Financing Agreement
(First Fiscal Consolidation and Private Sector Support Development Policy Operation)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 16, 2016
FINANCING AGREEMENT

AGREEMENT dated December 16, 2016, entered into between the Islamic Republic of Mauritania ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 grant in an amount equivalent to nineteen million Special Drawing Rights (SDR 19,000,000) ("Financing").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 Payment Dates are 15 March and 15 September in each year.

2.05. The Payment Currency is the United States Dollar.

2.06. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.
ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 4.08 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following: the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

5.02 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01 The Recipient’s Representative is its Minister of Economy and Finance.

6.02. The Recipient’s Address is:

Ministère de l’Economie et des Finances
BP 238
Nouakchott
Mauritania

Facsimile: 222-45-25-33-35

6.03. 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
Washington, D.C.
AGREED at District of Columbia, United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF MAURITANIA

By

[Signature]

Authorized Representative
Name: Mohamedou Ould Daddah
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative
Name: Greg Toulmin
Title: CPC
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. The actions taken by the Recipient under the Program include the following:

1. The Minister of Economy and Finance has adopted Arrêté no. 937/MEF/2016 portant adoption du Système Fiscal de Référence pour l'évaluation des Dépenses Fiscales an order introducing the benchmark tax model for tax exemptions, and has published it in the official gazette, and has compiled a tax exemption registry for firms benefiting from tax exemptions under the 1982 Investment Code and the 1966 Free Zone Area law.

2. The Council of Ministers has adopted Décret No 2016-179, fixant le cadre institutional de formulation, de selection et de programmation de l'investissement a decree dated October 13, 2016, creating an institutional framework for the evaluation, selection and execution of public investment projects, and has published it in the official gazette.

3. The Council of Ministers has approved the budget law proposal for 2017 that includes an integrated public investment budget with combined domestic and foreign financed projects.

4. The Minister of Economy and Finance has issued Lettre circulaire No. 1536/MEF, dated October 14, 2016, an executive circular requiring the expansion of the automated expenditure-chain system (RACHAD) to include all eligible EPAs in Nouakchott beginning January 1, 2017.

5. The Recipient has published the latest audited financial statements for the five largest commercial enterprises in which its ownership stake exceeds 50 percent, on the website of its Treasury.

6. The Council of Ministers has presented to Parliament the draft law on public-private partnerships (PPPs), and has approved Arrêté no. 850 portant creation du Comité Technique d'Appui au Development des Partenariats Public-Privé en Mauritanie an order dated September 8, 2016, and Arrêté no. 828 portant creation d’un comité interministériel du Développement des Partenariats Public Privé en Mauritanie (CID PPPM), an order dated August 31, 2016 relating to the composition and operation of the technical committee and the inter-ministerial committee for PPP respectively, and has published these in the official gazette.
7. The Minister of Economy and Finance has established the institutional framework for land reform by adopting Arrêté no. 639/ MEF portant création d'une Commission technique de mise en œuvre de la réforme foncière, an order dated June 29, 2016, creating a technical committee for land reform, appointing its members and validating its terms of reference.

8. The Council of Ministers has made the Livestock Law operational through the adoption of Décret no. 2016-183 portant réglementation à l'importation et l'exportation des produits animaux dated October 25, 2016, and Décret no. 2016-182 relatif à l'importation, la fabrication et la distribution des aliments de bétail dated October 20, 2016, two new decrees on livestock exports and imports and on animal-feed quality, and through the Minister of Livestock’s adoption of Arrêté no. 938 fixant les modalités d’inspection vétérinaire; Arrêté no. 939 fixant les modalités d’organisation, de contrôle et l’inspection des élevages de poulets de chair et de pondeuses; Arrêté no. 940 fixant l’organisation, le contrôle et l’inspection des couvoirs et des élevages avicoles de parentaux, three new orders dated October 26, 2016 on poultry production and veterinary inspections, all in accordance with the OIE standards, and all published in the official gazette.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>19,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>19,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied (a) with the Program being carried out by the Recipient, and (b) with the adequacy of the Recipient’s macroeconomic policy framework.
D. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account by the Recipient and acceptable to the Association (Dedicated Account); and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

E. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

F. **Audit.** At the Association’s request, the Recipient shall:

1. have the Dedicated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four months after the end of the Recipient’s fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Dedicated Account and their audit as the Association shall reasonably request.

G. **Closing Date.** The Closing Date is December 31, 2017.
APPENDIX

Section I. Definitions

1. “EPA” means *Etablissements Public à caractère Administratif* an administrative public enterprise, “EPAs” means several such entities.

2. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

   (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.


5. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 24, 2016, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

6. “RACHAD” means Réseau Automatisé de Chaîne de la Dépense, the Automated Expenditure-Chain System within the Recipient’s Ministry of Economy and Finance.

7. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the subsequent Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally) and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 4.06. Plans; Documents; Records

   ... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records."

6. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   "Section 4.07. Program Monitoring and Evaluation

   ... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

   (a) The definition of the term "Eligible Expenditure" is modified to read as follows:

   "'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."
(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"Program" means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".