

CONFORMED COPY

CREDIT NUMBER 3272-MAU

Development Credit Agreement

(Integrated Development Project for Irrigated Agriculture)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 5, 1999

CREDIT NUMBER 3272-MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 5, 1999, between the ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower two letters: (i) a first letter, dated May 9, 1999, describing its policy of rice-marketing; and (ii) a second letter, dated May, 16, 1999, describing a program of actions, objectives and policies designed to strengthen irrigated agriculture in the Senegal River Valley within the Borrower's territory (Lettre de politique pour le développement de l'agriculture irriguée and the document portant sur les Politiques et Stratégies Générales pour le développement du secteur rural (Horizon 2010), (both letters hereafter referred to as "the Program") and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower has requested that the Association support the execution of the Program through a series of credits over a period of eleven

years, the proceeds of such credits to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the first phase of the Program, hereafter called the Project, as described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(D) part of the Project will be carried out by Union Nationale des Coopératives Agricoles de Crédit et d'Épargne de Mauritanie (UNCACEM) and part of the Project will be carried out by Société Nationale de Développement Rural (SONADER), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to UNCACEM and SONADER, respectively, part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower, in support of the Project, upon the terms and conditions set forth in this Agreement, the UNCACEM Project Agreement and the SONADER Project Agreement, respectively, of even date herewith between the Association and UNCACEM and SONADER, respectively;

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 December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. (a) 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."; and

(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 Participating Country 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."

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) "CADI Procedural Manual" or CPM" means le Manuel de procédures pour l'octroi des aides incitatives, the guidelines stipulating the conditions for the distribution of Grants, as referred to in paragraphs (8) and (9) of Schedule 4 to this Agreement, to be established pursuant to paragraph 6.01 (i) of this

Agreement;

(b) "CADI" means Comité d'octroi de l'aide incitatrice", the Borrower's committee in charge of selecting eligible Grant applications under Subproject proposals, to be established pursuant to paragraph 6(a)(iii) of Schedule 4 to this Agreement;

(c) "CCD" means Comité consultatif de diversification, the Borrower's advisory committee on crop diversification, to be established pursuant to paragraph 6(a)(vi) of Schedule 4 to this Agreement;

(d) "CIMOS" means Comité interministériel d'orientation, et de suivi du PDIAIM, the Borrower's inter-ministerial advisory committee in charge of guiding agricultural policy application under the Project;

(e) "Client" means the recipient to which UNCACEM (as hereafter defined) proposes to make or has made a loan pursuant to the conditions set forth in paragraph (7) of Annex 4 to this Agreement and the Schedule to the UNCACEM Project Agreement;

(f) "Contrat Programme" means the agreement between the Borrower and SONADER (as hereafter defined) setting forth SONADER's work program, scope of activities, duties and obligations and the Borrower's commitment towards SONADER, extending from January 1, 2000 through December 31, 2002, pursuant to paragraph 5(b) of Schedule 4 to this Agreement;

(g) "CP" means Comité de pilotage, the Borrower's steering committee in charge of approving PDIAIM's strategy, budget and implementation;

(h) "DEAR" means Direction de l'environnement et de l'aménagement rural, the Directorate in charge of the protection of the environment in MDRE (as hereafter defined);

(i) "DPSE" means Direction de politique et du suivi-évaluation, the Directorate in charge of planning, monitoring and evaluation of agricultural activities in MDRE (as hereafter defined);

(j) "DRAP" means Direction de développement et des ressources agro-pastorales, the Directorate in charge of agricultural and natural resources in MDRE (as hereafter defined);

(k) "DRFV" means Direction de la recherche, de la formation et de la vulgarisation, the Directorate in charge of research, extension and vocational training in MDRE (as hereafter defined);

(l) "Grant" means a grant made or proposed to be made by the Borrower to a Grantee for the implementation of a Subproject pursuant to the conditions set forth in paragraphs (8) and (9) of Annex 4 to this Agreement;

(m) "Grantee" means the recipient of a Grant for a Subproject (as hereafter defined) under Parts B.(4), D.(2) and E.(2), respectively, of the Project described in Schedule 2 to this Agreement;

(n) "IAPSO" means the Inter-Agency Procurement Service Office of the United Nations Development Program;

(o) "Loan Agreement" means an agreement to be entered into between UNCACEM and a Client for the purposes of providing financing for a Subproject;

(p) "Loan" means a loan made or proposed to be made by UNCACEM to a Client for the implementation of a Subproject out of the proceeds of the Credit relented by the Borrower to UNCACEM under the UNCACEM Subsidiary Loan Agreement;

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

(r) "MDRE" means Ministère du Développement Rural et de l'Environnement, the Borrower's ministry for agriculture and the environment;

(s) "Project Account" means the account referred to in Section 3.05 (a) of this Agreement;

(t) "Project Area" means the Senegal River Valley within the territory of the Borrower;

(u) "Project Implementation Manual" or "PIM" means the Manuel de procédures du projet, referred to in paragraph 1 of Schedule 4 to this Agreement containing, inter alia, work-plans, training plans, detailed 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, and such term includes any schedules to the Project Implementation Manual;

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

(w) "Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated March 7, 1997 and April 13, 1997, between the Borrower and the Association;

(x) "SONADER Project Agreement" means the agreement to be entered into between the Association and SONADER of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SONADER Project Agreement;

(y) "SONADER Subsidiary Agreement" means the agreement to be entered into between the Borrower and SONADER pursuant to Section 3.01 (a) (iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SONADER Subsidiary Agreement;

(z) "Special Account" means any one of the accounts referred to in Section 2.02 (b) of this Agreement, and "Special Accounts" means all such accounts collectively;

(aa) "Subproject Grant Agreement" means an agreement to be entered into between the Borrower and a Grantee for the purposes of providing financing for a Subproject (as hereafter defined);

(bb) "Subproject" means a development project under Parts B.(4), D.(2) and E. (2) of the Project;

(cc) "Subsidiary Loan" means the part of the proceeds of the Credit relent to UNCACEM by the Borrower pursuant to the conditions of a Subsidiary Loan Agreement;

(dd) "UC-PDIAIM" means Unité de coordination du projet de développement intégré de l'agriculture irriguée en Mauritanie, the Project coordination unit in MDRE;

(ee) "UNCACEM Procedural Manuel" or "MPU" means the Manuel des procédures pour l'octroi et l'utilisation des crédits of May 16, 1999, stipulating UNCACEM's lending guidelines, consistent with the UNCACEM development plan, incorporating the agricultural credit policy adopted and approved by the Board of Directors of UNCACEM on May 16, 1999, and such term includes all schedules, tables and amendments to such manual;

(ff) "UNCACEM Project Agreement" means the agreement between the Association and UNCACEM of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the UNCACEM Project Agreement;

(gg) "UNCACEM Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and UNCACEM pursuant to Section 3.01 (a) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the UNCACEM Subsidiary Loan Agreement;

(hh) "UNCACEM" means Union Nationale des Coopératives Agricoles de Crédit et d'Épargne de Mauritanie, established by Arrêté No. R-011, dated November 26, 1992, as amended through April 30, 1999; and

(ii) "UNIPAC" means the United Nations Children Fund Procurement and Assembly Center.

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 twenty eight million two hundred thousand Special Drawing Rights (SDR 28,200,000).

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: (i) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works or services, required for the Project described in Schedule 2 to this Agreement (other than Parts B.(4); D.(2) and E.(2) of the Project) and to be financed out of the proceeds of the Credit; (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by UNCACEM on account of withdrawals made for the benefit of a Client under a Loan to meet the reasonable cost of goods, works or services required for a Subproject to be financed under Parts B.(4) and D.(2) of the Project, and in respect of which the withdrawal from the Credit Account is requested; and (iii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a Grantee to meet the reasonable cost of goods, works or services required for a Subproject to be financed under Parts B.(4), D.(2) and E.(2) of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars three separate special deposit accounts (the MDRE Special Account for Parts A.(1), (2)(a); B.(4); D.(2); E; F and G of the Project, the UNCACEM Special Account for Parts A.(2)(c); B.(4); D.(2) of the Project, and the SONADER Special Account for Parts A.(2) (b); B.(1), (2) and (3); C; and D.(1) of the Project) in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) 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, 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 May 1 and November 1 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 May 1 and November 1, commencing November 1, 2009 and ending May 1, 2039. Each installment to and including the installment payable on May 1, 2019 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.

