

CONFORMED COPY

CREDIT NUMBER 2971 MAU

Development Credit Agreement
(Regional Hydropower Development Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 10, 1997

CREDIT NUMBER 2971 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 10, 1997, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and 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 Republic of Mali (Mali) and the Republic of Senegal (Senegal) have also requested the Association to assist in the financing of the Project and by agreements of even date herewith between Mali and Senegal respectively, and the Association (the Mali Credit Agreement and the Senegal Credit Agreement), the Association is agreeing to provide such assistance in an aggregate amount equivalent to SDR 12,600,000, and SDR 7,700,000 , respectively;

(C) Pursuant to an agreement of even date herewith among the Borrower, Mali, Senegal, the Organisation pour la Mise en Valeur du Fleuve Sénégal (OMVS), the Société de Gestion de l'Energie de Manantali (SOGEM), and the Association, Parts A, B, and C.1 of the Project will be carried out by SOGEM and Part C.2 of the Project will be carried out by (OMVS) with the assistance of the Borrower, Mali and Senegal and, as part of such assistance, the Borrower will make available to SOGEM the proceeds of the Credit as provided in this Agreement, Senegal will make available to SOGEM the proceeds of the credit provided for in the Senegal Credit Agreement and Mali will make available to SOGEM and OMVS, respectively, portions of the proceeds of the credit provided for in the Mali Credit Agreement, all in accordance with the terms of said agreements;

(D) the Borrower, Mauritania and Senegal intend to contract from the African Development Bank (AfDB), the Banque Ouest Africaine de Développement (BOAD), the European Investment Bank (EIB), the European Union (EU), the Canadian International Development Agency (CIDA), the Caisse Française de Développement (CFD), the Fonds d'Aide et de Coopération (FAC), the Islamic Development Bank (IsDB), the Nordic Development Fund (NDF), the Kredistanstalt fur Wiederaufbau (KFW) and the Arab Fund for Economic and Social Development (FADES) (the Donors) loans and grants (the Loans/Grants) in an aggregate amount equivalent to \$372 million, to assist in the financing of the Project on the terms and conditions set forth in agreements (the Donors Agreements) to be entered into between the Borrowers and the respective Donors; 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 and in the Joint Project Agreement of even date herewith among the Borrower, Mali, Senegal, OMVS, SOGEM and the Association;

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted;
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Association will not be required to finance the Project's cost to be financed out of the proceeds of the Credit, or (c) at any time the Association determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Association determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Development Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

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) "OMVS Conventions" mean the Convention relative au Statut du Fleuve Sénégal of March 11, 1972, the Convention portant Création de l'Organisation pour la Mise en Valeur du fleuve Sénégal of March 11, 1972, the Convention relative au Statut Juridique des Ouvrages Communs of December 21, 1978, and the Convention relative aux Modalités de Financement des Ouvrages Communs of May 12, 1982, all among Mali, Mauritania and Senegal;

(b) "SOGEM Convention" means the treaty, of January 7, 1997 among Mali, Mauritania and Senegal, and the terms "Statuts" the by-laws of SOGEM;

(c) "SOGEM" means the Société de Gestion de l'Energie de Manantali, established and operating pursuant to the SOGEM Convention;

(d) "OMVS" means the Organisation pour la Mise en Valeur du Fleuve Sénégal, established and operating pursuant to the OMVS Conventions;

(e) "Project Implementation Plan" means the plan dated May 15, 1997, specifying, inter alia, procedures and other arrangements agreed upon between the Borrower and the Association for the purpose of the implementation of the Project;

(f) "Joint Project Agreement" means the agreement of even date herewith among Mali, Mauritania, Senegal, OMVS, SOGEM and the Association, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Joint Project Agreement;

(g) "Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the First Project Year), and any twelve-month period beginning at the end of the First Project Year, or the end of subsequent Project Years;

(h) "SOGEM Subsidiary Loan Agreements" mean the agreements referred to in Section 2.01 (b) of the Joint Project Agreement, and the terms "SOGEM Subsidiary Loans" means the loans provided under the SOGEM Subsidiary Loan Agreements;

(i) "OMVS Subsidiary Grant Agreement" means the agreement referred to in Section 2.01 (c) of the Joint Project Agreement;

(j) "the Borrowers" means Mali, Mauritania and Senegal, individually and not jointly; and

(k) "HC" means the High Commission of OMVS.

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 eight million one hundred thousand Special Drawing Rights (SDR 8,100,000).

