Financing Agreement

(Supporting Gas Project Negotiations and Enhancing Institutional Capacity Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF MAURITANIA ("Recipient") and 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) apply to and form 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 a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to fourteen million three hundred thousand Special Drawing Rights (SDR 14,300,000) ("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 III of Schedule 2 to this Agreement.

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

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

2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Petroleum, Energy and Mining in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
4.02. For purposes of Section 10.05 (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 twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the minister responsible for economy and finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

Facsimile:
222-45-25-33-35

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s Address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF MAURITANIA

By

Authorized Representative

Name: **El Moctar Ould Djay**
Title: **Minister of Economy and Finance**
Date: **April 19, 2018**

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: **Louise J. Cord**
Title: **Country Director**
Date: **April 19, 2018**
SCHEDULE 1
Project Description

The objective of the Project is to support the government capacity to drive negotiation towards final investment decision, and lay the foundations for the gas sector's contribution to the economy through enhanced legal and regulatory frameworks and capacity building.

The Project consists of the following parts:

Part A: Capacity Building and Technical Support for the Grand Tortue Ahmeyim ("GTA") Negotiations

1. Institutional Analysis, Training and Capacity Building

Implementing a program of activities designed to identify the needs for capacity building, and to develop and implement a training and technical resource buildup programs, including:

(a) Conducting a detailed analysis of the operations, policies and internal procedures of relevant government institutions involved in gas exploration and production and revenue management, taking into consideration international best practices;

(b) Providing high-level training to gas policy makers and in-depth training to the staff of the SMHPM, the MPEM and the ministries directly involved in natural gas project negotiations and their implementation;

(c) Recruiting key personnel to mobilize additional skills at the MPEM and the SMHPM in, among other areas of expertise, petroleum engineering, development of liquefied natural gas ("LNG") projects, gas economy, project financing, taxation, and relevant law for the gas sector; and developing a human resources retention policy for the MPEM and SMHPM; and

(d) Conducting a needs assessment and procuring the necessary technical resources at key institutions, in particular at the MPEM and the SMHPM, to have the equipment, tools and facilities required for the sustainable management of the Recipient's hydrocarbon resources.

2. Technical Support for Effective Negotiation of the GTA Agreements

Implementing a program of activities designed to enable sustainable development and production of the Recipient's gas resources, including:
(a) Providing the Recipient with independent third-party expertise on technical aspects of an intergovernmental cooperation agreement ("ICA") and an Unitization Agreement;

(b) Assisting the MPEM in validating the field development plan and engineering studies related to the production and liquefaction of gas;

(c) Providing technical assistance to the Recipient’s relevant authorities to move towards GTA’s final investment decision, including expertise on an ICA, an Unitization Agreement, operational agreements, marketing agreements and financial agreements;

(d) Assessing the fiscal impacts of various LNG development concepts, finalizing project financing arrangement, and identifying the optimal share of the national company in gas and LNG developments and the funding sources to finance it; and

(e) Providing technical assistance to the Recipient’s relevant authorities in validating the commercialization agreements for GTA and in identifying viable options for gas to domestic power generation.

Part B: Strengthening of the Institutional and Regulatory Framework

Implementing a program of activities designed to update the relevant policies and strategies for the development of the gas sector, including: (1) updating the Recipient’s gas policy, including, as necessary, the gas revenue management policy; (2) developing or updating the relevant policy and strategy for the oil and gas sectors or providing support to enable their implementation, and developing a Master Plan for Gas Development; (3) developing local content strategy and an implementation plan for the hydrocarbon sector, including a diagnosis of industries that exist or could be developed upstream or downstream of the GTA project; and (4) developing a communication strategy and an implementation roadmap to involve relevant stakeholders in the hydrocarbon sector, providing capacity building to key staff who will implement the communication strategy and the engagement campaign, and carrying out a stakeholder engagement campaign.

Part C: Project Management and Coordination

Developing the capacity of the MPEM, including financing the costs associated with the recruitment of a procurement specialist, an accountant, an administrative and financial officer, to build the MPEM’s procurement, financial management, monitoring and evaluation capacities in a sustainable manner.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project through MPEM.

2. The Recipient shall cause the MPEM to maintain, until the completion of the Project, a Program Steering Committee with terms of reference and staffing satisfactory to the Association, to provide overall oversight of the implementation of the Project.

3. The Recipient shall cause the SMHPM to: (a) assign the administrative and financial officer of SMHPM as a temporary administrative and financial officer for the Project; (b) provide interim and ad-hoc support to the MPEM on fiduciary issues for the Project, until the MPEM builds its fiduciary capacity acceptable to the Association; and (c) provide interim and ad-hoc support to the MPEM for the Project, including on procurement, legal, and technical issues for the Project.

4. The Recipient shall hire a project coordinator for the Project, on a terms and conditions acceptable to the Association.

5. The Recipient shall, no later than three (3) months after the Effective Date, hire a financial management officer and a procurement specialist, with qualification and experience satisfactory to the Association.

