure-asset value ratio | Actual maintenance expenditures / Total value of fixed assets | Percent | TBD | TBD | Yes |
| Software licenses needed to manage MV network data base are acquired | Number of software licenses acquired | Total number of individual software licenses acquired (software includes ESRI, ARCGIS, ETL, and FME) | Number | Value: 0<br>Year: NA | TBD | Yes |

| Result | Indicator | Definition | Unit | Baseline | Compact Target | ITT Indicator (Y/N) |
|---|---|---|---|---|---|---|
| Database of MV network is completed | Completeness of MV network database | Kilometers of MV lines in the data base / Total kilometers of MV lines | Percent | Value: 0<br><br>Year: NA | Value: 100<br><br>Year: 2024 | Yes |
| Analytical accounting and budget management based on Activity-based costing (ABC) method is adopted | Analytical accounting and budget management adopted | Date at which Senelec adopts the ABC method of analytical accounting and budget management | Date | NA | March 31, 2021 | Yes |
| Audit of Oracle applications completed | Audit of Oracle applications | Date at which the final report of the Oracle application audit is approved by MCA-Senegal II | Date | NA | March 30, 2021 | Yes |
| Equipment provided to the logistical unit of the Directorate of Asset and Procurement Management (DAPA), Directorate of Information Services (DSI), and Directorate for Financial Accounting (DFC) | Equipment provided | Dollar value of equipment provided with MCC assistance | US Dollar | Value: 0<br><br>Year: NA | TBD | Yes |

## 4. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation, and (iii) special studies, each of which is further described in the MCC M&E Policy.

(a) Independent Evaluations. Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Senegal II is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim/final reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate.

Transmission Project: This Project's evaluation shall assess three levels of outcomes: grid, sector, and beneficiary. First, grid-level outcomes relate to improvements in the transmission network's performance, such as the reliability, stability, and quantity of electricity transmitted. Sector-level outcomes include the increased dispatching of least-cost generation sources and its effect on the sector's financial viability. Beneficiary-level outcomes relate to the experience of electricity users (households and firms), which may include less damage to equipment due to power surges or increased hours of operation.

A performance evaluation is expected for this Project. Changes in grid-level outcomes in the Dakar Loop and Transformer Replacement Activity areas could be reasonably attributed to the project as these are technical outcomes driven by technical improvements. The contribution of other donors' complementary investments in the high voltage transmission network would need to be appropriately reflected. Attribution shall be more difficult to determine for changes in beneficiary-level outcomes, as there are numerous influencing factors other than electricity and establishing a valid counter-factual.

A list of potential evaluation questions and corresponding indicators is included below:

| **Evaluation Questions** | **Indicators** |
|---|---|
| What changes (if any) did the Project have on the network's reliability, stability, and efficiency? | Non-distributed energy, System average interruption duration and frequency indices, Technical losses |
| What changes (if any) did the Dakar Loop Activity have on the quantity of electricity dispatched in the greater Dakar region? Were the Project's assumptions related to electricity supply and distribution network extensions used to justify the investment reasonable and/or realized? | Electricity supply |
| Did the Project influence the private sector's decisions to invest in power generation in Senegal? | Private sector participation in electricity generation[5] |
| Did the Project increase the amount of electricity being dispatched from renewable energy sources? | (P-26) Share of renewable energy in the country, Share of renewable energy in electricity supply, Utilization of renewable energy power plants |
| Did the Project decrease power generation costs? | Generation cost |
| Did the Project improve utility's cost-recovery? | (P-24) Operating cost-recovery ratio, Quasi-fiscal deficit[6] |
| Did electricity consumption per capita increase in the Project areas? | Electricity supply, Electricity demand met, Electricity sales |
| What changes (if any) did the Project have on the level and composition of energy expenditures of grid-connected consumers? | Energy expenditures of firms and households |
| What changes (if any) did the Project have on firm production costs and productivity? | Production costs, Firm productivity |

<u>Access Project</u>: Building off of MCA Senegal II's monitoring and evaluation efforts, the Access Project's independent evaluation seeks to understand the drivers and determinants of new electricity connections and electricity consumption levels in rural Senegal. It is also expected to use a quasi-experimental design to assess the Project's impact on key beneficiary outcomes, such as energy expenditures, productive use of electricity, and time savings. The evaluation shall also analyze the contribution and the cost-effectiveness of the different project components. The evaluation may also leverage geo-spatial analysis to estimate and interpret project impacts. Finally, the evaluation may assess outcomes as long as five to eight years after the infrastructure is completed to better understand how adoption rates evolve over time.

[5] This indicator currently is included in the Reform Project, but not the Transmission Project.
[6] These two indicators currently are included in the Reform Project, but not the Transmission Project.