Section 2.02. 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 works required for the Project described in Schedule 1 to the Joint Project Agreement and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2002 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 March 15 and September 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 March 15 and September 15 commencing September 15, 2007 and ending March 15, 2037. Each installment to and including the installment payable on March 15, 2017 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 (6) 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. SOGEM is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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 1 to the Joint Project Agreement and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement: (a) shall carry out its obligations and exercise its rights under the Joint Project Agreement, (b) shall cause SOGEM and OMVS, respectively, to perform in accordance with the provisions of the Joint Project Agreement all the obligations of SOGEM and OMVS, respectively, therein set forth, and (c) shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SOGEM and OMVS, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. Except as the Association shall otherwise agree procurement of the works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to the Joint Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) 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) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as possible, but in any case not later than six (6) months after the end of year the report of such audit by said auditors, of such scope and in

such detail as the Association shall have reasonably requested, including 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; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) SOGEM or OMVS shall have failed to perform any of their respective obligations under the Joint Project Agreement;

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SOGEM or OMVS will be able to perform their obligations under the Joint Project Agreement;

(c) the SOGEM Convention, the Statuts, or the OMVS Conventions shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the ability of either SOGEM or OMVS to perform any of their respective obligations under the Joint Project Agreement;

(d) (i) subject to subparagraph (ii) of this paragraph, the right of Mali or Senegal to withdraw the proceeds of the Credit Agreement and the Senegal Credit Agreement, respectively, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of said agreements, and

(ii) subparagraph (i) of this paragraph shall not apply if adequate funds for the Project are available to SOGEM and OMVS from other sources on terms and conditions consistent with the obligations of the Joint Project Agreement; and

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

(A) the right of the Borrower, Mali, or Senegal to withdraw the proceeds of any loan or grant made to the Borrower, Mali or Senegal for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (e) (i) (A) of this Section shall not apply if the Borrower, Mali or Senegal establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or premature maturing is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to SOGEM and OMVS from other sources on terms and conditions consistent with the obligations of SOGEM and OMVS under the Joint Project Agreement.

Section 5.02. Pursuant to Section 7.01 (c) of the General Conditions, the following additional events are specified:

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

(b) any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur;

(c) the event specified in paragraph (d) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section; and

(d) the event specified in paragraph (e) (i) (A) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the conditions precedent to the effectiveness of the Mali Credit Agreement and the Senegal Credit Agreement, other than the fulfillment of the conditions precedent to the effectiveness of this Agreement, have been satisfied;

(b) Donors Agreements for the financing of the civil works to be carried out under Part A of the Project each have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Borrowers to make withdrawals thereunder, other than the fulfillment of the conditions precedent to the effectiveness of this Agreement, have been fulfilled;

(c) the SOGEM Subsidiary Loan Agreements have been duly executed by the Borrowers and SOGEM, and the OMVS Subsidiary Grant Agreement has been duly executed by Mali and OMVS;

(d) SOGEM has awarded the contract for the construction of the power station to be construction under Part A of the Project, in accordance with the provisions of Section I of Schedule 2 to the Joint Project Agreement;

(e) the Association has received evidence satisfactory to the Association showing that the Borrower, Mali and Senegal have made available to OMVS sufficient funds to cover its operating expenditures during the First Project Year;

(f) the Association has received evidence satisfactory to the Association showing that the Borrower, Mali and Senegal have made arrangements satisfactory to the Association to make available to SOGEM sufficient funds to cover its operating expenditures during the implementation of the Project;

(g) SOGEM and OMVS, respectively, have established administrative, financial and accounting procedures and systems for the implementation of the Project, satisfactory to the Association; and

(h) the Borrower have furnished to the Association a timetable, acceptable to the Association, for the release of its shares in the subscribed capital of SOGEM.

Section 6.02. The following is specified as additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Joint Project Agreement, the SOGEM Subsidiary Loan Agreements and the OMVS Subsidiary Grant Agreement have been duly authorized or ratified by the Borrower, SOGEM and OMVS, respectively, as the case may be, and are legally binding upon the Borrower, SOGEM and OMVS, as the case may be, in accordance with its terms.

Section 6.03. The date one 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 in charge of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministry of Planning
B.P. 238
Nouakchott
Islamic Republic of Mauritania

| | |
|----------------|---------|
| Cable Address: | Telex: |
| MPNouakchott | 540 MTN |

For the Association:

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

| | |
|-----------------------------|------------------------------------------------------------------|
| Cable address: | Telex: |
| INDEVAS Washington, D.C. | 197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC) |

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/ Ahmed Ould Sid'Ahmed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

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 | 8,100,000 | 100% of foreign expenditures |
| | ----- | |
| TOTAL | 8,100,000 ===== | |

1. For the purposes of this Schedule:

(a) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

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

2. 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.

3. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, under such terms and conditions as the Association shall specify by notice to the Borrower, for expenditures for works under contracts not exceeding \$100,000 equivalent.

