

CONFORMED COPY

CREDIT NUMBER 3377 MAU

Development Credit Agreement

(Energy, Water and Sanitation Sector Reform Technical Assistance Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 2000

CREDIT NUMBER 3377 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 22, 2000, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated September 23, 1998, from the Borrower describing a program of actions, objectives and policies designed to develop its power and water sector (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;

and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (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) "CA" means Cellule d'Appui Technique, the Project technical support unit within MHE (as hereinafter defined), as established by Arrêté No.:364, dated April 25, 1999;

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

(c) "MAED" means Ministère des Affaires Économiques et du Développement, the Borrower's Ministry of Economic Affairs and Development;

(d) "MHE" means Ministère de l'Hydraulique et de l'Energie, the Borrower's Ministry of Water and Energy;

(e) "Nouadhibou" means the coastal port city in the territory of the Borrower;

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

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

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement, dated June 28, 1999;

(i) "Project Manual of Procedures" and "PMP" means the Manuel de Procédures adopted by the Borrower in its form as transmitted by letter, dated May 6, 2000, referred to in paragraph 1 of Schedule 4 to this Agreement 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;

(j) "SONELEC" means Société Nationale de l'Électricité et de

l'Eau, the national power and water company, established pursuant to Decree No. 75/170 of the Borrower, dated May 23, 1975, as amended by Decree No. 90/154, dated October 22, 1990;

(k) "SPC" means the special procurement commission for the water, sanitation and energy sector reform, established pursuant to Decree 99-03, dated January 6, 1999;

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

(m) "UEP" means Unité d'Exécution du Projet, the Project implementation unit in MAED, established pursuant to Arrêté No. 799, dated July 11, 1998; and

(n) "UGP" means Unité de Gestion du Programme des Réformes, the Borrower's Project management unit responsible for public sector reform in MAED, established pursuant to Arrêté No. 799, dated July 11, 1998.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million four hundred thousand Special Drawing Rights (SDR 7,400,000).

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 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 each March 15 and September 15, commencing September 15, 2010, and ending March 15, 2040. Each installment to and including the installment payable on March 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 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 outlining the future strategy of the water, sanitation and power sectors; 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 Project implementation; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (b) and (c) 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 no 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 event is specified, namely, that 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 satisfactory to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) appointed in UEP specialists with qualifications and experience acceptable to the Association, namely: (i) the project coordinator, (ii) the procurement specialist, and (iii) the accountant and financial management specialist, all in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(d) established a computerized accounting and financial management system in UEP, acceptable to the Association.

Section 6.02. 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 of the Borrower at the time responsible for economic affairs and development is designated as the 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 Économiques et du Développement
Ministère des Affaires Économiques et du Développement
B.P. 238
Nouakchott
Islamic Republic of Mauritania

Facsimile:	Cable address:	Telex:
222-25110	MP Nouakchott	840 MTN

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

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 Khalifa Ould Jiddou
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Pamela Cox
Acting Regional Vice President

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) Goods	100,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services and training	6,000,000	100%
(3) Operating costs	400,000	90%
(4) Refunding of Project Preparation Advance	800,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(5) Unallocated	100,000	
TOTAL	7,400,000	

2. For the purposes of this Schedule:

(a) 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;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "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 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 goods under contracts costing less than \$50,000 equivalent each, and for expenditures for services under contracts with firms costing less than \$100,000 or with individuals costing less than \$50,000 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, a special deposit account, 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, the term "eligible Categories" means Categories 1, 2, and 3 set forth in the table in paragraph 1 of this Schedule 1.

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 7 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 of up to \$1,000,000 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 of up to \$500,000 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 1,200,000.

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 amount of one million six hundred thousand Dollars (\$1,600,000).

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the living standard of

the population in the territory of the Borrower through increased access to safe drinking water, sanitation and reliable electricity supply through the revision of the legal and institutional framework for the water, sanitation and energy sectors to create an environment for private sector participation and prepare future investments in these sectors.

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: Sector Reform

1. Regulatory provisions:

Carrying out studies for the preparation of laws, regulatory decrees and administrative texts pertaining to: (a) enabling SONELEC' privatization through separation of the power and the water sector; (b) regulating (i) electricity generation and distribution, (ii) water supply to rural areas in the territory of the Borrower, and (iii) access of private operators to the petroleum sector; (c) insure decentralized water, sanitation and energy services to suburban and rural areas in the territory of the Borrower; (d) establish the required institutional mechanisms to effectively furnish said services, and (c) establish technical and safety standards for petroleum products; through the provision of technical advisory services.