A list of potential evaluation questions and corresponding indicators is included below:

| Evaluation Questions | Indicators |
|---|---|
| To what extent did following variables affect connection rates and electricity consumption?<br>• Being a beneficiary of the information education campaign<br>• Understanding the connection process<br>• Understanding how electricity can be used for productive purposes<br>• Primary source of household income<br>• Distance from nearest household connection<br>• Distance from the grid or transformer<br>• Service interruptions<br>• Quality of customer service<br>• Income level, regularity, and predictability<br>• Socio-economic characteristics such as household size | (P-25) Percentage of households connected to the national grid<br>Electricity consumption in MCC's intervention areas |
| How did the number of customers connected to the grid change as a result of the Project? | (P-25) Percentage of households connected to the national grid |
| Did electricity consumption per capita in target areas increase as a result of the Project? How much of this increase (if observed) was for productive uses? | Electricity consumption in MCC's intervention areas<br>Productive use of electricity |
| Was new electricity consumption associated with a decrease in overall energy expenditures? Was energy consumption levels associated with the scale of savings? | Energy expenditures |
| How did connection rates and electricity consumptions levels evolve in the intervention areas in the five years following the construction of distribution lines? | (P-25) Percentage of households connected to the national grid<br>Electricity consumption in MCC's intervention areas |
| What is the Project's estimated economic rate of return? | Land value |
| Did Senelec's customer service improve? | Customer satisfaction index |
| Did ownership of electrical appliances increase? What changes, if any, occurred in the size of the market for electrical appliances? | Ownership of electrical appliances and equipment |
| Is increased knowledge of the connection process associated with higher connection rates? | Percent of households and firms who understand the connection process<br>(P-25) Percentage of households connected to the national grid |
| Are increase in women's use of electricity for productive purposes and adoption of time-saving equipment correlated? | Productive use of electricity<br>Time savings |
| Is women's adoption of time-saving equipment associated with different time use and the welfare of children and youth, such as school attendance? | Time savings<br>Increased study time of children |

<u>Reform Project.</u> This study shall be a performance evaluation. It is expected to draw heavily from quantitative data on electricity service providers' financial performance (e.g. earnings) and technical performance (e.g. losses, outages, and new connections). Qualitative data is expected

to interpret quantitative data and to provide information where quantitative data is unavailable or prohibitively expensive to obtain.

The evaluation methodology is expected to include some form of system-level or political economy analysis. Such an approach should provide insights in how the relationships among actors have changed and what those changes imply for the sustainability of outcomes. Such an analysis would also explain the relative success of the different reform aspects.

A list of potential evaluation questions and corresponding indicators is included below:

| **Evaluation Questions** | **Indicators** |
|---|---|
| ***Project-level outcomes*** | |
| Did the long-run marginal (or other similar) cost of electricity decrease? | Adjusted cost of service (Maximum Revenue Allowed (RMA), long-run marginal cost, or other) |
| Did consumer surplus for high quality electricity increase? | Consumer surplus for quality electricity service |
| Did the utility's cost-recovery ratio improve? How about for other major electricity service companies? | Operating cost-recovery ratio |
| ***Project implementation*** | |
| What were the changes (if any) during implementation? What were the reasons for any these changes? How did they affect or are expected to affect the Project's outcomes? | All output indicators |
| To what extent did implementation contractors and implementing entities monitor and analyze sector dynamics and adjust accordingly? | Not linked to a specific measurable outcome as this question is related to the implementation process itself |
| Was the implementation approach based on evidence of promising practices found in the policy reform and institutional development literature? | |
| ***Sector Governance Activity*** | |
| How did the Project influence the national utility's cash flow? Did improvements in the national utility's cash flow lead to more public sector investment in service improvements and rural electrification? | Operating cash flow ratio |
| How do management practices of unbundled entities compare to those of Senelec? | TBD |
| Did actors perceive the road map, action plan, and electricity code as being helpful for improving service quality and access? | Sector stakeholder understanding of new sector policies and regulations |
| Did the creation of a Transmission System Operator (TSO) lead to lower dispatched and contracted power pricing? | Share of least cost generation sources in total energy transmitted<br>Power price in Power Purchase Agreements |
| How do existing and new companies in Senegal's electricity sector perceive the legal and regulatory framework? | Sector stakeholder understanding of new sector policies and regulations |
| Did competition for large procurements in Senegal's electricity sector improve during and immediately after the Compact? | Average number of companies competing on large procurements |
| Did the financial viability of rural electrification operators improve during the Compact? | Cost-recovery ratio of rural on-grid and off-grid operators |
| Did the Ministry of Energy adopt new policies and practices that have improved planning and coordination? | Adoption of integrated investment planning framework |

