Project Agreement

(Integrated Development Program for Irrigated Agriculture-Phase II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

UNION NATIONALE DES COOPERATIVES AGRICOLES DE CREDIT ET D'EPARGNE DE MAURITANIE
(UNCACEM)

Dated April 14, 2005
PROJECT AGREEMENT

AGREEMENT dated April 14, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and UNION NATIONALE DES COOPERATIVES AGRICOLES DE CREDIT ET D’EPARGNE DE MAURITANIE (UNCACEM).

WHEREAS (A) by the Development Credit Agreement (the Development Credit Agreement) of even date herewith between the Islamic Republic of Mauritania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-five million seven hundred thousand Special Drawing Rights (SDR 25,700,000), (the Credit) on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that UNCACEM agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the UNCACEM Subsidiary Loan Agreement to be entered into between the Borrower and UNCACEM, part of the proceeds of the Credit will be made available to UNCACEM on the terms and conditions set forth in the UNCACEM Subsidiary Loan Agreement; and

(C) UNCACEM, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Execution of the Project

Section 2.01. (a) UNCACEM declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement; to this end, UNCACEM shall carry out UNCACEM Implemented Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and technical practices; and UNCACEM shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and UNCACEM shall otherwise agree, UNCACEM shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement, as said provisions may be further elaborated in the Procurement Plan.

Section 2.03. (a) UNCACEM shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the UNCACEM Project Agreement and the UNCACEM Implemented Parts of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, UNCACEM shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Association and UNCACEM, a plan for the future extension of its lending operations and its continued self-sufficiency; and

(ii) afford the Association a reasonable opportunity to exchange views with UNCACEM on said plan.
Section 2.04. UNCACEM shall duly perform all its obligations under the UNCACEM Subsidiary Loan Agreement. Except as the Association shall otherwise agree, UNCACEM shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the UNCACEM Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) UNCACEM shall, at the request of the Association, exchange views with the Association with regard to the progress of the UNCACEM Implemented Parts of the Project, the performance of its obligations under this Agreement and under the UNCACEM Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) UNCACEM shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by UNCACEM of its obligations under this Agreement and under the UNCACEM Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of UNCACEM

Section 3.01. UNCACEM shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and banking practices under the supervision of qualified and experienced management assisted by competent staff in adequate number.

Section 3.02. UNCACEM shall at all times operate and maintain its facility, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial and banking practices.

Section 3.03. UNCACEM shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.
ARTICLE IV

Financial Covenants

Section 4.01. (a) UNCACEM shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the UNCACEM Implemented Parts of the Project.

(b) UNCACEM shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements), including records and accounts related to the UNCACEM Special Account, for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, UNCACEM shall:
(i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports or statements of expenditure are included in any audit requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon UNCACEM’s progress reporting obligations set out in Section 4.01 and Schedule 1 to this Agreement, UNCACEM shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of UNCACEM thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen (15) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify UNCACEM of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:
Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of UNCACEM, or by UNCACEM on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by UNCACEM or such other person or persons as UNCACEM shall designate in writing, and UNCACEM shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig
Authorized Representative

UNION NATIONALE DES COOPERATIVES AGRICOLES DE CREDIT ET D’EPARGNE DE MAURITANIE (UNCACEM)

By /s/ Tidjani Ould Kerim
Authorized Representative
SCHEDULE 1

Implementation Program

1. Implementation of the UNCACEM Implemented Parts of the Project:

UNCACEM shall implement the activities included in the UNCACEM Implemented Parts of the Project in accordance with the Project Implementation Documents, including without limitation the Project Implementation Manual, the UNCACEM Procedural Manual, the UNCACEM Financial and Administrative Procedural Manual, the Monitoring and Evaluation Implementation Manual, the Procurement Plan and the Safeguards Documents.

2. Key Personnel

UNCACEM shall, at all times until the Closing Date, appoint (unless already appointed) and maintain qualified and experienced staff, acceptable to the Association, in the positions of General Manager (Directeur Général) and expert in charge of finances/accounting.

3. Progress reports

UNCACEM shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth the Monitoring and Evaluation Implementation Manual, the carrying out of the UNCACEM Implemented Parts of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the UNCACEM Implemented Parts of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the UNCACEM Implemented Parts of the Project and the achievement of the objectives thereof during the period following such date; and
(c) review with the Association, by December 31 of each year, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the UNCACEM Implemented Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

4. Semi-Annual Reviews and Midterm Review

Without limitation upon any other provisions of this Agreement, UNCACEM shall participate in the Semi-Annual Reviews and the Midterm Review referred to in Schedule 4 to the Development Credit Agreement.

5. Sub-Loans

Without limitation upon any other provisions of this Agreement, UNCACEM shall:

(i) provide Sub-Loans on the basis of the criteria and principal terms and conditions set forth or referred to herein and the UNCACEM Procedural Manual;

(ii) exercise its rights in relation to each Sub-Loan Agreement so provided in such a manner as to protect the interests of the Association and of UNCACEM and comply with its obligations under this Agreement and the UNCACEM Subsidiary Loan Agreement;

(iii) not amend, abrogate, or waive any provision of the UNCACEM Procedural Manual if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of its obligations under this Agreement and the UNCACEM Subsidiary Loan Agreement;

(iv) take appropriate security or maintain provisions for bad debts at such levels as shall be necessary to protect itself fully against risk of default under loans provided by UNCACEM; and
(v) Except as the Association and UNCACEM shall otherwise agree, UNCACEM shall utilize all amounts received in repayment of Sub-Loans to finance further agricultural projects undertaken by private and/or cooperative community customers in the Project Area.

6. Terms and conditions of the Sub-Loan Agreements

Expenditures for goods, works and services required for the carrying out of a Subproject shall not be eligible for financing through a Sub-Loan unless a Sub-Loan Agreement has been concluded between UNCACEM and the Client, under terms and conditions set forth in the UNCACEM Procedural Manual, providing for, inter alia, the following:

(a) the use of the funds of the Sub-Loan for the purpose of carrying out the Subproject exclusively;

(b) the respective financing percentage of the Subproject, provided for in the form of a reimbursable Sub-Loan and the Client’s contribution;

(c) the obligation to carry out and maintain the Subproject in accordance with stipulations set forth in the Project Implementation Documents and the UNCACEM Procedural Manual, with due diligence and efficiency and in accordance with appropriate administrative technical, environmental, financial and commercial practices, and to maintain adequate records on the expenditures incurred in the carrying out of said Subproject, and its operation, in such form and detail as the Association may reasonably request;

(d) works, goods and consultants’ services to be financed out of the proceeds of the Sub-Loan shall be procured in accordance with the provisions of Schedule 3 to the Development Credit Agreement; and such goods, works and consultants’ services shall be used exclusively for the carrying out of the Subproject;

(e) the right to inspect, by UNCACEM, the Borrower or the Association, or jointly with qualified representatives of the Association or the Borrower, if the Association or the Borrower shall so request, the works, plans, studies and construction sites relevant to the Subproject, the operation thereof, and any relevant documents pertaining to said subproject;
(f) the right to appropriate remedies, acceptable to the Association, should the carrying out or the maintenance of the Subproject, as the case may be, not conform to the regulations set forth in the Project Implementation Documents (including the UNCACEM Procedural Manual) and the Sub-Loan Agreement; and

(g) the right to obtain all such information as the Association or the Borrower shall reasonably request, relating to the administration and financial condition of the Subproject.