Development Credit Agreement

(Public Enterprises Technical Assistance and Rehabilitation Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 31, 1985
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 31, 1985, between ISLAMIC REPUBLIC OF MAURITANIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Project will be carried out by the Borrower, and by SONELEC, EMN and OPT with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SONELEC, EMN and OPT part of the proceeds of the Credit as hereinafter provided;

(C) the Fonds d'Aide et de Coopération of the French Republic is financing as a grant services to SONELEC under Part B of the Project;

(D) by agreement to be entered into between the European Investment Bank (hereinafter called EIB) and SONELEC, (such agreement hereinafter called the EIB Loan Agreement), EIB intends to make a loan (hereinafter called the EIB Loan) to SONELEC in an aggregate principal amount of about four million dollars to assist in financing Part B of the Project on the terms and conditions therein set forth;

(E) by agreement dated July 5, 1984 (hereinafter called the CCCE Loan Agreement), the Caisse Centrale de Coopération Economique of the French Republic has agreed to make a loan to SONELEC in an aggregate principal amount of eighty-nine million French Francs to assist, inter alia, in financing Part B of the Project on the terms and conditions therein set forth;

(F) by agreement to be entered into between the Commission of the European Economic Community and the Borrower, (such agreement hereinafter called the EDF Agreement) the Commission of the European Economic Community intends to make a credit to the Borrower out of its European Development Fund resources in an aggregate principal amount of one million six thousand ECU to assist in financing Part C of the Project; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the
terms and conditions hereinafter set forth and in the Project Agreements of even date herewith between the Association and SONELEC, EMN and OPT, respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MINPLAN" means the Borrower's Ministry responsible for Planning;

(b) "CRSP" means the "Cellule de Réhabilitation du Secteur Parapublic," a project management unit operating within MINPLAN pursuant to Section 3.01 (c) of this Agreement;

(c) "MINFIN" means the Borrower's Ministry responsible for Finance;

(d) "Parapublic Sector" or "Public Enterprises" means the Borrower's Etablissements Publics and Sociétés d'Economie Mixte;

(e) "Etablissement Public" means any of the Etablissements Publics referred to in the Borrower's Ordonnance No. 84038, dated February 25, 1984;

(f) "Société d'Economie Mixte" means the industrial, commercial or artisan corporations in which the Borrower or a political subdivision of the Borrower owns directly or indirectly a portion of the share capital;
(g) "Program-contract" means a contractual document defining the reciprocal commitments of the Borrower and individual Public Enterprises over the medium-term;

(h) "SONELEC" means Société Nationale d'Eau et d'Electricité, an Etablissement Public à Caractère Industriel et Commercial of the Borrower established and operating pursuant to Decree No. 75-170 dated May 23, 1975;

(i) "SONELEC Project Agreement" means the agreement between the Association and SONELEC of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the SONELEC Project Agreement and all agreements supplemental to the SONELEC Project Agreement;

(j) "SONELEC Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SONELEC pursuant to Section 3.01(d)(i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SONELEC Subsidiary Loan Agreement;

(k) "EMN" means Etablissement Maritime de Nouakchott, an Etablissement Public à Caractère Industriel et Commercial of the Borrower established and operating pursuant to Decree No. 75-057 dated February 21, 1975 as modified by Decree No. 80-167 dated July 12, 1980;

(l) "EMN Project Agreement" means the agreement between the Association and EMN of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the EMN Project Agreement and all agreements supplemental to the EMN Project Agreement;

(m) "EMN Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EMN pursuant to Section 3.01(d)(ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the EMN Subsidiary Loan Agreement;

(n) "OPT" means Office des Postes et Télécommunications, an Etablissement Public à Caractère Industriel et Commercial of the Borrower established and operating pursuant to Decree No. 59-051 dated July 4, 1959 and Decree No. 62-002 dated January 2, 1962;

(o) "OPT Project Agreement" means the agreement between the Association and OPT of even date herewith, as the same may be
amended from time to time, and such term includes all schedules to the OPT Project Agreement and all agreements supplemental to the OPT Project Agreement;

(p) "OPT Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and OPT pursuant to Section 3.01 (d)(iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the OPT Subsidiary Loan Agreement;

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated March 27, 1984 and May 25, 1984 between the Borrower and the Association;

(r) "Special Account" means the account to be opened and thereafter maintained pursuant to Section 2.02 (c) of this Agreement;

(s) "UM" means the Borrower's currency;

(t) "New Port" means the Port de l'Amitié located about 6 km south of EMN's present port facilities; and

(u) "Parapublic Sector Action Plan" means the plan of action transmitted by the Borrower to the Association by letter of even date herewith and setting forth the detailed features of Parts A.3, 4 and 5 of the Project.