| | |
|---|---|
| What improvements (if any) in the sector's planning and coordination have occurred? Have these lead to lower contracted power pricing and higher quality electricity services being procured? | Adoption of integrated investment planning framework<br>Share of least cost generation sources in total energy transmitted |
| ***Regulatory Strengthening Activity*** | |
| Did the sector regulator become more active and effective in monitoring the standards and obligations of electricity sector actors? | TBD |
| How and to what extent did the regulator's actions reduce costs in the sector? | Adjusted cost of service (Maximum Revenue Allowed (RMA), long-run marginal cost, or other) |
| To what extent is the regulator implementing the adopted tariff plan? | (P-14) Cost-reflective tariff regime |
| To what extent do sector stakeholders understand and adhere to new sector regulations and policies? | Sector stakeholder understanding of new sector policies and regulations |
| Do sector stakeholders perceive the regulatory processes as being equitable? | TBD |
| Did the new regulatory framework and actions of the regulator improve the (operational and capital) efficiency of electricity service operators? | Cost-recovery ratio of electricity service operators |
| ***Utility Strengthening Activity*** | |
| Was Senelec's analysis of drivers of weak performance credible? | TBD |
| Did Senelec's capacity to manage the transmission and distribution networks improve? Did such improvements result in reduced service interruptions and reduced life cycle costs? | SAIDI, SAIFI, life-cycle costs |
| Did Senelec propose and implement realistic and appropriate recommendations to address those drivers? | TBD |
| Did Senelec's implementation of performance improvement measures improve performance? | System losses, SAIDI, SAIFI, |

The M&E Plan shall contain the evaluation Indicators listed in Schedule A.

(b) Self-Evaluation. Upon completion of the Compact Term, both MCC and MCA-Senegal II shall comprehensively assess three fundamental questions: (i) Did the Program meet the Objectives; (ii) Why did the Program meet or not meet the Objectives; and (iii) What lessons can be learned from the implementation experience (both procedural and substantive). The MCA-Senegal II staff shall draft the Compact Completion Report (***"CCR"***) in the last year of the Compact Term to evaluate these fundamental questions and other aspects of Program performance. Each MCA-Senegal II department shall be responsible for drafting its own section of the CCR for its own activities, subject to cross-departmental review.

(c) Special Studies. Plans for conducting special studies shall be determined jointly between the MCA-Senegal II and MCC before the approval of the M&E Plan. The M&E Plan shall identify and make provision for any special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies o*r ad hoc* evaluations of Projects, Activities, or the Program as a whole, prior to the expiration of the Compact Term.

The results of all evaluations shall be made publicly available in accordance with the MCC M&E Policy.

**4. Data Quality Reviews**

Data Quality Reviews ("***DQR***") are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: a) quality of data, b) data collection instruments, c) survey sampling methodology, d) data collection procedures, e) data entry, storage and retrieval processes, f) data manipulation and analyses and g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The frequency and timing of data quality reviews must be set forth in the M&E Plan; however MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

**5. Other Components of the M&E Plan**

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

(a) Data Management System. The M&E Plan shall describe the information system that shall 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 accessible and useful to those who wish to use it.

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

**6. Responsibility for Developing the M&E Plan**

MCC desires to "[refrain] from requesting the introduction of performance indicators that are not consistent with countries' national development strategies." For this reason, primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Senegal II with support and input from MCC's M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Senegal II leadership and sector leads, the MCC Resident Country Mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Senegal II Project/Activity leads are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

**7. Approval and Implementation of the M&E Plan**

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Senegal

II must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

**8. Post-Compact M&E Plan**

As part of the planning process for winding up the Program at the end of the Compact Term, MCC and MCA-Senegal II shall develop a post-Compact M&E Plan designed to observe the persistence of benefits created under this Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that are going to undertake these activities, and provide a budget framework for future monitoring and evaluation. The post-Compact M&E Plan should build directly off the Compact M&E Plan.

## ANNEX IV

## CONDITIONS PRECEDENT

## TO DISBURSEMENT OF COMPACT CDF

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact CDF (each a "***Compact CDF Disbursement***"). Upon signature of the Program Implementation Agreement, each Compact CDF Disbursement shall be subject to the terms of the Program Implementation Agreement in addition to the terms set forth in this Annex IV.

**1. Conditions Precedent to Initial Compact CDF Disbursement.**

Each of the following must have occurred or been satisfied, in form and substance acceptable to MCC, prior to the initial Compact CDF Disbursement:

(a) The Government (or UFC-MCA Sénégal or MCA-Senegal II) has delivered to MCC:

(i) an updated spinning reserves strategy and action plan adopted by Senelec, including a timeline for implementation, sufficient to ensure the spinning reserves level required for the stability of the network;

(ii) an interim fiscal accountability plan acceptable to MCC; and

(iii) a Compact CDF procurement plan acceptable to MCC.

**2. Conditions Precedent to Subsequent Compact CDF Disbursements.**

(a) Prior to the third Compact CDF Disbursement, the Government (or MCA-Senegal II) shall have signed a contract for a management oversight and social environmental support consultant.

**3. Conditions Precedent to all Compact CDF Disbursements (Including Initial Compact CDF Disbursement).**

Each of the following must have occurred or been satisfied prior to each Compact CDF Disbursement:

(a) The Government (or MCA-Senegal II) has delivered to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;

(ii) a certificate of the Government (or MCA-Senegal II), dated as of the date of the Compact CDF Disbursement Request, in such form as provided by MCC;

(iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and

(iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.

