

CONFORMED COPY

CREDIT NUMBER 1865 MAU

(Development Management Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 12, 1988

CREDIT NUMBER 1865 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 12, 1988, between the ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has received from the French Republic through the Fonds d'Aide et de Cooperation (FAC) a contribution in an amount evaluated at the equivalent of four hundred thousand dollars to assist in carrying out a part 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 set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Project Preparation Advance" means the two advances granted by the Association to the Borrower pursuant to exchanges of letters dated January 22, 1986 and April 4, 1986 (No. P-360) and October 29, 1987 and December 14, 1987 (No. P-360-1) between the Borrower and the Association;

(c) "BCIR" means the Bureau for Coordination of Institutional Reform established by Arrete No. 86.214/PCMSN/PG dated December 25, 1986; and

(d) "CCIR" means the Committee for Coordination of Institutional Reform established by Decree No. 86.213/PCMSN/PG dated December 25, 1986.

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 the Development Credit Agreement, an amount in various currencies equivalent to seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of this Section and of Schedule 1 to this Agreement 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in convertible ouguiyas 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.

(c) 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.

Section 2.03. The Closing Date shall be December 31, 1994, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (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 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing May 15, 1998 and ending November 15, 2027. Each installment to and including the installment payable on November 15, 2007, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. 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 carry out the Project under the overall coordination of BCIR with due diligence and efficiency and in conformity with appropriate administrative, training, economic planning and financial management practices, and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' 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 this Agreement.

Section 3.03. In order to carry out the Project, the Borrower shall:

(a) at all times maintain BCIR with such functions, responsibilities and qualified and experienced staff, including the head of BCIR, in adequate numbers, all as shall be satisfactory to the Association;

(b) (i) prepare annual Action Programs detailing for each Project component the activities to be carried out during the year;

(ii) by October 31 of each year the Project is being implemented, submit said action programs and the budget proposals related thereto to the Association for its review and approval; and

(iii) implement said action programs as promptly as possible.

Section 3.04. The Borrower shall:

(a) (i) establish within the Presidency a Bureau of Organization and Methods by December 31, 1988, with functions and responsibilities satisfactory to the Association and with qualified and experienced staff in adequate numbers;

(ii) prepare a progress report on activities carried out by such Bureau and review said report with the Association no later than July 30, 1991 with a view to assessing the Bureau's operational efficiency; and

(iii) promptly implement all recommendations resulting from said review;

(b) take all measures required to ensure that instructional materials aimed at disseminating tax information to the public shall be sold and, unless the Borrower and the Association agree otherwise, at full cost;

(c) carry out the studies referred to under Part C (2) of the Project and submit to the Association for its review and comments the interim reports of said studies by April 30, 1989 and the final reports thereof by February 28, 1990;

(d) ensure that the restructuring of the departments responsible for planning, aid coordination and budgeting is fully completed by June 30, 1988; and

(e) no later than December 31, 1989, submit to the Association, for its approval, all proposals developed to carry out Part E (2) and (4) of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound 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) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, audited for each fiscal year, 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 said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall 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 statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals or payments out of the Special Account.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that BCIR or CCIR shall have been dissolved without prior approval by the Association.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower.

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) CCIR has become operational;
- (b) the training officer in the Borrower's Ministry of Economy and Finance has taken up his position;
- (c) the senior training officer located in the National School of Administration has taken up his position; and
- (d) the Association has received Action Programs satisfactory to the Association for activities to be carried out under the Project during 1988.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for planning 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 purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere de l'Economie et des Finances
B.P. 230
Nouakchott
Islamic Republic of Mauritania

Cable address:

MEF
Nouakchott

Telex:

540 MTN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Abdellah Ould Daddah
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caio Koch-Weser
Acting Regional Vice President
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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	80,000	100%
(2) Equipment, vehicles, furniture, materials and supplies	480,000	100%
(3) Consultants' and experts' services and salaries for BCIR staff	1,690,000	100%
(4) Training	1,970,000	100%
(5) Operating costs (excluding salaries)	1,700,000	90%
(6) Refunding of Project Prepara- tion Advance	1,180,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	800,000	
TOTAL	<hr/> 7,900,000	

2. For the purposes of this Schedule, the term "operating costs" means expenditures for such costs incurred by the BCIR as well as expenditures for routine maintenance of computers and of the vehicles and equipment purchased under Category (2) above and subsistence expenses for Project-related travel.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) implement measures required to carry out its economic recovery and structural adjustment programs; and (b) undertake a long-term administrative reform program aimed at streamlining administrative processes, strengthening personnel management and increasing civil service performance.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Services of the Presidency

1. Strengthening of processes for preparation and programming of matters for deliberation by the Council of Ministers and establishment of processes for monitoring implementation of key government decisions.
2. Improving the functioning of the Department of Legislation.
3. Establishment of the Bureau of Organization and Methods and development of guidelines and procedures for its operations.
4. Strengthening the management of public procurement.

Part B: Economic Management

1. Strengthening capabilities of the Borrower's Ministry of Economy and Finance and in the Central Bank of Mauritania in the fields of:
 - (a) investment projects analysis, planning and programming;
 - (b) external aid coordination and external debt management;
 - (c) budget preparation and execution; and
 - (d) tax assessment and revenues collection.
2. Development and execution of a training program to strengthen specialized skills of staff.
3. Development and implementation of an economic and financial data processing master plan.

Part C: Civil Service Reforms

1. Streamlining of administrative processes and establishment of standardized personnel management information systems; refurbishing and equipping of office space and acquisition of computer equipment and software for the purpose.
2. Development and implementation of a long-term administrative reform program, including a series of studies to develop appropriate policies for civil service employment, career development, compensation and training.
3. Reform of the civil service legal framework.
4. Establishment of a documentation center at the National School for Administration.

5. Establishment of a training unit in the National School for Administration.

Part D: Additional Administrative Reforms

1. Strengthening of the Ministry's capability to supervise efficiently the functioning of local government institutions and monitor the proper execution of the ongoing decentralization program.

2. Assistance to implement the institutional and legal framework for local governments and training for relevant Ministry and local government staff.

Part E: Institutional Building

1. Establishment of CCIR and BCIR and acquisition of required equipment, furniture, vehicles, materials and supplies.

2. Diagnostic studies to assess needs, define institutional policies and goals, and develop and implement reorganization schemes for the Ministry of Fisheries and Maritime Economy and the offices of the Auditor-General.

3. A program to build up local expertise in the consulting industry.

4. Definition and execution of further activities necessary to sustain the administrative reform program.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part B 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 IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for equipment and vehicles shall be grouped in bid packages estimated to cost the equivalent of \$100,000 or more each.

Part B: Other Procurement Procedures

1. All civil works and equipment, furniture and vehicles which cannot be grouped in packages of at least \$100,000 equivalent may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with the procedures described in paragraph 3.3 of the Guidelines.

2. Items to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$600,000 without the prior approval of the Association, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three reputable suppliers in accordance with the procedures described in paragraph 3.4 of the Guidelines.

Part C: 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 \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) 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 (a), the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this 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. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants and Experts

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants and experts shall 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.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount of 55,000,000 ouguiyas to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible

expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, 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. For each payment made by the Borrower out of the Special Account, the Borrower shall furnish to the Association, prior to or at the time of any request for replenishment of the Special Account, or at the request of the Association, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that 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, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that 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, refund to the Association such outstanding amount for crediting to the Credit Account.