6. The Recipient shall, no later than six (6) months after the Effective Date: (a) prepare and adopt the Manual of Administrative and Financial Procedures, in form and substance satisfactory to the Association; (b) set up an accounting information system satisfactory to the Association; and (c) hire an internal auditor and an external auditor, with qualification and experience satisfactory to the Association.

7. The Recipient shall:

(a) prepare a draft AWP&B for each Fiscal Year, setting forth: (i) a detailed description of planned activities for the Project for the following Fiscal Year; (ii) the sources and uses of funds therefor; and (iii) responsibility for execution of said Project activities, budgets, start and completion dates, outputs, and monitoring indicators to track progress of each activity;
(b) not later than November 15, furnish to the Association for its comments and approval, the draft AWP&B and promptly thereafter, finalize the AWP&B, taking into account the Association's views and recommendations thereon; and

(c) adopt the final version of the AWP&B in the form approved by the Association not later than December 15 of such Fiscal Year.

B. Manual of Administrative and Financial Procedures

1. The Recipient shall cause the Project to be carried out, in accordance with the provisions of a manual satisfactory to the Association (the "Manual of Administrative and Financial Procedures" or "Manual"), which shall include, inter alia, the following provisions: (a) disbursement, financial management, administrative, and procurement procedures; (b) institutional administration, coordination and day-to-day execution of activities of the Project; (c) monitoring, evaluation, reporting, information, education and communication; (d) Project impact and implementation indicators, including the procedures for monitoring and evaluation of the Project activities; (e) environmental and social safeguard arrangements; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Manual without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Safeguards

1. The Recipient shall ensure that a Master Plan for Gas Development is prepared in accordance with terms of reference approved by the Association. If the Master Plan for Gas Development is finalized during Project implementation, the Recipient shall prepare a Strategic Environmental and Social Assessment of the oil and gas sector, acceptable to the Association.

2. The Recipient shall ensure that all advisory, analytical, planning, institutional capacity building, strategizing and such other services carried out under the Project shall be carried out according to terms of reference, satisfactory to the Association, requiring such services to deliver products which take into account, and are consistent with, the Association's social and environmental safeguard policies.
Section II. **Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. **Withdrawal of the Proceeds of the Financing**

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against the Category in the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consulting services, Operating Costs, and Training for the Project</td>
<td>14,300,000</td>
<td>100 %</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>14,300,000</td>
<td></td>
</tr>
</tbody>
</table>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed two million eight hundred sixty thousand Special Drawing Rights (2,860,000 SDR) may be made for payments made prior to this date but on or after November 25, 2017, for Eligible Expenditures under Category (1).

3. The Closing Date is September 23, 2022.
APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. "AWP&B" means the annual work program and budget prepared by the Recipient, as referred to in Section I A.7 of Schedule 2 to this Agreement.

3. "Category" means a category set forth in the table in Section III.1 of Schedule 2 to this Agreement.

4. "Fiscal Year" or "FY" means the Recipient’s Fiscal Year, starting January 1 and ending December 31.


6. "Master Plan for Gas Development" means the Recipient’s master plan referred to in Section I.C. of Schedule 2 to this Agreement, to be developed pursuant to Section I.C. of Schedule 2 to this Agreement.

7. "Mauritanian Hydrocarbons and Mining Resources Corporation" or "SMHPM" means the Recipient’s Mauritanian Hydrocarbons and Mining Resources Corporation; or any successor thereto.

8. "Ministry of Petroleum, Energy and Mining" or "MPEM" means the Recipient’s Ministry of Petroleum, Energy and Mining; or any successor thereto.

9. "Operating Costs" means incremental recurrent expenditures incurred on account of Project implementation, based on periodic budgets to be included in the AWP&B acceptable to the Association, including, inter alia: travel expenditures and other travel-related allowances such as per diems and reasonable accommodation costs; office materials, supplies and consumables; media information campaigns and communications’ expenses; advertising expenses; banking charges, but excluding the salaries of officials and public servants of the Recipient’s civil service.

10. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.
11. "Program Steering Committee" means a committee referred to in Section I.A.2 of Schedule 2 to this Agreement, to be established pursuant to Section I.A.2 of Schedule 2 to this Agreement.

12. "Signature Date" means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to "the date of the Financing Agreement" in the General Conditions.

13. "Strategic Environmental and Social Assessment" means the Recipient's environmental and social assessment of the gas sector referred to in Section I.C in Schedule 2 to this Agreement to be developed in accordance with the Recipient's Master Plan for Gas Development.

14. "Training" means the training provided under the Project, including seminars, workshops, knowledge sharing activities and study tours, and covers the following costs associated with such activity: travel and subsistence expenditures and other travel-related allowances for training participants such as per diem and reasonable accommodation costs, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation, all based on periodic budgets acceptable to the Association.

15. "Unitization Agreement" means an agreement regulating a joint, coordinated operation of an oil and gas reservoir by all the owners of rights in the separate tracts overlying the reservoir.