(b) If any proceeds of the Compact CDF Disbursement are to be deposited in one or more bank accounts, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

(c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) the activities being funded with such Compact CDF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and are not expected to violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation, or responsibility by the Government, MCA-Senegal II, or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested are not expected to violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments, or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any Compact CDF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Senegal II) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such Compact CDF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for any relevant Projects or Activities and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate, or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Senegal II have been removed or resigned and the position remains vacant, MCA-Senegal II is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

**ANNEX V**

**ADDITIONAL CONDITIONS PRECEDENT**

**TO ENTRY INTO FORCE**

The following additional conditions must be met before this Compact enters into force:

(a) The Government shall have formally adopted and validated, through a transparent, open, consultative process engaging relevant Government and non-Government stakeholders, its final selection of an alternative presented by the Roadmap, which process shall include, without limitation, a national workshop.

(b) The Government shall adopt and enact an electricity code reflecting the Roadmap and providing for, among other things: (i) an integrated investment planning framework; (ii) third party access to the network for eligible customers, (iii) competitive bidding for independent power producers and other private sector participants under the purview of the sector regulator and/or an independent body, and (iv) for the creation of a separate transmission system operator.

(c) The Government shall have adopted, and made an initial Payment under, an electricity sector repayment plan (the "***Sector Repayment Plan***") pursuant to which the Government shall make Payments to reduce the Outstanding Government Sector Financial Obligations to zero by the end of the Compact Term. The initial Payment under the Sector Repayment Plan shall be equal to the amount required to reduce the Outstanding Government Sector Financial Obligations by 50 percent.

(d) The Government shall enter into, or shall cause Senelec to enter into, an appropriate instrument or agreement to monitor and provide financial incentives for Senelec's performance on key performance indicators.

(e) The Government shall adopt the Tariff Plan, in form and substance satisfactory to MCC, and before each subsequent Disbursement of Program Funding, MCC shall be satisfied that the Government remains in compliance with such Tariff Plan.

# ANNEX VI

## SPECIFIC TAX EXEMPTION MECHANISMS[7]

[7] Note that throughout this Annex VI to the Compact, wherever a timeline or deadline is presented, such timeline or deadline commences upon receipt of a validly completed application, approval request, invoice, or other document (as required and applicable). In the event that such application, approval request, invoice, or other document is incorrectly completed or insufficient, MCA-Senegal II, or the submitting entity (as the case may be), shall withdraw such application and take measures to correct such deficiencies.

## SCHEDULE A

## VALUE ADDED TAX (VAT)[8]

**LEGAL BASIS FOR EXEMPTION.**

1. The Compact
2. Applicable provisions of the *Code Général des Impôts*
3. Applicable *textes d'application*

**BENEFICIARIES OF EXEMPTION.**

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

**PROCEDURES.**

**A. Local Purchases[9] by MCA-Senegal II.**

- MCA-Senegal II 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 II submits the final invoice to the "*Direction Generale des Impots et Domaines*" ("***DGID***") of the Ministry of Economy, Finance and Planning, 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 II may also submit the final invoice together with a copy of its "*Attestation d'Exoneration*" ("***AE***") and a copy of the Compact.
- Within 72 hours, DGID stamps the final invoice and returns the same to MCA-Senegal II and the purchase(s) can be made by MCA-Senegal II 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 II for approval and onward submission to DGID.

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[8] To the extent that VAT is imposed at the port of entry ("*bureau d'entrée*") on imported goods, together with custom duties, the applicable tax exemption procedures are described in Schedule B below.

[9] "Local Purchases" refers to the purchase of goods, works or services in Senegal not requiring importation.

[10] For efficiency, the request may reflect the amount of goods needed for several months.

[11] For efficiency, the request may reflect the amount of goods needed for several months.

- MCA-Senegal II submits a request to DGID with the final invoice, 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 II may also submit the final invoice together with a copy of its AE and a copy of the Compact.
- Within 72 hours, DGID stamps the final invoice and returns the same to MCA-Senegal II.
- MCA-Senegal II 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. Applicable provisions of the *Code des Douanes*
3. Applicable *textes d'application*

**BENEFICIARIES OF THE EXEMPTION.**

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

**PROCEDURES.**

**A. Purchases of Imported Goods by MCA-Senegal II.**

- MCA-Senegal II 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 II properly signs the TE and submits a request to the "*Direction Generale des Douanes*" ("***DGD***") of the Ministry of Economy, Finance and Planning, 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 copies of the *pro forma* invoice are attached to the request.
- Within 72 hours, the DGD stamps the TE, and the *pro forma* invoices, and returns all of the documents (collectively, the "***Approval Documents***") to MCA-Senegal II.
- MCA-Senegal II provides the Approval Documents to its "*Commissionnaire Agréé en Douane*" to prepare a "*Declaration de Douane*" ("***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 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*").

