

CONFORMED COPY

CREDIT NUMBER 3401 MAU

Development Credit Agreement

(Cultural Heritage Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 13, 2000

CREDIT NUMBER 3401 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 13, 2000, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter from the Borrower describing a program of actions, objectives and policies designed to enhance its cultural heritage (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

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 (as amended through October 6, 1999) (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) "Ancient Cities" means the following municipalities in the territory of the Borrower: Chinguetti; Tichitt; Ouadane and Oualata; and "Ancient City" means any one of these localities;

(b) "Annual Review" means any one of the annual reviews referred to in paragraph (5) of Schedule 4 to this Agreement;

(c) "BAPEM" means Bureau d'Appui aux petits entreprises mauritaniennes, a savings and credit institution established pursuant to an agreement, signed in 1993, between the Borrower and German Cooperation;

(d) "Beneficiary" means each of the beneficiaries of Subprojects (as hereinafter defined);

(e) "CECA" means Caisse d'épargne et de Crédit aux artisans, a credit and savings institution established pursuant to Agreement No. 1400/96 of the Ministry of Commerce, Tourism and Artisans of the Borrower, dated February 6, 1996;

(f) "CHF" means Cultural Heritage Fund, an independent entity to be established pursuant to paragraph 7 (a) (ii) of Schedule 4 of this Agreement;

(g) "Cultural Institutions" means the following public and private entities, engaged in cultural activities: (i) MCOI (as hereinafter defined); (ii) IMRS (as hereinafter defined); (iii) the University of Nouakchott; (iv) FNSVA (as hereinafter defined), and (v) the administrative entities of the Borrower engaged in the implementation of the Program, and "Cultural Institution" means any one of these entities;

(h) "COP" means Comité d'Orientation pour la Valorisation du Patrimoine Culturel Mauritanien, the Borrower's entity responsible for coordination of Project activities established pursuant to paragraph 4 of Schedule 4 to the Agreement;

(i) "CNP" means Conseil National du Patrimoine Culturel Mauritanien, the Borrower's body responsible for coordination of cultural heritage policy, to be established under the Project pursuant to Section 6.01 (e) of this Agreement;

(j) "DC" means the Directorate of Culture in MCOI (as hereinafter defined);

(k) "FNSVA" means Fondation Nationale de Sauvegarde de Villes Anciennes, a Foundation for the preservation of the Ancient Cities, established pursuant to Decree No. 93-05, dated April 6, 1993, of the laws of the Borrower;

(l) "IAPSO" means Inter Agency Procurement and Services Organization, the procurement entity of the United Nations Development Program;

(m) "Initial Program" means the program referred to in Part C of the Project; defined in more detail in PMP (as hereinafter defined);

(n) "IMRS" means L'Institut Mauritanien de Recherche Scientifique, the Borrower's scientific and research institute established pursuant to Decree No. 74-243, dated December 31, 1974, of the laws of the Borrower;

(o) "LEHRI" means Laboratoire d'Etudes et de Recherches Historiques, a history research institute within the University of Nouakchott, established pursuant to Arrêté 281-231, dated December 24, 1981, of the laws of the Borrower;

(p) "Mauritanian Ouguiya" and "UM" mean the currency of the Borrower;

(q) "MCOI" means Ministère pour la Culture et de l'Orientation Islamique, the Borrower's Ministry for Culture and Islamic Affairs;

(r) "Midterm Review" means the review referred to in paragraph (7) of Schedule 4 to this Agreement;

(s) "Project Manual of Procedures" and "PMP" means the Manuel de procédures referred to in paragraph 1 of Schedule 4 to this Agreement, and adopted by the Borrower as transmitted by letter, dated May 11, 2000, containing, inter alia, institutional arrangements, work-plans, monitoring and performance indicators and procedures to be used for the purpose of implementing the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to the Project Manual of Procedures;

(t) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(u) "Project Preparation Advance" means the cumulated project preparation advance granted by the Association to the Borrower pursuant to the letter agreements dated June 29, 1999, as amended, and April 26/27, 2000, respectively;

(v) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(w) "SPP" means Secrétariat Permanent du Projet, the Project implementation unit within the General Secretariat of the Presidency, established pursuant to Arrêté gouvernemental No. R-414, dated May 18, 1999;

(x) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(y) "Subproject" means an activity financed under Part D of the Project; and

(z) "Subsidiary Financing Agreement" means an agreement concluded between the Borrower and a Beneficiary for the purpose of partially financing a Subproject.