ARTICLE II
The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixteen million nine hundred thousand Special Drawing Rights (SDR 16,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.
(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

(c) The Borrower shall, for the purposes of Parts A, B.5, C.7 and D.3 of the Project, open and thereafter maintain in UM a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works 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 this Agreement.

Section 2.04. The Closing Date shall be December 31, 1990 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.
Section 2.07. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 1995, and ending February 15, 2035, each installment to and including the installment payable on February 15, 2005, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.09. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.10. (a) The Director of CRSP is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Categories (1) through (6) of the table set forth in Schedule 1 to this Agreement.

(b) SONELEC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions in respect of Categories (7) through (12) of the table set forth in Schedule 1 to this Agreement; EMN is so designated in respect of Categories (13) through (17); and OPT is so designated in respect of Categories (18) through (21).

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) carry out Part A of the Project through CRSP with due diligence and efficiency and in conformity with appropriate administrative, financial, management and commercial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for
the purpose; and (ii) without any limitation or restriction upon any of its other obligations under this Agreement, cause SONELEC, EMN and OPT to perform in accordance with the provisions of the SONELEC, EMN and OPT Project Agreements, respectively, all the obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SONELEC, EMN and OPT to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, in respect of Parts B, C and D of the Project, and without limitation to paragraph (a) above: (i) assist SONELEC, EMN and OPT, respectively, in the employment of independent auditors as required under the respective Project Agreements; and (ii) carry out all monitoring and coordination activities as may be necessary.

(c) The Borrower shall:

(i) maintain CRSP within MINPLAN with such responsibilities, functions and composition as shall be satisfactory to the Association, including CRSP's Director as well as its Chief Technical Advisor and staff referred to in Section 6.01 (d) of this Agreement, all with qualifications, experience and functions satisfactory to the Association.

(ii) cause CRSP, inter alia, to supervise the services of the experts referred to in Section 3.02 of this Agreement, to coordinate the carrying out of all Parts of the Project, and to collaborate with the Borrower's Ministry of Finance and other ministries or departments as may be necessary for purposes of the Project.

(d) The Borrower shall relend:

(i) the proceeds of the Credit which may from time to time be allocated to Categories (7) through (12) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, as well as the equivalent of SDR 450,000 allocated to Category (22) to SONELEC under a subsidiary loan agreement to be entered into between the Borrower and SONELEC under terms
and conditions which shall have been approved by the Association and which shall include a fifteen-year repayment period, including five years of grace, and an annual interest rate of 9.29%.

(ii) the proceeds of the Credit which may from time to time be allocated to Categories (13) through (17) as well as the equivalent of SDR 240,000 allocated to Category (22) to EMN under a subsidiary loan agreement to be entered into between the Borrower and EMN under terms and conditions which shall have been approved by the Association and which shall include a ten-year repayment period including three years of grace, and an annual interest rate of 9.29%; and

(iii) the proceeds of the Credit which may from time to time be allocated to Categories (18) through (21) to OPT under a subsidiary loan agreement to be entered into between the Borrower and OPT under terms and conditions which shall have been approved by the Association and which shall include a ten-year repayment period including three years of grace, and an annual interest rate of 9.29%, it being understood that neither SONELEC, EMN or OPT shall be required to bear the foreign exchange risk on such onlending.

(e) The Borrower shall make available to SONELEC, EMN and OPT, respectively, as a grant the proceeds of the Credit which may from time to time be allocated to Categories (12), (17), and (21).

(f) The Borrower shall exercise its rights under the SONELEC, EMN and OPT Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of said Subsidiary Loan Agreements or any provision thereof.

Section 3.02. In order to assist the Borrower in carrying out Part A of the Project, the Borrower shall employ experts whose qualifications, experience and terms and conditions of
employment shall be satisfactory to the Association, such experts to be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.03. In carrying out Part A.1 (a) and (c) of the Project, the Borrower shall provide an aggregate of seven man-months of training for staff of CRSP and staff of the Direction de la Tutelle Administrative et Financière of its Ministry of Finance in the form of traineeships under arrangements which shall have been approved by the Association.