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

## B. Purchases of Imported Goods by any Implementing Entity or any Vendor.

- The Implementing Entity/Vendor submits a request to MCA-Senegal II, which shall include (i) seven 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 II, 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 72 hours, the DGD stamps the Approval Documents and returns the Approval Documents to MCA-Senegal II.
- MCA-Senegal II 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 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 Automobiles, Machinery, and Heavy Equipment by Vendors.[14]

- The Vendor 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 any automobile(s), machinery, and heavy equipment to be imported, and prepares a request for the temporary admission of such automobile(s), machinery, and heavy equipment (a "***Temporary Admission Request***").
- MCA-Senegal II, on the Vendor's behalf, submits the Temporary Admission Request and seven copies of the *pro forma* invoice to the directorate in charge of facilitation within DGD as soon as practicable.
- Within 72 hours, DGD stamps the Temporary Admission Request and the *pro forma* invoices, which permits the applicable automobile(s), machinery, or heavy equipment

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[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 automobiles, machinery, and heavy equipment if such automobiles, machinery, or heavy equipment are to be re-exported upon the earlier of (i) the completion of the applicable contract or (ii) the expiration or termination of the Compact, including the period up to 120 days following the expiration of the Compact Term; *provided that* such automobile(s), machinery, or heavy equipment are used solely for Compact-related work. If such automobile(s), machinery, or heavy equipment are later sold, donated, or disposed in Senegal, or are used in Senegal in connection with work that is not related to the Program, then the *pro rata* share of the applicable Taxes must be paid at such time in accordance with the laws of Senegal.

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 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 such automobile(s), machinery, or heavy equipment 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 automobile(s), machinery, or heavy equipment, as indicated on the *pro forma* invoice. COTECNA shall identify the origin of the automobile(s), machinery, or heavy equipment, obtain the actual price of such automobile(s), machinery, or heavy 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, DGD shall 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 automobile(s), machinery, or heavy 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 automobile(s), machinery, or heavy 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 12 months until the earlier of (i) the completion of the applicable agreement or contract, (ii) the end of the work related to the Program and/or (iii) the expiration or termination of the Compact, including the period up to 120 days following expiration of the Compact Term.
- If the duration of the work related to the Program exceeds 12 months, the Vendor shall submit two requests to MCA-Senegal II (for onward submission to the directorate in charge of facilitation within the DGD) prior to the expiration of original Temporary Admission Request:
  - a request for exemption from any Taxes payable on any automobile, machinery, or heavy 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 Program and/or (iii) the expiration or termination of the Compact, including the period up to 120 days following the expiration of the Compact Term, the automobile(s), machinery, or heavy equipment must be re-exported or placed in a bonded warehouse. DGD must provide prior authorization for the automobile(s), machinery, or heavy equipment to be released for use, sale, donation, or other disposal in Senegal, and the *pro rata* share of any applicable Taxes must be paid at such time in accordance with the laws of Senegal.

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**SCHEDULE C**

**CORPORATE INCOME TAX**

**<u>LEGAL BASIS FOR EXEMPTION</u>.**

1. The Compact
2. Applicable provisions of the *Code Général des Impôts*
3. Applicable *textes d'application*

**<u>BENEFICIARIES</u>.**

All Vendors, 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 <u>Schedule C</u>, 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 during the Compact Term regardless of: (i) the type of agreement or contract used to employ or engage such Vendor; (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.

**<u>PROCEDURES</u>.**

- 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 both 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 II confirming that the goods, services or works to be provided under the Compact Contract form a part of the 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. Applicable provisions of the *Code Général des Impôts*
3. Applicable *textes d'application*

**BENEFICIARIES.**

Physical persons (including consultants), other than citizens and permanent residents of Senegal, working in connection with the Program (each an "***Exempt Person***"); *provided that* in determining if an individual is a citizen or 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 during the Compact Term 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 both 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. Applicable provisions of the *Code Général des Impôts*
3. Applicable provisions of the *Code des Douanes*
4. Applicable *textes d'application*

**BENEFICIARIES.**

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

**PROCEDURES.** [15]

**A. Purchases of Fuel by MCA-Senegal II through Gas Coupons.**

- MCA-Senegal II 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.[16]
- MCA-Senegal II 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 copies of the *pro forma* invoice are attached to the request.
- Within 72 hours, DGD stamps the TE and the *pro forma* invoices (collectively, the "***Fuel Approval Documents***") and returns the same to MCA-Senegal II.
- Thereafter, MCA-Senegal II submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.
- Within 72 hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- The stamped Fuel Approval Documents shall entitle MCA-Senegal II 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.

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[15] With respect to the exemptions set forth in Sections A-D of this Schedule E, note that requests for exemption must be submitted quarterly or semi-annually.

[16] The TE is actually completed by MCA-Senegal's "*Commissionnaire Agréé en Douane*" with the appropriate customs code.

- 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 II, which shall include (i) seven 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.[17]
- MCA-Senegal II, 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 72 hours, DGD stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- Thereafter, MCA-Senegal II submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.
- Within 72 hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- MCA-Senegal II 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.