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 three million eight hundred thousand Special Drawing Rights (SDR 3,800,000).

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 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 canceled.

Section 2.03. The Closing Date shall be December 31, 2003 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 on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2010 and ending June 15, 2040. Each installment to and including the installment payable on June 15, 2020 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum

of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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. (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 carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the works, goods 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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future strategy of the strengthening of its cultural heritage; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter, deposit into the Project Account an amount equivalent to \$100,000 to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account, during Project implementation, such amounts as shall be required for timely Project implementation; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports, or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit 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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01, in order to enable the Borrower, not later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

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

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, namely a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

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:

The Borrower has:

(a) opened the Project Account and deposited therein the initial deposit referred to in Section 3.04 (b) of this Agreement;

(b) appointed the auditor referred to in Section 4.01 (b) of this Agreement, under terms and conditions acceptable to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) appointed an accountant and financial management specialist in SPP in

accordance with the provisions of Section II of Schedule 3 to this Agreement, and established, or has caused to be established, a computerized accounting and financial management system in SPP, acceptable to the Association;

(d) appointed a procurement specialist in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(e) established CNP pursuant to terms of reference set forth in the Program. Section 6.02. The date hundred and twenty (120) 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 at the time responsible for development 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:

Ministre des Affaires Economiques et du Développement
Ministère des Affaires Economiques et du Développement
B.P. 238
NOUAKCHOTT
République Islamique de Mauritanie

Cable address:	Telex:	Facsimile:
MP Nouakchott	840 MTN	222 25 110

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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/ Abdallahi Ould Kebd

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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	850,000	80%
(2) Goods	500,000	85%
(3) Consultants' services and training	1,500,000	95%
(4) Subprojects under Part D of the Project	200,000	100% of amounts disbursed
(5) Operating costs	400,000	80%
(6) Refunding of Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (b) of this Agreement
TOTAL	3,800,000	

2. For the purposes of this Schedule the term:

(a) "consultant's services and training" means all training activities and study tours, organization of culturally relevant activities, communication activities and strengthening of entities active in the carrying out of the Program.

(b) "operating costs" means the incremental expenses incurred on account of Project implementation, audits, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs, per diem payments to the members of COP, but excluding salaries of officials of the Borrower's civil service.

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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for works and goods under contracts costing less than \$50,000 equivalent each, and for expenditures for services

under contracts with firms costing less than \$30,000 or with individuals costing less than \$10,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall, for the purposes of the Project, open and maintain in Dollars in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2, 3, 4, and 5 set forth in the table in paragraph 1 of this Schedule 1.

(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.

5. Notwithstanding the provisions of Part B 2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

6. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B 2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount up to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount up to \$250,000 until the aggregate amount of withdrawals from the Credit Account, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR 500,000 (five hundred thousand SDR).

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

(a) For withdrawals of said Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into said Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the

Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B 3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of Dollars seven hundred thousand (\$700,000).

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in testing procedures to efficiently and adequately preserve and promote its cultural heritage, through, inter alia: (1) establishing a participatory process leading to the formulation of a coherent national cultural heritage preservation and promotion policy conducive to poverty alleviation and equitable economic development; (2) strengthening of central, regional and local administrative capacity to manage the preservation of existing, and the encouragement of new, cultural manifestations; and (3) development of preservation methods and encouragement to revive and create artistic expressions.

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: Strengthening of National and Local Institutions

1. Strengthening of administrative capacity

Strengthening of the planning and administrative capacity of the Cultural Institutions and COP to develop a coherent national strategy for the preservation and enhancement of expressions of cultural identity in physical form or in the form of artwork and handicraft, through the provision of technical advisory services to, and training of selected staff in, said Cultural Institutions and COP.

2. Development of Cultural Heritage Policy

Formulation of a coherent cultural heritage preservation and development policy taking into account past, present and future artistic expression, commonly shared values and national economic development objectives, through the provision of technical advisory services.

3. Drafting of Regulations

Review, harmonization and drafting of new regulations pertaining to:

- (a) the preservation and development of manifestations of cultural heritage;
- (b) the protection of international and national classified natural sites; and
- (c) the implementation of international conventions on the preservation of cultural manifestations or natural sites;

through the provision of technical advisory services to, and training of, selected staff in Cultural Institutions and COP and the carrying out of study tours.

4. Strengthening the Coordination and Cohesion of Cultural Institutions

Carrying out studies to:

- (a) assess the scope of activities carried out by each Cultural Institution pursuant to its mandate;
- (b) indicate gaps and redundancies in the activities identified, pursuant to the policy developed under paragraph (2) of Part A of the Project; and
- (c) redesign the mandate of each Cultural Institution as required,

through the provision of technical advisory services.

