Financing Agreement

(Business Environment Enhancement Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 1, 2008
FINANCING AGREEMENT

AGREEMENT dated July 1, 2008, entered into between the ISLAMIC REPUBLIC OF MAURITANIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three million and two hundred thousand Special Drawing Rights (SDR 3,200,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 15 and October 15 in each year.

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

ARTICLE III — PROJECT

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

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has adopted a Project Implementation Manual in form and substance satisfactory to the Association; and 

(b) The Recipient has opened an account at a commercial bank acceptable to the Association for the deposit of the funds for the financing of such portion of the Project’s expenditures which will not be financed from the proceeds of the Financing, and has made an initial deposit in an amount equivalent to one hundred thousand Dollars ($100,000) into said account.

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

4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is ten years after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Recipient’s minister at the time responsible for finance.

5.02. The Recipient’s Address is:

Minister of Economy and Finance
Ministry of Economy and Finance
BP 197
Nouakchott
Mauritania

Facsimile:

(222) 525.33.35

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
AGREEED at Nouakchott, Islamic Republic of Mauritania, as of the day and year first above written.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abderrahmane Ould Hama Vezaz

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ François Rantrua

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to enhance the business climate through improvement in the Recipient’s financial, legal and judicial sectors, and the regulatory environment for business, and the support of measures to restructure selected Public Enterprises.

The Project consists of the following parts:

**Part 1: Improving the business climate to foster private sector development**

Support the Recipient’s efforts to improve the business climate, and in particular to:

(a) Strengthen the financial sector and improve access to finance, including through: (i) strengthening of the institutional capacity of the Recipient’s central bank, and (ii) strengthening of the banking and microfinance sectors.

(b) Improve the legal and judicial framework for business and financial activities, including through: (i) the development of a legal framework for the creation and enforcement of security over immoveable and moveable property; (ii) the simplification of debt collection and contract enforcement mechanisms; (iii) the strengthening of judicial capacities with respect to commercial law, financial law and commercial dispute resolution; (iv) the strengthening of ethics in the judiciary; (v) the development of judicial statistics and indicators to monitor progress of the judiciary; and (vi) the improvement of the dissemination of legal information.

(c) Streamline the regulatory environment for business, including through: (i) the preparation of reforms to facilitate business start-up, simplify corporate taxation, support trading across borders; and (ii) development of a private investment promotion system.

**Part 2: Building Public-Private Partnerships and Productivity Enhancement**

Support the Recipient’s efforts to reform its public sector and enhance productivity, and in particular to:

(a) Improve corporate governance in Public Enterprises through: (i) the carrying out of operational and financial audits; (ii) the preparation of action or restructuring
plans, as needed; and (iii) the design of Performance Contracts, including a system for the monitoring and evaluation of performances; and (b) enhance strategic planning in the electricity sector.

**Part 3: Support for Project Implementation**

Support the Recipient’s efforts to manage the Project, and in particular to strengthen its fiduciary capacities (including financial management, procurement, reporting and controls, monitoring and evaluation, and communication).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Steering Committee

(a) The Recipient shall maintain, throughout Project implementation, the Steering Committee, with terms of reference, composition and resources satisfactory to the Association.

(b) Without limitation upon the provisions of subparagraph (a), the Steering Committee shall be responsible for providing overall Project strategic guidance and oversight, and shall meet at least once every quarter to review the progress in the implementation of the Project and of the Program.

2. The Project Coordination Team

(a) The Recipient shall maintain, throughout Project implementation, within the DGPIP, a Project Coordination Team with terms of reference, composition and resources satisfactory to the Association.

(b) Without limitation upon the provisions of subparagraph (a), the Project Coordination Team shall be responsible for Project implementation and coordination, monitoring and evaluation, and shall provide necessary guidance to the Executing Agencies, including technical assessment of the proposed reforms. The Recipient shall ensure that, throughout the implementation of the Project, the Project Coordination Team has sufficient resources available, including staff sufficient in number, with terms of reference, qualification and experience satisfactory to the Association including, inter alia: (i) a Project coordinator; (ii) a procurement specialist; (iii) a financial and administrative specialist; (iv) an internal auditor; and (v) an executive assistant.

3. The Executing Agencies

(a) Each Executing Agency shall be responsible for the preparation and technical implementation of its respective activities and shall report to the Project
Coordination Team on a quarterly basis. In addition, the Recipient’s central bank shall be responsible for the procurement related to its activities implemented under Part (1)(a) of the Project, with the support of the Project Coordination Team. The Recipient shall ensure that, throughout Project implementation, each Executing Agency maintains a level of institutional resources and capacity sufficient to efficiently prepare and implement its respective activities under the Project.

(b) Each Executing Agency shall propose activities to be implemented under the Project which will be approved or declined, prioritized, sequenced and consolidated by the Project Coordination Team in the Project Implementation Plan, on the basis of: (i) the strategic guidance provided by the Steering Committee, (ii) the capacity of the relevant Executing Agency for its implementation, and (iii) as the case may be, the performance of the Executing Agency in the implementation of activities previously implemented under the Project. The Project Implementation Plan will be updated by the Project Coordination Team on an annual basis, in a manner satisfactory to the Association.

B. Project Manuals

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Project Implementation Manual, and, unless the Recipient and the Association shall otherwise agree, shall not amend or waive any provision of the Project Implementation Manual, in a manner which, in the opinion of the Association, could have a material adverse impact on the implementation of the Project.

2. Without limitation upon the provisions of paragraph (1) above, the Recipient shall ensure that the activities implemented by the Recipient’s central bank shall be carried out in accordance with the provisions of the Project Implementation Manual, including those related to procurement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the relevant annual Project Implementation Plan and the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the
period of one calendar semester, and shall be furnished to the
Association not later than one month after the end of the period covered
by such report.

(b) The performance indicators referred to above in sub-paragraph (a)
consist of the following:

(i) the percentage of non-performing loans is reduced from 50% to
15% at the completion of the Project;

(ii) the number of procedures required to establish a business is
reduced from 11 (as measured by, and published in, Doing Business
2008) to 5 at the completion of the Project;

(iii) the percentage of court decisions from commercial courts in
Nouakchott and Nouadhibou, commercial chambers of regional (wilaya)
courts, courts of appeal and the supreme court in the commercial and
financial areas, published on the Recipient’s website
www.mauritania.mr, or any other site or support selected in agreement
with the Association (in order to ensure public access in a manner as
broad and sustainable as possible with a view to the eventual
development of a case law database in the commercial and financial
areas as complete and reliable as possible) has increased from 0 to 80%
at the completion of the Project; and

(iv) Each Public Enterprise with respect to which an operational and
financial audit has been performed as part of the activities under
Part 2 (a) of the Project has, at mid-term review, signed a Performance
Contract with the Recipient. At the completion of the Project, an annual
monitoring report of the implementation of each such performance
contract has been produced annually by the Recipient.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the
execution of the Project and related plan required pursuant to that Section shall
be furnished to the Association not later than May 31, 2014.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management
system in accordance with the provisions of Section 4.09 of the General
Conditions.
2. The Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

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

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

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

B. Particular Methods of Procurement of Goods

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

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

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

C. Particular Methods of Procurement of Consultants’ Services

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

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

3. Shortlist including national consultants only. The shortlist for the selection of consultants for each contract for consultants’ services estimated to cost less than the equivalent of $100,000 may include national consultants only, pursuant to paragraph 2.7 of the Consultants Guidelines.

D. Review by the Association of Procurement Decisions

(a) Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) the first contract for goods whatever its estimated cost; (b) each contract for
goods estimated to cost the equivalent of $250,000 or more procured on the basis of International Competitive Bidding; (c) each contract for goods procured on the basis of Direct Contracting; (d) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; (e) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more; (f) the first three contracts for consultants’ services whatever their respective estimated cost, procured for the implementation of activities under Part 1 (a) of the Project; and (g) each contract for consultants’ services procured on the basis of Single Source Selection.

(b) Each terms of reference for consultants’ services shall be subject to Prior Review by the Association.

(c) All Training activities will be carried out on the basis of annual programs submitted annually for the prior approval of the Association identifying the general framework of the Training activities for the year, including: (i) the type of Training; (ii) the justifications for the Training; (iii) the personnel to be trained; (iv) the selection method of the institutions or individuals conducting the Training; (v) the institution which will conduct the Training; (vi) the duration of the proposed Training; and (vii) the estimated cost estimate of the Training. Upon completion of each Training, the Recipient shall cause the trainee to prepare, and shall transfer to the Association, a report on the Training received.

(d) All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and consultants’ services for the Project including Training and audits</td>
<td>2,440,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Training and audits for retroactive financing</td>
<td>380,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Refund of Project Preparation Advance</td>
<td>380,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,200,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 380,000 may be made for payments made prior to this date but on or after February 1, 2008, for Eligible Expenditures under Category (2).