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[17] The TE is actually completed by the Implementing Entity/Vendor's "*Commissionnaire Agréé en Douane*" with the appropriate customs code.

## C. Purchases of Fuel by MCA-Senegal II To Be Imported in Bulk.[18]

- MCA-Senegal II obtains a *pro forma* invoice from an 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.[19]
- MCA-Senegal II 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 copies of the *pro forma* invoice are attached to the request.
- Within 72 hours, DGD stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- Thereafter, MCA-Senegal II submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.
- Within 72 hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- MCA-Senegal II 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 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.[20]

- The Implementing Entity/Vendor submits a request to MCA-Senegal II, which shall include (i) seven 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.[21]
- MCA-Senegal II, 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.

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[18] Note that the import of bulk fuel in Senegal requires a specific import license issued by the Ministry of Energy. Nothing in this <u>Annex VI</u> to the Compact is intended to exempt any entity from, or otherwise change, such licensing requirement under the applicable laws of Senegal.

[19] The TE is actually completed by MCA-Senegal's "*Commissionnaire Agréé en Douane*" with the appropriate customs code.

[20] Note that the import of bulk fuel in Senegal requires a specific import license issued by the Ministry of Energy. Nothing in this <u>Annex VI</u> to the Compact is intended to exempt any entity from, or otherwise change, such licensing requirement under the applicable laws of Senegal.

[21] The TE is actually completed by the Implementing Entity/Vendor's "*Commissionnaire Agréé en Douane*" with the appropriate customs code.

- Within 72 hours, DGD stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- Thereafter, MCA-Senegal II submits the Fuel Approval Documents to DGID requesting the exoneration of any additional Taxes.
- Within 72 hours, DGID stamps the Fuel Approval Documents and returns the same to MCA-Senegal II.
- MCA-Senegal II 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 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

**<u>LEGAL BASIS FOR EXEMPTION</u>.**

1. The Compact
2. Applicable provisions of the *Code Général des Impôts*
3. Applicable *textes d'application*

**<u>BENEFICIARIES</u>.**

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

**<u>PROCEDURES</u>.**

**A. MCA-Senegal II.**

- At the time MCA-Senegal II presents the applicable Compact Contract to DGID to be stamped and/or registered, MCA-Senegal II 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 II confirming that the goods, services or works to be provided under the Compact Contract form a part of the Program.
- Upon presentation of such documentation, DGID shall stamp and/or register the applicable Compact Contract without charge and free from any applicable Taxes.

**ANNEX VII**

**DEFINITIONS**

***Access Project*** *has the meaning provided in Section B.2(a) of* *<u>Annex I</u>*.

***Access Project Objective*** *as the meaning provided in Section 1.2(b).*

***Activity*** *has the meaning provided in Section B of* *<u>Annex I</u>*.

***Additional Representative*** *has the meaning provided in Section 4.2.*

***AE*** *has the meaning provided in* *<u>Schedule A</u>* *of* *<u>Annex VI</u>*.

***AFD*** *has the meaning provided in Section A.1(b) of* *<u>Annex I</u>*.

***AfDB*** *has the meaning provided in Section A.1(a) of* *<u>Annex I</u>*.

***Annex*** *has the meaning provided in Section 6.1.*

***Approval Documents*** *has the meaning provided in* *<u>Schedule B</u>* *of* *<u>Annex VI</u>*.

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

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

***Bank*** *means the financial institution approved by MCC to hold MCA-Senegal II's Permitted Account.*

***Bank Agreement*** *means an agreement, in form and substance satisfactory to MCC, between MCA-Senegal II and the Bank that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to MCA-Senegal II's Permitted Account.*

***Baseline*** *has the meaning provided in* *<u>Annex III</u>*.

***Board of Directors*** *has the meaning provided in Section C.1(a) of* *<u>Annex I</u>*.

***CBA*** *has the meaning provided in* *<u>Annex III</u>*.

***CCR*** *has the meaning provided in* *<u>Annex III</u>*.

***CDF Agreement*** *has the meaning provided in Section 3.2(b).*

***Cellule*** *has the meaning provided in Section C.1(d) of* *<u>Annex I</u>*.

***Common Indicators*** *has the meaning provided in* *<u>Annex III</u>*.

***Compact*** *has the meaning provided in the Preamble.*

***Compact CDF*** *has the meaning provided in Section 2.2(a).*

***Compact CDF Disbursement** has the meaning provided in Annex IV.*

***Compact CDF Disbursement Request** means a Disbursement Request pertaining to Compact CDF.*

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

***Compact Goal** has the meaning provided in Section 1.1.*

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

***Compact Term** has the meaning provided in Section 7.4.*

***Consumer Demand Support Activity** has the meaning provided in Section B.2(a)(ii) of Annex I.*

***Covered Provider** has the meaning provided in the Audit Guidelines.*

***CRSE** has the meaning provided in Section B.3(a) to Annex I.*

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

***Detailed Financial Plan** means the financial plan developed and implemented by MCA-Senegal II for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact, in accordance with the Reporting Guidelines, setting forth funding requirements for the Program (including administrative costs) and for the Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis.*