5. Strengthening Local Institutions

(a) Strengthening the administrative capacity of local government entities to assess, supervise, preserve and control access to manifestations of cultural heritage and classified natural sites, through the provision of technical advisory services and training and the acquisition of equipment; and

- (b) establishment of four selected CECA in the territory of the Borrower.

6. Evaluation of Cultural Value Systems

Carrying out studies in the health, education, agriculture and legal sectors evaluating culturally motivated behavioral norms and working habits liable to influence the sustainability of development projects.

7. Establishment of a Cultural Heritage Fund

Carrying out a study to identify needs for the financing of cultural heritage activities, drafting by-laws and operating procedures for the establishment of a Cultural Heritage Fund and create said entity, through the provision of technical advisory services, training and the acquisition of equipment.

Part B: Testing of Activities For Preserving and Enhancing Manifestations of Cultural Heritage

Carrying out pilot activities testing the feasibility and methodology of preservation, development and promotion of manifestations of cultural heritage and artistic and artisanal expressions comprising, inter alia:

1. Protection and Accessibility of Ancient Manuscripts, including:

(a) the establishment of associations of owners of ancient manuscripts;

(b) the formation of archivists caring for archives;

(c) the establishment of inventories for owners' association, at communal and national level;

(d) rehabilitation or construction, as the case may be, of centers for storage of archives and carrying out of research in selected communities in the territory of the Borrower; and

(e) preservation, display, access to and dissemination of manuscripts;

through the provision of technical advisory services to, and training of, owners' associations, selected staff at IMRS and LEHRI, acquisition of equipment and the construction or rehabilitation, as the case may be, of conservation centers.

2. Preservation of Archeological Sites and Ancient Cities

(a) Carrying out studies to design cost-effective archeological site conservation, management and supervision through, inter alia, (i) topographic studies; (ii) site inventories; (iii) preservation of artifacts in situ; and (iv) construction of visitor access; and

(b) (i) carrying out studies to preserve Ancient Cities or selected communities, as the case may be, through, inter alia: (A) zoning plans; (B) protection against sand encroachment and floods; and (C) identification of specific buildings worthy of preservation; and (ii) the rehabilitation of selected buildings so identified, through the provision of technical advisory services and training and the carrying out of civil works.

2. Promotion of Cultural Tourism

Promotion of tourism validating and appreciating cultural heritage manifestations comprising, inter alia:

(a) development of a general scheme for an action plan to implement a

national tourism policy and establishment of a national tourism board;

(b) drafting of incentive national and local tax regulations coherent with the existing tax framework;

(c) training of tourist guides, tourism regulators and operators;

(d) attendance at international tourism promotion events; and

(e) publication of promotion literature.

through the provision of technical advisory services to, and training of, selected private tourist guides and operators, and acquisition of equipment.

3. Promotion of Handicraft and Souvenir Trade, comprising, inter alia:

(a) assessment of current practices, former practices, regional variations and marketing potential of handicraft works;

(b) development of standardized minimum quality criteria and product control systems;

(c) establishment of producer associations for the production, promotion and marketing of handicraft; and

(d) strengthening of organizational, administrative and accounting skills of producer associations for handicrafts.

through the provision of technical advisory services to, and training of, selected producer associations for handicrafts, and acquisition of equipment.

4. Strengthening of the Living Arts

Strengthening of the design, revival, performance and marketing of traditional theater, dance, music, oral traditions and local customs, through the provision of technical advisory services to, and training of, selected staff to carrying out workshops and study and presentation tours, and the acquisition of equipment.

5. Information Campaigns

Carrying out information, education and communication campaigns in the territory of the Borrower addressing the reasons, necessity and advantages of the preservation and development of manifestations of cultural heritage and artistic expressions.

Part C: Implementation of the Initial Program

Carrying out the Initial Program of selected pilot activities including: (a) first inventories of archives, (b) communication campaigns to alert Beneficiaries, (c) safeguarding of prehistoric sites, (d) publication of selected ancient manuscripts, (e) awareness campaigns for tourists, and (f) national fair for artisans, through the provision of technical advisory services to, and training of, selected communication experts and the carrying out of civil works.

Part D: Artisanal Subprojects

Provision of Credits to selected artisans and artisanal associations for the carrying out of Subprojects pertaining to, inter alia, the design, quality enhancement, revival, manufacturing and marketing of artisanal artifacts.