Section 3.04. In carrying out Parts A.3 and A.5 of the Project, and except as the Association shall otherwise agree, the Borrower shall carry out the Parapublic Sector Action Plan.

Section 3.05. The Borrower shall review with the Association the recommendations resulting from studies or advisory services carried out or provided under the Project, and shall implement with due diligence those recommendations which shall be satisfactory to the Borrower and the Association.

Section 3.06. In carrying out Part B.4(b) and Part C.3(c) of the Project, the Borrower shall, through CRSP, take all necessary measures to prepare in consultation with the Association, and thereafter conclude with SONELEC and EMN, not later than December 31, 1985 or such other date as may be agreed with the Association, program-contracts satisfactory to the Association.

Section 3.07. (a) The Borrower undertakes to insure; or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the purposes of the Project.

Section 3.08. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and procurement schedules for Part A
of the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of Part A of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in Part A of the Project; (ii) shall enable the Association's representatives to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; (iii) shall on a quarterly basis, furnish to the Association reports on the progress of Part A of the Project and its comments on the progress achieved in Parts B, C and D of the Project; (iv) shall conduct in consultation with the Association, an annual review of the progress achieved under the Project; and (v) shall furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning Part A of the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Credit, the Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit. For the purpose, the Borrower shall obtain the assistance of SONELEC, EMN and OPT in respect of Parts B, C and D of the Project, respectively.
ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) Without limitation to the foregoing, the Borrower shall: (i) cause CRSP to maintain separate accounts for Part A of the Project and separate accounts reflecting all expenditures on account of which withdrawals are requested from the Credit Account on the basis of statements of expenditure; (ii) retain, until one year after the Closing Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditures on account of which withdrawals are requested from the Credit Account on the basis of statements of expenditure; and (iii) enable the Association's representatives to examine such records.

(c) The Borrower shall: (i) have the accounts referred to in paragraph (b) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, 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, a certified copy of the report of such audit by such auditors, of such scope and in such detail as the Association shall have reasonably requested, including without limitation to the foregoing, a separate opinion by said auditors in respect of the expenditures and records referred to in paragraph (b) of this Section as to whether the proceeds of the Credit withdrawn from the Credit Account on the basis of statements of expenditure have been used for the purpose for which they were provided; and (iii) furnish to the Association such other information concerning said accounts, records and expenditures and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall, not later than December 31, 1987 or such later date as the Association may agree, transfer the facilities and all other assets of the New Port, as well as related liabilities, to EMN under arrangements satisfactory to the Association.
Section 4.03. (a) The Borrower shall take all necessary measures required on its part, including adequate budgetary provisions, to ensure that its public administrative bodies, including autonomous public agencies, settle their dues to OPT and settle their future bills to SONELEC, EMN and OPT promptly after receipt thereof.

(b) The Borrower shall take all necessary measures required on its part to enable OPT to enforce strictly its collection procedures.

Section 4.04. The Borrower shall replenish quarterly its revolving fund referred to in Section 6.01(e) of this Agreement in order that at the beginning of every quarter a minimum balance of UM 750,000 shall be available therein to finance expenditures for Part A of the Project.

Section 4.05. The Borrower shall for every year make adequate budgetary allocations to ensure that CRSP shall at all times continue to carry out its functions.

Section 4.06. The Borrower shall, not later than March 30, 1986 or such other date as the Association may agree, take all necessary measures, including the enactment of all necessary legal instruments:

(a) to grant official recognition to the degrees issued by OPT's training center; and

(b) to establish an appropriate legal framework for the operation of the Borrower's National Savings Bank.

Section 4.07. The Borrower shall take all necessary steps required on its part, including such action as may be necessary to effect tariff or rate increases, to enable SONELEC to comply with its obligations under Section 4.03 of the SONELEC Project Agreement, to enable EMN to comply with its obligations under Section 4.03 of the EMN Project Agreement, and to enable OPT to comply with its obligations under Section 4.04 of the OPT Project Agreement.

Section 4.08. The Borrower shall not, without prior consultation with the Association, amend, suspend, abrogate, repeal or waive its Ordonnance No. 84038 fixant le régime des Etablissements Publics, des Sociétés d'Economie Mixte et des Personnes
ARTICLE V

Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) SONELEC, EMN or OPT shall have failed to perform any of its obligations under the SONELEC Project Agreement, the EMN Project Agreement or the OPT Project Agreement, respectively.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SONELEC, EMN or OPT will be able to perform its obligations under the SONELEC, EMN or OPT Project Agreement, respectively.