Section 2.09. (a) The Director General of UNCACEM 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 in respect of Categories 3 (c); 4 (c); (5) (c); and (6), set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the Director General of SONADER is designated as representatives 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 in respect of Categories (1) (b); (2) (b); 3 (b); 4 (b); (5) (b); and (8) (b), set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project Use of the Proceeds of the Credit

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 :

- (i) shall carry out Parts A.(1), (2)(a); B.(4); D.(2); E, F and G of the Project, through UC-PDIAIM, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and technical practices, and in accordance with the implementation program set forth in Schedule 4 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project;
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause UNCACEM to perform in accordance with the provisions of the UNCACEM Project Agreement all the obligations of UNCACEM therein set forth, and shall cause SONADER to perform, in accordance with the provisions of the SONADER Project Agreement, all the obligations of SONADER therein set forth, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable UNCACEM and SONADER, respectively, to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
- (iii) relend the proceeds of the Credit allocated from time to time to Categories 3 (c), 4 (c); (5) (c); and (6) of the table set forth in paragraph 1 of Schedule 1 to this Agreement to UNCACEM as agreed under the UNCACEM Subsidiary Loan Agreement, under terms and conditions which shall have been approved by the Association, and which shall include, inter alia, the condition that UNCACEM shall pay six per cent (6%) interest on the principal outstanding, repayable in annual installments together with the principal; and
- (iv) make the proceeds of the Credit allocated from time to time to Categories (1) (b); (2) (b); (3) (b); (4) (b); (5) (b); and (8) (b) available to SONADER, as agreed under the SONADER Subsidiary Agreement, under terms and conditions which shall have been approved by the Association.

(b) The Borrower shall exercise its rights under the UNCACEM Subsidiary Loan Agreement and the SONADER Subsidiary Agreement, respectively, in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the UNCACEM Subsidiary Loan Agreement or the SONADER Subsidiary Agreement, or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, 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 no later than two (2) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the continuation of the Program; and

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

Section 3.04. The Borrower and the Association hereby agree that 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) shall be carried out by UNCACEM and by SONADER, respectively, in respect to the Parts of the Project carried out by UNCACEM and SONADER, respectively, pursuant to Section 2.03 of the UNCACEM and SONADER Project Agreements, respectively.

Section 3.05. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) until the completion of the execution of the Project in Mauritanian Ouguiya in a commercial bank on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into such account, in an amount equivalent to \$100,000 to finance the Borrower's contribution to the expenditures required under the Project;

(c) deposit into the Project Account the amount of \$400,000 on February 1, 2000; June 1, 2000 and October 1, 2000; the amount of \$500,000 on February 1, 2001, June 1, 2001 and October 1, 2001, and on February 1, 2002 and June 1, 2002, as shall be required to timely meet expenditures required for the execution of the Project during the period following such dates; 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 required under the Project other than those financed from the proceeds of the Credit.

ARTICLE IV

Financial and other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any Part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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 four months after the end of each such year, 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 and accounts and 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 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) 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;

(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; and

(v) 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.

Section 4.02. 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 designed to: (i) strengthen its financial management system for the Project; and (ii) develop, no later than twenty-four months following the Effective Date, or such later date as the Association shall agree, a system acceptable to the Association for the preparation of three separate Project Management Reports at each quarter as follows:

(i) the financial management report setting 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 (work program and budget) for the Project for the six-month period following the period covered by said report;

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

(iii) the Project procurement report setting 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 development of the project management reporting system, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Bank 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 events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) UNCACEM shall have failed to perform any of its obligations under the UNCACEM Project Agreement;

(c) SONADER shall have failed to perform any of its obligations under the SONADER Project Agreement; and

(d) 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 UNCACEM or SONADER, as the case may be, will be able to perform its obligations under the UNCACEM Project Agreement or the SONADER Project Agreement, as the case may be.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraphs (b) and (c) 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

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:

1. the Borrower has:

(a) established the Project Account and deposited therein the initial deposit referred to in Section 3.05 (b) of this Agreement;

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

(c) appointed a financial specialist/accountant in accordance with the provisions of Section II of Schedule 3 to this Agreement and established a computerized accounting and financial information management system in UC-PDIAIM, acceptable to the Association;

(d) appointed a procurement specialist in accordance with the provisions of Section II of Schedule 3 to this Agreement, and established a procurement management system in UC-PDIAIM, acceptable to the Association;

(e) appointed a monitoring and evaluation specialist, in accordance with the provisions of Section II of Schedule 3 to this Agreement, and established a computerized monitoring and evaluation system in UC-PDIAIM, acceptable to the Association; and

(f) approved the Project Implementation Manual, and the CADI Procedural Manual, each in form and substance acceptable to the Association; and

2. the UNCACEM Subsidiary Loan Agreement and the SONADER Subsidiary Agreement have each been executed on behalf of the Borrower and UNCACEM and SONADER, respectively.

Section 6.02. The following are specified as additional matters, 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:

(a) that the UNCACEM Project Agreement and the SONADER Project Agreement have each been duly authorized and executed by UNCACEM and SONADER,

respectively, and are legally binding upon UNCACEM and SONADER in accordance with their respective terms; and

(b) that the UNCACEM Subsidiary Loan Agreement and the SONADER Subsidiary Agreement have each been duly authorized, ratified and executed by the Borrower and UNCACEM and SONADER, respectively, and are legally binding upon the Borrower, UNCACEM and SONADER, respectively, in accordance with their respective terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Article IV, and the provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen (15) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for economic affairs is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable address:	Telex:
MP Nouakchott	840MTN

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, DC	248423 (MCI) or 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 Khlifia Ould Jiddou

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Praful C. Patel

Acting Regional Vice President
Africa

SCHEDULE 1

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 foreign		100% of
and		expenditures
(a) MDRE	1,300,000	90% of local
(b) SONADER	150,000	expenditures
(2) Vehicles foreign		100% of
and		expenditures
(a) MDRE	500,000	75% of local
(b) SONADER	450,000	expenditures
(3) Equipment foreign		100% of
and		expenditures
(a) MDRE	1,200,000	80% of local
(b) SONADER	500,000	expenditures
(c) UNCACEM	70,000	
(4) Consultant services and studies		100%
(a) MDRE	4,150,000	
(b) SONADER	3,100,000	
(c) UNCACEM	250,000	
(5) Training		100%

	(a) MDRE	750,000	
	(b) SONADER	750,000	
	(c) UNCACEM	120,000	
(6)	Loans for amounts	6,900,000	100% of
	Subprojecta		disbursed
(7)	Grants for amounts	1,800,000	100% of
	Subprojects		disbursed
(8)	Incremental operating costs		80%
	(a) MDRE	1,300,000	
	(b) SONADER	450,000	
(9)	Refunding of Project due pursuant	1,000,000	Amount
	Preparation Advance		to Section
2.02 (c) of			this Agreement
(10)	Unallocated	3,460,000	
	TOTAL	<u>28,200,000</u>	
		=====	

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 "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs and audits, but excluding salaries of officials and public servants of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments:

(a) made for expenditures prior to the date of this Agreement;

(b) made for expenditures in respect of Category (6) of the table set forth under paragraph 1 of this Schedule, unless and until:

(i) UNCACEM has:

(A) furnished to the Association a non-qualified audit report for its fiscal year 1998, undertaken by auditors acceptable to the Association;

(B) appointed an independent auditor, acceptable to the Association, under terms of reference acceptable to the Association, for the purpose of auditing its accounts until the completion of the execution of the Project;

(C) entered into an agreement with a consultant firm acceptable to the Association, for consultant

services under the Project, in form and substance acceptable to the Association;

(ii) the Subproject to be financed out of the proceeds of the Credit has been approved by UNCACEM pursuant to the procedures set forth in the UNCACEM Project Agreement; the MPU and the eligibility criteria set forth or referred to in paragraph (8) of Schedule 4 to this Agreement; and

(iii) a Subproject Agreement has been entered into between UNCACEM and the Client pursuant to the provisions of the Schedule to the UNCACEM Project Agreement; and

(c) made for expenditures in respect of Category (7) of the table set forth under paragraph 1 of this Schedule, unless and until:

(i) the Subproject to be financed out of the proceeds of the Credit has been approved by CADI pursuant to the procedures set forth in the PIM, the CPM and the eligibility criteria set forth or referred to in paragraph (8) of Schedule 4 to this Agreement, and

(ii) a Grant Agreement has been entered into between the Borrower and the Grantee pursuant to the provisions of paragraph (9) of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures made for: (a) goods and civil works under contracts not exceeding \$100,000 equivalent each, (b) services rendered by consulting firms under contracts not exceeding \$50,000 equivalent each, and (c) services rendered by individual consultants under contracts not exceeding \$20,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase agricultural productivity, employment and income in the Project Area through a rational use of the Borrower's water and arable land resources; and (b) establish the foundation for sustained development of irrigated agriculture in the Project Area in social, economic, technical and environmental terms.

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: Establishment of an Enabling Regulatory and Institutional Framework for Agricultural Operations within the Project Area

1. Development of an enabling regulatory framework for agricultural operations, including the carrying out of studies into the preparation of laws and administrative regulations relating to: (a) taxes and tariffs for agricultural produce and trade; (b) transport; (c) rural land tenure, transfer and registration, and rural property taxation; (d) regulation of agricultural organizations; and (e) export promotion for rural products, through the provision of technical advisory services and the carrying out of a training program.

2. Strengthening of the institutional framework and capacity building of MDRE, SONADER and UNCACEM, including:

(a) for MDRE: the provision of technical advisory services and training to selected staff of DPSE in the areas of: (i) data gathering and management; (ii) logistics; (iii) statistical evaluation; (iv) multi-unit coordination; (v)

operational follow-up; (vi) communication; and the acquisition of equipment.

(b) for SONADER: (i) the carrying out of a study to: (A) strengthen its administrative and technical capacities and identify redundancies in its staff, and (B) identify training needs for selected staff; and (ii) the implementation of recommendations of the study referred to under (i) (A) of this subparagraph, through the provision of technical advisory services, carrying out of a training program for selected staff and the acquisition of equipment.

(c) for UNCACEM: (i) the carrying out of a study to determine actions which will identify: (A) training needs for selected staff of UNCACEM and selected members of UNCACEM; (B) improvements in the operational management system of UNCACEM, including financial reporting and on-site controls; and (C) diversification possibilities for UNCACEM's lending instruments, and corresponding operational guidelines, rules and administrative forms; and (ii) the implementation of the recommendations of the study referred to under (i) (A) of this subparagraph, through the provision of technical advisory services, carrying out of a training program to selected staff and the acquisition of equipment.

Part B: Strengthening of Agricultural Infrastructure in the Project Area

1. (a) The carrying out of studies into the rehabilitation of public rural infrastructure works, including hydraulic works for access and drainage of water to irrigation schemes and feeder roads, and

(b) the preparation of the terms of reference for an update of the Plan directeur de la rive droite du fleuve Sénégal.

2. Construction of hydraulic infrastructure works and feeder roads in selected areas within the Project Area.

3. The carrying out of adaptive research and studies for the improved design, planning and technical implementation of public and private agricultural infrastructure works, including irrigation and drainage systems, through the provision of technical advisory services and the carrying out of a public training program.

4. The identification, appraisal, design, implementation and supervision of community initiated activities, and activities initiated by individual farmers, and the provision of Loans and Grants for the financing thereof, for the rehabilitation, extension and creation of irrigation schemes.

Part C: Improving Operational Management of Community Organizations and Farmers in charge of Irrigation Schemes in the Project Area

1. Strengthening of community farmers' organizations, including:

(a) the carrying out of a base-line study on existing organizations; and

(b) carrying out of a training program for selected members of community farm organizations and farmer federations in areas such as: (i) administrative and financial management, and (ii) maintenance of irrigation schemes and equipment.

2. Carrying out of a training program for selected farmers in areas such as operational and financial management and maintenance of irrigation schemes and equipment.

Part D: Strengthening the Sector of Traditional Irrigation Agriculture

1. Carrying out of a training program for selected agricultural communities, farmers and agricultural trainers in areas such as: (a) quality improvement of rice production; (b) productivity improvement in flood recession agriculture; (c) extension of the production of traditional farm products such as fodder, oil seeds, fuelwood; and produce conservation; (d) adapted technology and

mechanization of agricultural activities; (e) definition and establishment of quality standards for rice; and (f) national, regional and international market information dissemination.

