

CONFORMED COPY

CREDIT NUMBER 2575 MAU

Project Agreement

(Agricultural Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIETE NATIONALE DE DEVELOPPEMENT RURAL

Dated April 26, 1994

CREDIT NUMBER 2575 MAU

PROJECT AGREEMENT

AGREEMENT, dated April 26, 1994, 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 Development Credit Agreement) the Association has agreed to make available to the Borrower an amount in various currencies equivalent to thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that SONADER agrees 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 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

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 B, C.2 (b) and D.2 (b) of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural extension, research and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for said Parts B, C.2 (b) and D.2 of the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the implementation of Parts B, C.2 (b) and D.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 Project Agreement and more specifically, in respect of Parts B, C.2 (b) and D.2 of the Project.

Section 2.04. SONADER shall duly perform all its obligations under the 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 Subsidiary Grant Agreement or any provision thereof.

Section 2.05. SONADER shall: (a) participate fully in the annual reviews and the midterm review referred to in paragraph 2, Schedule 4 to the Development Credit Agreement and paragraph (f) of Section 3.02 of the Development Credit Agreement, respectively, and, to this end, shall: (i) furnish to the Borrower and the Association such reports as may be required for that purpose, and in such detail as the Borrower or the Association shall reasonably request, on the progress and status of Parts B, C.2 (b) and D.2 of the Project; and (ii) following each such review, act promptly and diligently, in order to take, or assist the Borrower in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of Parts B, C.2 (b) and D.2 of the Project, or to implement, or assist the Borrower in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objective of the Project; and (b) cause the activities of its extension agents to be fully coordinated with MDRE extension agents in pursuance of the Program.

Section 2.06. Without prejudice to the generality of the foregoing, SONADER shall: (i) 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 Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit; and (ii) 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 Subsidiary Grant Agreement.

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, agricultural extension, and environmental 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, technical and administrative 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.

(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.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, 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 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.

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 fifteen 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:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For SONADER:

