

CONFORMED COPY

CREDIT NUMBER 2093 MAU

SONADER Project Agreement

(Agricultural Sector Adjustment and Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIETE NATIONALE DE DEVELOPPEMENT RURAL

Dated February 26, 1990

CREDIT NUMBER 2093 MAU

SONADER PROJECT AGREEMENT

AGREEMENT, dated February 26, 1990, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and SOCIETE NATIONALE DE DEVELOPPEMENT RURAL (SONADER).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Islamic Republic of Mauritania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to nineteen million four hundred thousand Special Drawing Rights (SDR 19,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SONADER agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary grant agreement to be entered into between the Borrower and SONADER, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to SONADER on the terms and conditions set forth in said SONADER Subsidiary Grant Agreement; and

WHEREAS SONADER, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project and Other Covenants

Section 2.01. SONADER declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Parts A.1 through 6, B and C.1 and 2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A.1 through 6, B and C.1 and 2 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. SONADER shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the SONADER Project Agreement and Parts A.1 through 6, B and C.1 and 2 of the Project.

Section 2.04. SONADER shall duly perform all its obligations under the SONADER Subsidiary Grant Agreement. Except as the Association shall otherwise agree, SONADER shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the SONADER Subsidiary Grant Agreement or any provision thereof.

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

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

Section 2.06. SONADER shall, not later than June 30, 1990, enter into agreements acceptable to the Borrower and the Association, setting forth the parties' respective obligations:

(a) with UBD, with regard to the organization of provision of agricultural credit, in the Project Area; and

(b) with the Centre National de Recherches Agricoles, with regard to agricultural research.

Section 2.07. SONADER shall:

(a) sell inputs delivered to farmers at their full cost, including transport; and

(b) until its complete withdrawal from agricultural credit activities, not provide credit to farmers who have not fully repaid their debts to SONADER.

Section 2.08. SONADER shall, not later than November 30 of each year the Project is carried out, prepare a budget covering its operations during the following year, and furnish said budget to the Association and the Borrower.

Section 2.09. SONADER shall, not later than June 30, 1990, establish in its regional Directorate of Foum Gleita a division, responsible for the operation and maintenance of irrigation systems in the Project Area and with such staffing levels and other resources as shall be acceptable to the Association.

Section 2.10. SONADER shall:

(a) with the assistance of engineering experts, whose qualifications, experience and terms of reference shall be satisfactory to the Association, annually inspect the Foum Gleita dam and its related structures for deficiencies in its condition or in the quality and adequacy of its maintenance and operations;

(b) immediately after each such inspection, issue a report thereon, prepared by said engineering experts, and promptly take or cause to be taken all remedial action, if any, recommended in said report; and

(c) not later than June 30, 1990, furnish the first such report to the Association.

ARTICLE III

Management and Operations of SONADER

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

Section 3.02. SONADER shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and agricultural practices.

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) SONADER shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, and the expenditures financed out of the

proceeds of the Credit to finance carrying out Parts A.1 through 6, B and C.1 and 2 of the Project.

(b) SONADER shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited, and (B) 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

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

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

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

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

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

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable,

telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

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|------------------|-----------------|
| INDEVAS | 440098 (ITT) |
| Washington, D.C. | 248423 (RCA) or |
| | 64145 (WUI) |

For SONADER:

Societe Nationale de Developpement Rural
B.P. 321
Nouakchott
Islamic Republic of Mauritania

Cable address:

Telex:

| | |
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| SONADER | 807 MTN |
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Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of SONADER, or by SONADER on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by its Director General or such other person or persons as SONADER shall designate in writing, and SONADER shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SOCIETE NATIONALE DE DEVELOPPEMENT RURAL

By /s/ Abdellahi Ould Daddah
Authorized Representative