2. The identification, appraisal, design, implementation and supervision of community initiated activities, and activities initiated by individual farmers, and the provision of Loans and Grants for the financing thereof, for (a) agricultural inputs for traditional agricultural activities customarily undertaken in the Project Area, (b) rice processing equipment, (c) marketing initiatives intended to promote Project Area grown crops, and (d) construction of storage facilities for said crops.

Part E: Development of Agricultural Diversification in the Project Area

1. The carrying out of studies to identify commercial opportunities and production options for the extension of diversified, non traditional crops through the provision of technical advisory services.

2. Appraisal, design, implementation and supervision, and the provision of Grants for the financing thereof, of pilot activities to test the recommendations of any studies carried out under paragraph 1 of this Part E of the Project.

3. Establishment of a data base in UC-PDIAIM on agricultural production, crop diversification, technical and marketing information.

4. Carrying out of a training program for selected staff in UC-PDIAIM, and the acquisition of equipment.

Part F: Strengthening of Environmental Protection in the Project Area

1. Establishment in DEAR of: (a) a data bank collecting information on environmentally-sensitive data, and (b) an environmental management system facilitating: (i) the assessment and evaluation of the impact of agricultural activities on the environment; and (ii) the development of mitigating strategies; through the provision of technical advisory services and carrying out of a training program to selected staff in DEAR and the acquisition of equipment.

2. The carrying out of a training program for selected staff in DEAR, UC-PDIAIM, MDRE and SONADER in such areas as: (a) environmental management, (b) environmental assessment studies, (c) design of environmental strategies, and (d) monitoring of environmental impacts.

3. Carrying out studies and research and preparing regulations and technical norms for optimal soil use and environmentally least negative agricultural activities in the Project Area.

4. Carrying out of mitigation measures to reduce environmentally adverse effects of the Project, through the provision of technical advisory services, carrying out of works and acquisition of equipment.

Part G: Project Management, Supervision, Monitoring and Evaluation

Administration, coordination, supervision and evaluation of Project implementation through the carrying out of training programs for selected staff in UC-PDIAIM, DPSE, DEAR, DRFV, and DRAP, the acquisition of equipment and provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

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

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

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; and

(b) works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$280,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines;

2. National Shopping

(a) Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$410,000 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; and

(b) works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,950,000, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

US\$300,000 equivalent may be procured from IAPSO or UNIPAC, as the case may be, in accordance with the provisions of urgent equipment costing less than US\$100,000 dollars per contract, up to an aggregate amount not to exceed paragraph 3.9 of the Guidelines.

4. Commercial Practice

Goods and works procured for Subprojects under Parts B (4); D (2); and E (2) of the Project, estimated to cost:

(a) less than \$400,000 per contract, shall be carried out through competitive bidding pursuant to procedures satisfactory to the Association, and

(b) less than \$100,000 per contract, shall be carried out in accordance with the procedures set forth in paragraph 3.5 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract under: (a) Part C.1 (b) of this Section I estimated to cost the equivalent of \$100,000 or more, and (b) under Part C 4. (a) of this Section I, 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

1. 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 Bank in January 1997, revised in September 1997 and January 1999 (the Consultant Guidelines); and (b) the provision of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

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. The following provisions shall apply to consultants services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for regular supervision missions estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants Qualifications

Services for training and health and environment technical advisory services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection.

Services for farmer training and supervision of studies and works undertaken by SONADER which are estimated to cost less than \$600,000 equivalent per contract, up to an aggregate amount not to exceed \$1,200,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants.

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate equivalent amount not to exceed \$5,000,000, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 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 \$20,000 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 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

1. The Borrower shall carry out Parts A.(1), (2) (a); B.(4); D.(2); E; F and

G of the Project through UC-PDIAIM in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.