(c) Decree No. 75-170 dated May 23, 1975 or Decree No. 75-057 dated February 21, 1975 and Decree No. 80-167 dated July 12, 1980, or Decree No. 59-051 dated July 4, 1959 and Decree No. 62-002 dated January 2, 1962, of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SONELEC, EMN or OPT to perform any of its obligations under the SONELEC, EMN or OPT Project Agreement, respectively.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SONELEC, EMN or OPT or for the suspension of their operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower, and of SONELEC, EMN and OPT to withdraw the proceeds of any grant or loan made to the Borrower, SONELEC, EMN or OPT for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower, SONELEC, EMN or OPT establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower, SONELEC, EMN or OPT to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower, SONELEC, EMN or OPT from other sources on terms and conditions consistent with the obligations of the Borrower, SONELEC, EMN or OPT under this Agreement and under the SONELEC, EMN and OPT Project Agreements.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) any events specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (b), (c) or (d) of Section 5.01 of this Agreement shall occur;

(c) the events specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of that paragraph.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the SONELEC Subsidiary Loan Agreement has been executed on behalf of the Borrower and SONELEC;
(b) the EMN Subsidiary Loan Agreement has been executed on behalf of the Borrower and EMN;

(c) the OPT Subsidiary Loan Agreement has been executed on behalf of the Borrower and OPT;

(d) the Borrower has appointed the Chief Technical Advisor of CRSP and at least two professional staff responsible for sector restructuring and rehabilitation activities of CRSP in accordance with Section 2.02 of this Agreement;

(e) the Borrower has established a revolving fund in a bank account in Nouakchott to finance Part A of the Project and has made an initial deposit therein of UM 750,000;

(f) the Borrower has made budgetary allocations satisfactory to the Association in its budget for the year January 1 - December 31, 1985: (i) for the operations of CRSP, (ii) for payment of services to be provided to it by SONELEC and OPT to the Borrower or any subdivision of, or any entity owned by, the Borrower, and (iii) for the settlement of net arrears due by the Borrower to OPT;

(g) a new organization structure for SONELEC, satisfactory to the Association, has been introduced;

(h) the rate adjustment referred to in Section 4.03 of the SONELEC Project Agreement and required to be made in SONELEC's fiscal year 1985 has come into effect;

(i) EMN has employed, pursuant to Section 2.02 of the EMN Project Agreement, four experts in the fields of port operations, management, accounting and mechanical maintenance, and at least three of them have effectively taken up their positions.

(j) the Special Account has been opened in accordance with the provisions of Section 2.02 (c) of this Agreement; and

(k) all conditions precedent to the effectiveness of, or initial disbursements under the EIB Loan Agreement, the CCCE Loan Agreement and the EDF Credit Agreement have been fulfilled, other than the effectiveness of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General
Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the SONELEC Project Agreement has been duly authorized or ratified by SONELEC, and is legally binding upon SONELEC in accordance with its terms;

(b) that the EMN Project Agreement has been duly authorized or ratified by EMN, and is legally binding upon EMN in accordance with its terms;

(c) that the OPT Project Agreement has been duly authorized or ratified by OPT, and is legally binding upon OPT in accordance with its terms;

(d) that the SONELEC Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SONELEC and is legally binding upon the Borrower and SONELEC in accordance with its terms;

(e) that the EMN Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and EMN and is legally binding upon the Borrower and EMN in accordance with its terms; and

(f) that the OPT Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and OPT and is legally binding upon the Borrower and OPT in accordance with its terms.

Section 6.03. The date September 27, 1985, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Article IV of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date fifteen years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Minister responsible for Planning of the Borrower
is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purpose of Section 11.01 of the General Conditions:

For the Borrower:

Ministère du Plan et de
l'Aménagement du Territoire
B.P. 230
Nouakchott
Islamic Republic of Mauritania

Cable address: MPDI
              Telex: 540 MTN
              Nouakchott

For the Association:

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

Cable address: INDEVAS
              Telex: 440098 (ITT)
              Washington, D.C. 248423 (RCA) or
              64145 (WUI)
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdellahi Ould Ould Daddah
    Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Wilfried P. Thalwitz
    Regional Vice President
    Western Africa
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Sector Reform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Consultants' services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for Part A.6 of the Project</td>
<td>520,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) other</td>
<td>1,540,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training</td>
<td>110,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods for Part A.1 (b) of the Project</td>
<td>60,000</td>
<td>100% of foreign expenditures and 75% of local expenditures</td>
</tr>
<tr>
<td>(4) Auditing Services</td>
<td>30,000</td>
<td>60%</td>
</tr>
<tr>
<td>(5) Operating expenses for CRSP (other than staff)</td>
<td>160,000</td>
<td>75%</td>
</tr>
<tr>
<td>(6) CRSP staff on contract</td>
<td>310,000</td>
<td>100%</td>
</tr>
<tr>
<td>Strengthening of SONELEC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(7) Goods for Part B.1 of the Project in respect of water supply installations in Nouakchott</td>
<td>2,720,000</td>
<td>100% of foreign expenditures and 75% of local expenditures</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------</td>
<td>-------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(8) Installation, connection and civil works for Part B.1 of the Project in respect of water supply installation in Nouakchott</td>
<td>160,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(9) Goods and services for Part B.1 of the Project in respect of water supply installations in Nouadhibou</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Transmission pipeline</td>
<td>2,360,000</td>
<td>90%</td>
</tr>
<tr>
<td>(b) Pumping station equipment, and maintenance</td>
<td>1,230,000</td>
<td>100% of foreign expenditures and 75% of local expenditures</td>
</tr>
<tr>
<td>(c) Installation, connection and civil works for above equipment</td>
<td>310,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(10) Experts' services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) for Part B.2 of the Project</td>
<td>310,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) other</td>
<td>720,000</td>
<td>70%</td>
</tr>
<tr>
<td>(11) Training</td>
<td>210,000</td>
<td>70%</td>
</tr>
<tr>
<td>(12) Auditing services</td>
<td>110,000</td>
<td>60%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td><strong>Strengthening of EMN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13) Equipment for Part C.2 of the Project</td>
<td>90,000</td>
<td>75% of total expenditures</td>
</tr>
<tr>
<td>(14) Goods for Part C.1 (a) of the Project</td>
<td>1,260,000</td>
<td>100% of foreign expenditures and 75% of local expenditures</td>
</tr>
<tr>
<td>(15) Experts' services</td>
<td>1,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(16) Training</td>
<td>140,000</td>
<td>90%</td>
</tr>
<tr>
<td>(17) Auditing services</td>
<td>50,000</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Strengthening of OPT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(18) Goods for Part D.1 (b) of the Project</td>
<td>110,000</td>
<td>100%</td>
</tr>
<tr>
<td>(19) Experts' services</td>
<td>470,000</td>
<td>90%</td>
</tr>
<tr>
<td>(20) Training</td>
<td>260,000</td>
<td>90%</td>
</tr>
<tr>
<td>(21) Auditing services</td>
<td>150,000</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Special Account Project</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation Advance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and Unallocated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(22) Refunding of Project Prepara-</td>
<td>1,030,000</td>
<td>Amount due under Section 2.02 (b) of the Development Credit Agreement</td>
</tr>
<tr>
<td>tion Advance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>(23) Initial deposit in Special Account</td>
<td>260,000</td>
<td>Amount due under Section 2.02 (c) of the Development Credit Agreement</td>
</tr>
<tr>
<td>(24) Unallocated</td>
<td>1,220,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16,900,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association that the proceeds of the Credit shall not be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; on this basis, if the amount of any such taxes levied on or in respect of items in any Category decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such Category as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount
not exceeding the equivalent of SDR 210,000 may be made in respect of Categories (18) and (19) on account of payments made for expenditures before that date but after March 1, 1985;

(b) payments made for expenditures under Category (1) (a) for the purpose of detailed rehabilitation plans under Part A.6 of the Project until the Borrower and the Association shall, on the basis of the Annual reviews referred to in Section 3.08 (b) (iv) of the Development Credit Agreement, be satisfied with the progress achieved in implementing the Parapublic Sector Action Plan; and

(c) payments made for expenditures under Categories (18) through (21) until the project manager referred to in Section 2.01 (b) of the OPT Project Agreement shall have been appointed.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditure for such item shall be financed out of the proceeds of the Credit, and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.
SCHEDULE 2

Description of the Project

Objectives

The objectives of the Project are:

(i) to elaborate new policies and prepare a detailed rehabilitation strategy for the parapublic sector as a whole;

(ii) to restructure the sector to the extent required through specific measures which may include, inter alia, reorganizing specific public enterprises, divestitures and liquidations;

(iii) to prepare a new definition of the relationship between the Borrower and its public enterprises by initiating a system to introduce program-contracts with specific public enterprises;

(iv) to improve the general institutional framework of the parapublic sector to increase the operating efficiency of public enterprises;

(v) to strengthen the operations of three public enterprises, namely, SONELEC, EMN, and OPT through appropriate rehabilitation programs; and

(vi) to initiate a rehabilitation process for other public enterprises.

