

CONFORMED COPY

CREDIT NUMBER 3810-1 MAU

Financing Agreement

(Additional Financing for the Second Mining Sector Capacity Building Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 19, 2006

CREDIT NUMBER 3810-1 MAU

ADDITIONAL FINANCING AGREEMENT

AGREEMENT dated July 19, 2006, entered into between ISLAMIC REPUBLIC OF MAURITANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS; AMENDMENT

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, in the Original Financing Agreement, or in the Appendix to this Agreement.
- 1.03. The Original Financing Agreement is amended as set out in Section II of the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three millions five hundred Special Drawing Rights (SDR 3,500,000) (“Credit”) to assist in financing the Original Project.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule I to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Original Project. To this end, the Recipient shall carry out the Original Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Original Project is carried out in accordance with the provisions of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:

A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V — EFFECTIVENESS

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the minister at the time responsible for economic affairs and development..

6.02. The Recipient's Address is:

Ministry of Economic Affairs and Development
Nouakchott
Islamic Republic of Mauritania

Telex: MP Nouakchott 840MTN Facsimile: (222) 525 4617

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Bass Abal Abass

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils O. Tcheyan

Authorized Representative

SCHEDULE I

Project Execution

Section I. Implementation, Institutional and Other Arrangements

1. Schedule 4 to the Original Financing Agreement is incorporated in this Agreement, with the following modifications in said Schedule, unless the context otherwise requires:
 - (a) the term “Credit” shall be read as “Financing”; and
 - (b) the term “Borrower” shall be read as “Recipient”.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) The hydrocarbons law and regulations have been revised in line with of international practice.
 - (ii) The Production Sharing Contract model, to be applied to new petroleum permits has been revised and modernized.
 - (iii) Training of staff at the Ministry in charge of Petroleum implemented
 - (iv) The Environmental Unit at the Ministry in charge of Petroleum has been created 9 months after effectiveness and the Strategic Environmental and Social Assessment (SESA) has been completed 12 months after effectiveness.
 - (v) Environmental regulations for petroleum sector management have been prepared with the participation of sector stakeholders and are effective.

- (vi) The Petroleum Cadastre is operative 18 months after effectiveness.
- (vii) The sector Data Bank and Information Systems have been established 30 months after effectiveness.
- (viii) The sector strategic studies have been completed, including i.a.: (A) utilization of natural gas; (B) Promotion strategy for exploration of available blocks; (C) Economic model and operators costs report; and (D), Preparatory studies of the Law for Petroleum Revenue.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, interim un-audited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Procurement of Small Works
(d) Single Source Selection (With the Association's prior agreement)

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultants' Qualifications
(b) Least-Cost Selection
(c) Single Source Selection (With the Association's prior agreement)
(d) Individual consultants

D. Review by the Bank of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$500,000 or more, or procured on the basis of Direct Contracting; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more, or procured on the basis of Direct Contracting; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for employment of individual consultants estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Additional Financing

A. General

1. The Recipient may withdraw the proceeds of the Additional Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Additional Financing ("Category"), the allocations of the amounts of the Additional Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Additional Financing Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	40,000	100% of foreign expenditures and 100% of local expenditures, excluding taxes
(2) Goods	350,000	100% of foreign expenditures and 100% of local expenditures, excluding taxes

(3)	Consultants' services and audits	2,750,000	100% of foreign expenditures and 100% of local expenditures, excluding taxes
(4)	(a) Training	100,000	100%
(5)	Operating Costs	70,000	85%
(6)	Unallocated	<u>190,000</u>	
	TOTAL	<u>3,500,000</u> =====	

B. Withdrawal Conditions; Withdrawal Period

The Closing Date is March 15, 2009.

Section V. Other Undertakings

- A. The Ministry in charge of petroleum will be responsible for the implementation of Part E of the Project, with support from UCPM which will be responsible, in particular for fiduciary management.
- B. Not later than three months after the Effective Date, MEP shall appoint staff with qualification acceptable for the Association, and maintain for the duration of the Project implementation, to fill, at least the following positions: (a) MEP coordinator for the implementation of the Project; (b) staff responsible for the development of the legal and regulatory framework; (c) head of the environmental unit in MEP; and (d) staff responsible development of the technical data bases and cadastre.
- C. Not later than six months, the Beneficiary shall establish a consultation framework involving representative of the civil society, acceptable to the Association, for the preparation of the legal and regulatory framework and the framework for environmental and social management
- D. The Strategic Environmental and Social Assessment (SESA) should be completed not later than 12 months after Effective Date.
- F. Not later than eighteen months after the Effective Date, the Recipient shall (a) adopt appropriate environmental assessment and social regulations for oil industry, based on findings and recommendations of the SESA, and (b) provide adequate staffing of and equipment for the environmental unit of MEP.

SCHEDULE II**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 1 and October 1:	
commencing October 1, 2016 and including April 1 2026	1%
commencing October1, 2026 and including April 1, 2046	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Category” means a category set forth in the table in Section IV of the Schedule to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “Original Financing” means the amount in various currencies equivalent to thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000) made available by the Association to the Recipient, on the terms and conditions set forth in the Original Financing Agreement (as hereinafter defined) (Credit 3810 MAU).
5. “Original Financing Agreement” means the development credit agreement for the Second Mining Sector Capacity Building Project between the Recipient and the Association, dated July 26, 2003, as amended.
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 10, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
10. “SMH” means *Société Mauritanienne des Hydrocarbures*
11. “MEP” means the Recipient’s ministry in charge of petroleum.
12. “the Program” means the program designed to develop a sustainable petroleum industry and manage, with efficiency and transparency, petroleum revenues, as described in the Recipient’s letter dated May 31, 2006 which declare the Recipient’s commitment to the execution of such Program.

Section II. Amendment to Original Financing Agreement

The Original Financing Agreement is amended as set forth below.

1. Schedule 2 is amended as follows:

1.1. A new Part E is added which reads as follows:

“Part E: Capacity Building of Petroleum Sector

1. Improving legal, regulatory and contractual framework, through (a) the support in the carrying out of a comparative assessment of the competitiveness of the Recipient’s legal, regulatory, and contractual framework; and, based said assessment, (b) assistance in the preparation of an improved legal, regulatory, contractual, and institutional framework.

2. Strengthening the capacities of the ministry in charge of petroleum, and SMH, through: (a) assistance in the preparation and implementation of training programs, and (b) the carrying out of an institutional audit of the ministry in charge of petroleum; and (c) support for the implementation of institutional and organizational reforms based on said institutional audit.

3. Strengthening the capacity of the Recipient in the area of environment and social management of the petroleum sector, through: (a) the preparation of a strategic environmental and social assessment; (b) the preparation of environmental and social regulations; and (c) training of the core team to be responsible for the approval and monitoring of the environmental and social assessment of petroleum projects.

4. Establishment of a sector information system including data banks and cadastres, with up-to-date technical, economic, environmental, and financial information.

5. Carrying out of sector strategic assessments in the areas of (a) utilization of natural gas; (b) promotion of free zones; (c) economic models and operators’ costs; and (d) preparation of a legal and regulatory framework.