Part E: Project Management and Supervision

1. Administration, coordination, supervision and evaluation of Project

implementation through the provision of technical advisory services and training programs for selected staff in SPP and COP and the acquisition of equipment.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, and (b) works estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation

shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Direct Contracting

Goods and works which should be procured rapidly or are required to respond to natural disasters, such as flooding, and costing \$5,000 equivalent or less, not exceeding \$ 130,000 in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Vehicles, computers and office furniture may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract under Part B and Part C 1., all contracts estimated to cost more than \$50,000 per contract, and all contracts estimated to cost more than \$25,000 equivalent and scheduled to be passed during the first twelve months following the Effectiveness Date, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines).

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to

quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits and accounting manuals may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for consultants under Part A 2, 3 and 4 of the Project estimated to cost less than \$25,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

(a) Services under Part C of the Project, and (b) services which are estimated to cost less than \$10,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for estimated to cost the equivalent of \$30,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$10,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall

apply.

SCHEDULE 4

Implementation Program

A: General

1. The Borrower shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Manual of Procedures and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

B: Coordination and Management

2. The Borrower shall maintain policies and procedures adequate to enable it, through SPP, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Manual of Procedures and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof.

3. The Borrower shall, until the completion of the Project:

(a) maintain within SPP the following staff with qualifications and experience, satisfactory to the Association: (i) the Permanent Secretary as Project coordinator, (ii) a procurement specialist, and (iii) a specialist in charge of financial management and accounting.

(b) maintain CNP pursuant to its terms of reference set forth in the Program; and

(c) furnish through SPP, quarterly Project implementation progress reports to COP, CNP, DC and the Association, in form and substance acceptable to the Association.

4. The Borrower shall:

(a) cause COP to take all measures necessary:

(i) to promote and collect propositions for the carrying out of activities under Part B of the Project proposed by members of civil society or entities of the its administration, as the case may be;

(ii) to review, evaluate and approve said propositions pursuant to standards said forth in the Project Manual of Procedures;

(iii) to forward said propositions together with motivated comments to COP for review and confirmation; and

(iv) to carry out, or have carried out the activities, approved by COP and confirmed by CNP pursuant to subparagraph (a) of this paragraph in accordance with the provisions set forth in the PMP; and

(b) cause SPP to take all measures necessary to achieve the objectives of said approved activities; and to publish the list of approved activities in selected arabic and francophone newspapers in the territory of the Borrower within the week of confirmation pursuant to subparagraph (a) (iii) of this paragraph.

C: Annual Reviews and Midterm Review

5. The Borrower shall:

(a) prepare, through SPP, under terms of reference satisfactory to the

Association, and furnish to COP, CNP and the Association, annually, for the first time on June 30, 2000, or such other date as the Association shall agree, until the time the Association shall receive the Project Management Reports referred to in Section 4.02 (b) of this Agreement, for its review and comments, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date (Annual Review);

(b) furnish to the Association, within four weeks after the submission of the report referred to in the preceding subparagraph, the said report including the comments of COP thereon; and

(c) review with the Association, within four weeks following the submission of the report referred to in subparagraph (b) of this paragraph, said report and the report referred to in subparagraph (a) of this paragraph, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report, COP's and the Association's views on the matter.

6. The Borrower shall:

(a) by December 31, 2001, or such other date as the Association shall agree upon, carry out jointly with the Association, a mid-term review (Midterm Review). The Borrower shall invite the members of COP to participate, and take all actions it considers necessary to ensure the participation of representatives of civil society active in the promotion of cultural values, in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project and, more specifically: (i) the potential replicability of Project activities throughout the territory of the Borrower; (ii) SPP's observance of guidelines set forth by COP during the period preceding the Midterm Review; (iii) the potential of activities not accepted by COP; and (iv) the representation of (A) manifestations of cultural heritage and art work, (B) regions, (C) social groups and (D) living arts among the pilot activities carried out under Part B of the Project;

(b) no later than one month prior to the Midterm Review, furnish to the Association, for its review and comments, a report, in such detail as the Association shall reasonably request, including the comments of COP on said report, on the implementation of the Project; and

(c) following such Midterm Review, act promptly and diligently in order to take any corrective action deemed necessary by COP and / or the Association, as the case may be, to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon between the Borrower and the Association in furtherance of the objectives of the Project.