2. Water, Sanitation and Energy Sector Reforms

Carrying out feasibility studies with a view to: (a) rehabilitate and expand the water, sanitation and energy supply service in suburban and rural areas of the territory of the Borrower; and (b) to strengthen the use of renewable energy resources, through the provision of technical advisory services.

3. Information Campaigns:

Carrying out information, education and communication campaigns in the territory of the Borrower to advise power, water and sanitation service consumers of impending changes through the acquisition of goods, provision of technical advisory services and training.

4. Strengthening Institutional Capacity

Strengthening the capacity of MAED and UGP to initiate and supervise the regulatory reform process and the administrative capacity of SONELEC to adapt to new operating objectives through the acquisition of goods, provision of technical advisory services and training.

Part B: Water and Sanitation Services

Strengthening the technical, administrative and logistical capacity of MHE and CA to design, implement and supervise efficient water and sanitation supply services within the territory of the Borrower; through the provision of technical advisory services and training of selected staff in MHE and CA.

Part C: Energy Supply

1. Strengthening the technical, administrative and logistical capacity of MHE and CA to design, implement and supervise efficient energy supply to rural areas in the territory of the Borrower; through the provision of technical advisory services and training of selected staff in MHE and CA

2. Carrying out a feasibility study developing a wind-power park in Nouadhibou and selected locations in the territory of the Borrower

through the provision of advisory services.

Part D: Petroleum Sector

Carrying out a study to reorganize the petroleum sector through the provision of advisory services.

Part E: Project Management and Supervision

Administration, coordination, supervision and evaluation of Project implementation through the provision of technical advisory services and training for selected staff in CA, UGP and UEP 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

Part A: General

Goods 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 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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, namely that to the extent practicable, contracts for equipment shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$70,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$30,000 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.

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 estimated to exceed \$50,000 equivalent, 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 (a) 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 (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. 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.

2. Shortlists for consultants services under contracts estimated to cost the equivalent \$50,000 or less, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for specialized assignments may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines and paragraph 3 of Annex I thereto.

2. Individual Consultants

Services for advising MAED on privatization issues and under Part A.4. of the Project, 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 and paragraph 3 of Annex I

thereto.

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 estimated to cost the equivalent of \$100,000 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 \$50,000 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 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 the following staff with qualifications and experience, satisfactory to the Association in UEP: (i) the project coordinator, (ii) a procurement specialist, and (iii) a specialist in charge of financial management and accounting. The Project Coordinator

shall be responsible for furnishing to UGP and the Association, for review and comment, quarterly Project progress reports.

C. Annual Reviews

4. The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish through UEP to UGP and the Association, quarterly, for the first time by October 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;

(b) furnish to the Association, within four weeks following the submission of the report referred to in the preceding subparagraph, the comments of, if any, and the approval of, UGP to said report, 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 and the Association's views on the matter.

D. Specific Actions

6. The Borrower shall within twelve months following Effective Date furnish to the Association for review and approval the studies referred to in Part A 1 (a) of the Project.

SCHEDULE 5

Implementation and Evaluation Indicators

1. Submission to Parliament, promulgation and publication in the Official Journal, of laws in the water and electricity sectors, satisfactory to the Association.

2. Establishment of a regulatory framework based on the laws in the water and electricity referred to under paragraph 1 above, satisfactory to the Association.

3. Bringing SONELEC (electricity part) to the point of sale (contractual agreements approved), and preparation of a management structure for SONELEC (water part) finalized, in accordance with the provisions set forth in the Program.

4. Increase of SONELEC's (electricity part) capital through the strategic partner by an amount bringing his share to a minimum of 51% of total capital in accordance with the Schedule set forth in the Program.

5. Development of institutional and technical mechanisms to efficiently deliver water, sanitation and energy services within the territory of the Borrower and establishment of the corresponding investment program.

6. Start of implementation of the action plan to promote energy

savings in the public sector.

7. Publication of tender documents for a wind energy park at Nouadhibou.