Components

The Project consists of four Parts:

A. General Sector Reform;

B. Strengthening of SONELEC;

C. Strengthening of EMN; and

D. Strengthening of OPT.
Part A: General Sector Reform

1. (a) Strengthening, through advisory services and training, of CRSP's capability in the development of new policies for the parapublic sector as a whole, the coordination of rehabilitation efforts in respect of specific enterprises, the restructuring of selected enterprises, the improvement of the general institutional framework and the monitoring of the performance of the parapublic sector as a whole.

(b) Strengthening of CRSP's general capability by the purchase of office furniture, equipment and vehicles, through minor office improvements and through the provision of staff and other means to achieve its purposes.

(c) Strengthening of MINFIN's capability in exercising its oversight and control responsibilities in respect of the Parapublic Sector through training.

2. Studies of basic constraints of the parapublic sector, namely in the fields of staff renumeration, training, monitoring systems and budgetary systems, in order to enable the Borrower to prepare and develop steps to overcome such constraints.

3. Assistance to the Borrower in implementing improvements to the Parapublic Sector which shall include:

   (i) restructuring of the sector through actions in respect of selected enterprises, including, as the case may be, privatization, liquidation or reorganization;

   (ii) making appropriate allocations in the Borrower's budget and ensuring that no arrears to public enterprises shall accumulate; and

   (iii) settling reciprocal debts between the Borrower and public enterprises.

4. Strengthening, through advisory services, the capability of MINPLAN and selected enterprises in preparing program-contracts providing for clear objectives for the public enterprises and mechanisms of government control over the enterprises with adequate safeguards for the public enterprises' autonomy.
5. Adjustments or improvements to instruments governing the general institutional framework of the Parapublic Sector, and to instruments governing selected public enterprises, in order to increase the operational efficiency of the Parapublic Sector.

6. Preparation of a medium-term program for further improvements to the Borrower's Parapublic Sector, including diagnostic studies of selected public enterprises, detailed plans for the rehabilitation of enterprises to be selected by agreement between the Borrower and the Association, and further general parapublic sector improvements.

**Part B: Strengthening of SONELEC**

1. (a) Purchase of urgently needed spare parts, equipment, materials and vehicles; 
   
   (b) upgrading of connections, distribution networks and generating capacity; and 
   
   (c) works, all for emergency support to or rehabilitation of water supply and electricity production facilities in Nouakchott and Nouadhibou.

2. Studies to identify further rehabilitation needs, to prepare detailed rehabilitation plans, and to determine the ways and means to achieve SONELEC's financial objectives.

3. Staff training.

4. (a) Strengthening, through advisory services, in the fields of, inter alia, administration, engineering, information systems, finance and accounting, of the organization, management and operations of SONELEC; and 
   
   (b) the preparation of a program-contract.

5. External audits of SONELEC's accounts.

**Part C: Strengthening of EMN**

1. (a) Purchase of urgently needed spare parts and equipment and 
   
   (b) repair works, all for emergency support of EMN's present port operations.
2. Works and equipment for the purpose of rehabilitating EMN's offices.

3. Staff training.

4. (a) Strengthening, on the basis of experts' recommendations in the fields of, inter alia, administration, finance and accounting, general maintenance and port operations, of the organization, management and operations of EMN;

(b) a program of productivity and management improvements; and

(c) preparation of a program-contract.

5. A study of the terms and conditions of the transfer of the facilities of the New Port facilities to EMN.


7. Auditing of EMN's accounts.

Part D: Strengthening of OPT

1. Strengthening of OPT's financial management accounting systems (by, inter alia, separating postal and telecommunications accounts) and data processing systems through:

(a) the purchase of computer equipment and related materials;

(b) staff training; and

(c) advisory services in the fields of general management, finance and data processing.


3. Auditing of OPT's accounts.

The Project is expected to be completed by June 30, 1990.
SCHEDULE 3

Procurement

A. **International Competitive Bidding**

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1984 (the Guidelines).