D: Specific Actions

7. The Borrower shall, within three months following the Effective Date:

(a) appoint the members of COP in accordance with the regulations set forth in PMP, namely representatives of Cultural Institutions and members of civil society, assuring equality in numbers between administration officials and members of civil society;

(b) carry out the procurement of goods, works and services pursuant to the guidelines set forth in Schedule 3 to this Agreement for Part C of the Project;

(c) carry out an initial assessment of administrative and technical capacity of the Ancient Cities to carry out activities under Part B of the Project; and

(d) carry out the studies set forth under Part A 4 (a) of the Project.

8. The Borrower shall, within twelve months following the Effective Date:

(a) submit to the Association, for its review and comments:

(i) the revision of Loi 72-160 of December 31, 1972, relative à la sauvegarde et à la mise en valeur du patrimoine national, historique, préhistorique et archéologique, subsequently incorporate the views of the Association into a revised proposal and promptly thereafter submit said proposal to its Council of Ministers for approval;

(ii) (A) CHF's draft articles of incorporation, terms of reference of internal operations; funding guidelines and eligibility criteria for activities to be funded, (B) subsequently incorporate the views of the Association into a revised proposal and promptly thereafter submit said proposal to its Council of Ministers for approval;

(iii) CNP's draft cultural heritage policy framework;

(iv) a performance report, in form and substance satisfactory to the Association, on the implementation of the Initial Program; and

(v) a feasibility study on participatory financing of activities under Part B of the Project; and

(b) establish four CECAs in selected cities in its territory pursuant to Part A 5 (b) of the Project.

9. The Borrower shall, by the time of the Midterm Review, establish CHF pursuant to the provisions approved in accordance with the procedures set forth in paragraph 8 (a) (ii) of this Schedule.

E: Eligibility Criteria for the Selection of Subprojects

10. Subprojects shall be carried out through Beneficiaries as set forth in the Project Manual of Implementation providing for, inter alia, that Subprojects shall not be eligible for financing out of the proceeds of the Credit unless:

(a) the activity meets the economic, financial and cultural value criteria set forth in the PMP; and

(b) total financing out of the proceeds of the Credit for a Subproject does not exceed the equivalent of US \$15,000.

11. Terms and Conditions for Subsidiary Financing Agreements

A Subproject financed out of the proceeds of the Credit shall be carried out pursuant to a Subsidiary Financing Agreement, to be concluded between BAPEM or a selected CECA, as the case may be, and the Beneficiary, in accordance with the provisions set forth in paragraph 10 of this Schedule 4 and in more detail in the PMP, providing for, inter alia, the following:

(a) the respective financing percentage of the Subproject provided for out of the proceeds of the Credit and the Beneficiary's contribution cover the total investment costs of the proposed Subproject;

(b) the obligation to repay the amount financed out of the proceeds of the Credit in regular intervals, including fees and interest;

(c) the obligation to carry out and maintain the Subproject in accordance with the PMP, with due diligence and efficiency and in accordance with appropriate technical, environmental, financial and commercial practices and to maintain adequate

records in such form and detail as the Borrower may reasonably request;

(d) the obligation that: (i) goods and works to be financed out of the proceeds of the Credit for a Subproject shall be procured in accordance with the provisions of Section I of Schedule 3 to this Agreement; and (ii) contracts for consultants' services to be financed out of the proceeds of the Credit for a Subproject shall be procured in accordance with the provisions of Section II of Schedule 3 to this Agreement; and that such goods, works and consultants' services shall be used exclusively for the carrying out of the Subproject;

(e) the right to inspect, by the Borrower or the Association, or jointly with qualified representatives of the Association, or the Borrower, if the Association, or the Borrower, shall so request, the works, plans, studies and construction sites relevant to the Subproject, and any relevant documents;

(f) the right to appropriate remedies, acceptable to the Association, should the carrying out or the maintenance of the Subproject, as the case may be, not conform to the regulations set forth in the PMP and the Subsidiary Financing Agreement and thereby unfavorably influence the economic return of the Subproject; and

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

12. The Borrower shall exercise its rights under the Subsidiary Financing Agreement 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 the Subsidiary Financing Agreement or any provision thereof.

ANNEX 5

Implementation and Evaluation Indicators

1. A national cultural heritage strategy is formulated, enabling the selection of cultural operations initiated with the participation of cultural heritage stakeholders and potential beneficiaries, as documented in quarterly reviews.

2. The COP and CNP endorse a participatory decision process and mechanisms (inclusive of all groups and cultural heritage promoters) to sustain a cultural momentum in the country.

3. Legislation for protecting and managing cultural heritage sites and cultural assets is approved and enforced.