***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.*

***Disbursement Period** means each quarter, or any other period of time as agreed between MCA-Senegal II and MCC, during which MCA-Senegal II submits to MCC a Disbursement Request for funding.*

***Disbursement Request** means a request by MCA-Senegal II to MCC for Program Funding or Compact CDF, respectively, submitted in accordance with the Reporting Guidelines.*

***Distribution Network Reinforcement Activity** has the meaning provided in Section B.2(a)(iii) of Annex I.*

***DQRs** has the meaning provided in Annex III.*

***ERR** has the meaning provided in Annex III.*

***ESIA** has the meaning provided in Section B.1(b) of Annex I.*

***ESMP** has the meaning provided in Section B.1(b) of Annex I.*

***ESMS*** *has the meaning provided in Section B.3(a)(iii)(D) of* *Annex I.*

***EU*** *has the meaning provided in Section A.1(b) of* *Annex I.*

***Evaluation Component*** *has the meaning provided in* *Annex III.*

***Excess Compact CDF 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.*

***Fiscal Accountability Plan*** *means the manual, to be developed and implemented by MCA-Senegal II (as approved by MCC) setting forth the principles, mechanisms and procedures that MCA-Senegal II shall use to ensure appropriate fiscal accountability for the use of MCC Funding, including the process to ensure that open, fair, and competitive procedures shall be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works, and services.*

***Fiscal Agent*** *has the meaning provided in Section C.3 of* *Annex I.*

***Fiscal Agent Agreement*** *means an agreement between MCA-Senegal II and the Fiscal Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.*

***Fiscal Agent Disbursement Certificate*** *means a certificate of the Fiscal Agent, substantially in the form provided by MCC.*

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

***Goal Indicator*** *has the meaning provided in* *Annex III.*

***Government*** *has the meaning provided in the Preamble.*

***Government Contribution*** *has the meaning provided in Section 2.6(a).*

***Grant*** *has the meaning provided in Section 3.6(b).*

***Grid Stabilization Activity*** *has the meaning provided in Section B.1(a)(iii) of* *Annex I.*

***HFO*** *has the meaning provided in* *Annex III.*

***IFC*** *has the meaning provided in Section A.1(b) of* *Annex I.*

***Implementation Letters*** *has the meaning provided in Section 3.5.*

***Implementation Plan*** *refers to the collective four Implementation Plan Documents, in form and substance approved by MCC, elaborating the framework for implementation of the Program.*

***Implementation Plan Document*** *means each of (i) a Work Plan, (ii) a Detailed Financial Plan, (iii) an Audit Plan and (iv) a Procurement Plan.*

***Implementing Entity** has the meaning provided in Section C.2 of Annex I.*

***Implementing Entity Agreement** has the meaning provided in Section C.2 of Annex I.*

***Indicator Tracking Table** and **ITT** have the meaning provided in Annex III.*

***Indicators** has the meaning provided in Annex III.*

***Initial Compact CDF Disbursement** means the first Disbursement relating to Compact CDF.*

***Inspector General** has the meaning provided in Section 3.7(c).*

***Intellectual Property** means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.*

***IPP** has the meaning provided in Section A.1(a) of Annex I.*

***IsDB** has the meaning provided in Section B.1(d) of Annex I.*

***KfW** has the meaning provided in Section A.1(b) of Annex I.*

***KPI** has the meaning provided in Section B.3(a)(iii)(B) of Annex I.*

***kV** has the meaning provided in Section B.1(a)(i) of Annex I.*

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

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

***Management Unit** has the meaning provided in Section C.1(a) of Annex I.*

***Maximum Revenue Allowed or RMA** means the ceiling income to cover Senelec's operating and maintenance expenses and taxes, and to provide Senelec with a return on assets at the normal rate of return in accordance with its terms of reference. This income, set by the CRSE, is collected from electricity sales and compensation, as applicable, and takes into account royalties and possibly income adjustments and penalties.*

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

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

***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*** *means the MCC Gender Policy (including any guidance documents issued in connection with such policy).*

***MCC M&E Policy*** *has the meaning provided in* *Annex III*.

***MCC Program Closure Guidelines*** *means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).*

***MCC Program Procurement Guidelines*** *has the meaning provided in Section 3.6(a).*

***MCC Website*** *means the MCC website at* [www.mcc.gov](http://www.mcc.gov).

***Ministry of Energy*** *has the meaning provided in Section B.3(a) of* *Annex I*.

***Monitoring Component*** *has the meaning provided in Annex III.*

***Multi-Year Financial Plan Summary*** *has the meaning provided in* *Annex II*.

***MV*** *has the meaning provided in Section B.2(a)(i) of* *Annex I*.

***MVA*** *has the meaning provided in Section B.1(a)(i)(B) of* *Annex I*.

***MW*** *has the meaning provided in Section A.1(a) of* *Annex I*.

***Outstanding Government Sector Financial Obligations*** *means a fixed amount equal to the total financial obligations owed by the Government to Senelec, which the Parties estimate to be approximately 223 billion CFA.*