B. **Preference for Domestic Manufacturers**

In the procurement of goods in accordance with the procedures described in Part A.1 of this Schedule, goods manufactured in Mauritania may be granted a margin of preference in accordance with, and subject to, the following provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

C. **Preference for Domestic Contractors**

In the procurement of works in accordance with the procedures described in Part A.1 of this Schedule, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

D. **Other Procurement Procedures**

1. Contracts for works or goods whose cost is estimated to be less than $100,000 may be procured after competitive bidding advertised locally in accordance with the provisions of paragraph 3.2 of the Guidelines and other local procurement procedures acceptable to the Association, provided that the aggregate cost of goods so procured shall not exceed the equivalent of $250,000 in the case of each SONELEC and EMN and $100,000 in the case of OPT.

2. Computer equipment may be purchased by OPT after limited international bidding in accordance with the provisions of paragraph 3.2 of the Guidelines.
3. Contracts for goods whose individual cost is estimated to be less than $10,000 after adequate bulking may be procured, after having obtained at least three quotations from suppliers, provided that the aggregate cost of goods so procured shall not exceed the equivalent of $50,000 in the case of the Borrower, $100,000 in the case of SONELEC, $50,000 in the case of EMN and $20,000 in the case of OPT.

4. Civil works to be undertaken by SONELEC may be carried out by force account.

E. Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

   (a) With respect to each contract estimated to cost the equivalent of $20,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply; provided, however, that where payments for such contract are to be made out of the proceeds of the Special Account, the two conformed copies of the contract required to be furnished to the Association, pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines, shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

   (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply; provided, however, that where payments for such contract are to be made out of the proceeds of the Special Account, the two conformed copies of the contract required to be furnished to the Association, pursuant to paragraph 3 of Appendix 1 to the Guidelines together with the other information specified therein, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 (the Special Account Schedule) to the Development Credit Agreement.

   (c) the provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.
SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

   (a) the term "Category" means a category of items to be financed out of the proceeds of the Credit as set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;

   (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part A and Parts B.5, C.7 and D.3 of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1) through (6), (12), (17) and (21) in accordance with the provisions of Schedule 1 to the Development Credit Agreement; and

   (c) the term "initial deposit" means an amount in UM equivalent to the amount allocated to Category (23) and to be withdrawn from the Credit Account and deposited in the Special Account pursuant to the first sentence of paragraph 3 to this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. The Association shall, at the request of the Borrower, withdraw on behalf of the Borrower from the Credit Account and deposit into the Special Account the initial deposit. Thereafter and on the basis of requests by the Borrower furnished to the Association at such intervals as the Association shall specify, the Association shall further so withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts equal to payments made out of the Special Account for eligible expenditures, but only to the extent that the amount of any such deposit, together with any amount remaining on deposit in the Special Account as of the date of such request, shall not exceed in the aggregate the equivalent of the initial deposit. Except as the Association may otherwise agree, each such deposit after the initial deposit shall be withdrawn by the Association from the Credit Account under the respective Categories referred to in
paragraph 1 (b) above, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. Prior to or at the time of each request by the Borrower for a deposit by the Association into the Special Account after the initial deposit, the Borrower shall furnish to the Association in respect of each payment made by the Borrower out of the Special Account such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association: (a) when the Association shall have determined at any time that all further withdrawals can be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement, or (b) when the total unwithdrawn amount of the Credit allocated to the Categories referred to in paragraph 1 (b) above for Parts A, B.5, C.7 and D.3, of the Project referred to in such paragraph, minus the amount of any qualified agreement to reimburse made by the Association and of any special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to said Parts of the Project, shall be equal to the equivalent of twice the amount of the initial deposit, whichever shall be sooner. Withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories for said Parts of the Project shall follow such procedures as the Association shall specify by notice to the Borrower and shall, except as the Association shall otherwise agree, be made only after and to the extent the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice have been or will be utilized in making payments for eligible expenditures.

6. If the Association shall have determined at any time that:

(a) any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association and, unless otherwise agreed by the Association, prior to any further
deposit into the Special Account by the Association, deposit into the Special Account or, if the Association shall so request, refund to the Association an amount equal to the amount of such payment or the portion thereof not so eligible or justified; or

(b) any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, and unless otherwise agreed by the Association, refund to the Association such amount then outstanding in the Special Account.
INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 31st day of May, 1985.

[Signature]
FOR SECRETARY