2. The Closing Date is November 30, 2013.

Section V. Other Undertakings

A. Financial monitoring and reporting

1. Throughout the Project implementation, the Recipient shall cause each commercial bank operating on the Recipient’s territory to have its Financial Statements prepared and audited in accordance with the rules and regulations issued by the Recipient’s central bank. Each audit of the Financial Statements shall cover the period of one fiscal year of said commercial bank. Each audit report for each such period shall be furnished to the Association no later than nine months after the end of such period, or such other date as may be agreed upon by the Association.
2. Throughout the Project implementation, the Recipient shall cause each of the Public Enterprises having benefited from an activity implemented under Part 2 of the Project to have the report prepared by its external auditors (commissaires aux comptes) on its Financial Statements published each year on the Recipient’s website www.mauritania.mr, or any other site selected in agreement with the Association, no later than three months after the date of delivery of the final report from the auditor to such Public Enterprise.

3. Throughout the Project implementation, the Recipient shall cause to be prepared and furnished to the Association, no later than July 31 each year, or such other date as may be agreed upon by the Association, the Recipient’s central bank annual report, which includes, inter alia, the audited Financial Statements of the central bank, all in form, scope and level of details satisfactory to the Association.

B. Mid-Term review

No later than thirty (30) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient and the Association shall carry out a mid-term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare under terms of reference satisfactory to the Association, and furnish to the Association three months prior to the beginning of such mid-term review of the Project, or on such other date agreed upon with the Association in writing, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project during the period following such date.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing October 15, 2018 to and including April 15, 2028</td>
<td>1%</td>
</tr>
<tr>
<td>commencing October 15, 2028 to and including April 15, 2048</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


3. “DGPIP” means the general directorate for the promotion of private investment (Délégation Générale à la Promotion de l’Investissement Privé) established by the Recipient pursuant to decree 130/2007 of July 5, 2007, or any successor responsible for the promotion of private investment whose terms of reference, composition and resources are satisfactory to the Association.

4. “Executing Agency” means a Recipient’s ministry or agency which is a direct beneficiary of an activity implemented under the Project including, inter alia, the central bank (Banque Centrale de Mauritanie – BCM), the DGPIP, and the ministry responsible for justice.


6. “Performance Contract” means a contract entered into between the Recipient and a Public Enterprise further to the completion of an operational and financial audit of said Public Enterprise under Part 2 of the Project, describing, inter alia, the respective obligations of the parties thereto for the improvement of, and the tools for the monitoring and evaluation of, the operational and financial performances of said Public Enterprise.


8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 13, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
9. “Program” means the program designed to address policy, institutional and legal constraints for the efficient operation of the financial sector and the promotion of private sector investment on the Recipient’s territory, and set forth or referred to in the letter entitled *Lettre de Politique de Développement des Secteurs Privé et Financier* (Letter of development policy for the private and financial sectors) dated February 12, 2008, addressed by the Recipient to the Association.

10. “Project Coordination Team” means the team established by the Recipient within the DGPIP, responsible, *inter alia*, for the coordination of the Project, referred to in Section I, Paragraph A (2) of Schedule 2 to the Financing Agreement.

11. “Project Implementation Manual” means the manual adopted by the Recipient, outlining implementation, organizational, monitoring and evaluation, financial management, disbursement, procurement arrangements and accounting procedures, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the prior written concurrence of the Association, and such term includes any schedules to the Project Implementation Manual.

12. “Project Implementation Plan” means the plan satisfactory to the Association adopted by the Recipient, for the sequenced implementation of the activities included in the Project, and thereafter updated on an annual basis in accordance with the provisions of the Project Implementation Manual.

13. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 24, 2007 and on behalf of the Recipient on February 9, 2007.

14. “Public Enterprise” means an enterprise: (i) in which the Recipient is a stakeholder, and (ii) whose activity has an impact considered by the Recipient and the Association substantial on the development of the private sector. Without limiting the generality of the foregoing, “Public Enterprise” can include, for instance, the Recipient’s Société Nationale d’Electricité (SOMELEC), Société Nationale de l’Eau (SNDE), Société Mauritanienne de Gaz (SOMAGAZ), Société Mauritanienne des Postes (MAURIPOST), Port Autonome de Nouakchott, and any other enterprise qualifying under said two criteria above, selected by agreement between the Recipient and the Association.

15. “Steering Committee” means the committee entitled “Comité de Pilotage du Projet d’Appui aux Secteurs Privé et Financier” established by the Recipient by Decision no. 407/DGPIP of February 7, 2008 and complemented by Decision
16. “Training” means the training of persons involved in Project-supported activities, carried out on the basis of annual programs specified in Section III. D (c) of Schedule 2 to this Agreement, and such term includes seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation related to the Project.