***Party*** *and* ***Parties*** *have the meaning provided in the Preamble.*

***Payment*** *means any actual distribution of funding to Senelec by the Government, and/or any other payment or action by the Government resulting in a reduction of Senelec's total financial liabilities, in each case evidenced by a relevant transfer or payment instrument.*

***Periodic Reports*** *means the reports and information that MCA-Senegal II shall periodically provide to MCC, in form and substance satisfactory to MCC, as required by the Reporting Guidelines.*

***Permitted Account*** *has the meaning provided in Section 2.4.*

***PPP*** *has the meaning provided in Section B.1(a)(iii) of* *Annex I*.

***Principal Representative*** *has the meaning provided in Section 4.2.*

***Procurement Agent*** *has the meaning provided in Section C.4 of* *Annex I*.

***Procurement Agent Agreement*** *means the agreement that MCA-Senegal II shall enter into with the Procurement Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions.*

***Procurement Agent Disbursement Certificate*** *means a certificate of the Procurement Agent, substantially in the form provided by MCC.*

***Procurement Plan*** *means the plan prepared by MCA-Senegal II for acquiring the goods, works, and consultant and non-consultant services needed to implement the Compact.*

***Program*** *has the meaning provided in the recitals to this Compact.*

***Program Assets*** *means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.*

***Program Funding*** *has the meaning provided in Section 2.1.*

***Program Guidelines*** *means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Guidelines for Accountable Entities and Implementation Structures, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Accountable Entity Operations, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, the MCC Guidelines for Country Contributions, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.*

***Program Implementation Agreement*** *and* ***PIA*** *have the meaning provided in Section 3.1.*

***Project*** *has the meaning provided in Section 1.2.*

***Project Objective*** *has the meaning provided in Section 1.2.*

***Provider*** *means (a) 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 (b) 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.*

***PSE*** *has the meaning provided in Section A.1(a) of Annex I.*

***RAP*** *has the meaning provided in Section B.1(b) of Annex I.*

***Reform Project*** *has the meaning provided in Section B.3(a) of Annex I.*

***Reform Project Objective*** *as the meaning provided in Section 1.2(c).*

***Regulatory Strengthening Activity*** *has the meaning provided in Section B.3(a)(ii) of Annex I.*

***Repayment Plan*** *has the meaning provided in Annex V.*

***Reporting Guidelines*** *means the MCC Guidance on Quarterly Accountable Entity Disbursement Request and Reporting Package.*

***Roadmap*** *has the meaning provided in Section B.3(a) of Annex I.*

***RPF*** *has the meaning provided in Section B.3(a)(iii)(D) of Annex I.*

***Sector Governance Activity*** *has the meaning provided in Section B.3(a)(i) of Annex I.*

***Sector Repayment Plan*** *has the meaning provided in paragraph (c) of Annex V.*

***Senegal*** *has the meaning provided in the Preamble.*

***Senelec*** *has the meaning provided in Section B.3(a) of Annex I.*

***Social and Gender Integration Plan*** *means the plan prepared in accordance with the MCC Gender Policy and the MCC Gender Integration Guidelines, as further described in the Program Implementation Agreement.*

***Supplemental Agreement*** *means any agreement between (a) the Government (or any Government affiliate, including MCA-Senegal II) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Senegal II), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.*

***Supply-Side Activity*** *has the meaning provided in Section B.2(a)(i) of Annex I.*

***Target*** *has the meaning provided in Annex III.*

***Tariff Plan*** *means the tariff plan to be adopted by the Government based on the recommendations from the tariff study to be funded under the Compact, aimed at adjusting the tariff to more fully reflect the cost of service during the Compact Term and including a commitment from the Government to pay to Senelec the compensation component of the Maximum Revenue Allowed (as determined by CRSE) each year in accordance with the Senegalese budget cycle.*

***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.*

***TIP*** *has the meaning provided in Section B.1(c) of Annex I.*

***Transformer Replacement Program Activity*** *has the meaning provided in Section B.1(a)(ii) of Annex I.*

***Transmission Network Build-out Activity*** *has the meaning provided in Section B.1(a)(i) of Annex I.*

***Transmission Project*** *has the meaning provided in Section B.1(a)*

***Transmission Project Objective*** *as the meaning provided in Section 1.2(a).*

***UFC-MCA Sénégal*** *has the meaning provided in Section 3.2(b).*

***United States Dollars or US$*** *means the lawful currency of the United States of America.*

***USAID*** *has the meaning provided in Section A.1(b) of Annex I.*

***Utility Strengthening Activity*** *has the meaning provided in Section B.3(a)(iii) of Annex I.*

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

***Work Plan*** *means the plan, in form and substance satisfactory to MCC that MCA-Senegal II shall develop and implement for the overall administration of the Program.*