A: Overall Project Implementation

2. The Borrower shall:

(a) maintain, until the completion of the execution of the Project, policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, semiannually until the completion of the Project, for the first time by April 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: (i) a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project; and (ii) a draft work program and related budget for the following six month period, and

(c) review with the Association, one month after having furnished to the Association the report referred to under subparagraph (b) of this paragraph, or such later date as the Association shall agree, said report 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 said report and the Association's views on the matter.

3. (a) By December 31 of each year, commencing December 31, 2000 or such later date as the Association may agree, the Borrower shall carry out jointly with the Association an annual review of the Project (Annual Review). The Borrower shall take all actions it considers necessary to ensure the participation of UNCACEM and SONADER in such Annual Review. Such Annual Review shall cover the progress achieved in the execution of the Project including, inter alia, the proposed work programs and related budgets to be carried out during the following year.

(b) Promptly following said Annual Review, the Borrower shall carry out, through UC-PDIAIM and CADI, or cause UNCACEM and SONADER, as the case may be, to carry out said work programs in accordance with the modalities and procedures approved by the Association and in accordance with the PIM, the CPM and the MPU, respectively.

(c) By June 30, 2001 or such other date as the Association shall agree upon, the Borrower shall carry out jointly with the Association, a mid-term review (hereafter referred to as the Midterm Review). The Borrower shall take all actions it considers necessary to ensure the participation of UNCACEM and SONADER in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project.

(d) No later than one month prior to the Midterm Review, the Borrower shall furnish to the Association, for its review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project.

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

Project.

4. The Borrower shall, until the completion of the execution of the Project:

(a) maintain, in the following positions in UC-PDIAIM, staff with adequate qualifications and experience, satisfactory to the Association: the director, the specialists in charge of finances/accounting, procurement, monitoring and evaluation, and agricultural diversification; and

(b) ensure that the following positions at SONADER are staffed by suitably qualified and experienced personnel, satisfactory to the Association: the director general, and the specialist in charge of finances/accounting.

5. The Borrower shall, six months after the Effective Date, or at such later time as the Association shall determine:

(a) carry out the study referred to under Part A (2) (b) (A) of the Project and furnish to the Association, for its review and approval said study and implement the recommendations of said study taking the views of the Association into consideration; and

(b) have entered into the Contrat Programme with SONADER, in form and substance acceptable to the Association.

6. The Borrower shall:

(a) by December 31, 1999, or at such later time as the Association shall determine :

(i) appoint, in UC-PDIAIM, the following experts in charge of supervising activities under Part E (3) of the Project: (A) a diversification coordinator, (B) a marketing expert, (C) a research and development expert, and (D) an agricultural expert, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(ii) appoint a monitoring and evaluation expert in each of MDRE's regional centers in Boghe, Kaedi and Rosso to assist UC-PDIAIM in the collection of data, their dissemination and the coordination among entities involved in the agricultural sector in the Project Area;

(iii) establish CADI and nominate its members;

(iv) establish CIMOS and nominate its members;

(v) establish CP and nominate its members;

(vi) establish CCD under the chairmanship of UC-PDIAIM and nominate its members; and

(b) by July 31, 2000, prepare and adopt regulation for the application of Décret No 98/48 du 18 juin 1998 portant libéralisation de l'exercice de l'activité du transport public.

B. Implementation of Subprojects

7. Eligibility Criteria of Subprojects qualifying for Loans

Without limitation upon the provisions of paragraph 1 above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless UC-PDIAIM has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIM, that the Subproject satisfies the eligibility criteria specified in said PIM, including the following:

(a) Criteria applicable to community based infrastructure works

and (i) the community meets the eligibility criteria of a Grantee;

(ii) the Subproject consists in the rehabilitation or extension of irrigation rice schemes, or the creation of an irrigation scheme for crops other than rice.

(b) Criteria applicable to private farmers exploiting less than 40 ha of irrigation schemes

(i) the farmer meets the eligibility criteria of a Grantee; and

(ii) the Subprojects consists in the rehabilitation of irrigation rice schemes or the creation of an irrigation scheme for crops other than rice.

(c) Criteria applicable to private farmers

The Subprojects consists in the rehabilitation of irrigation rice schemes or the creation of an irrigation scheme for crops other than rice.

(d) Criteria applicable to Subprojects sponsored by Clients other than those qualifying under the categories (a) through (c) above

(i) the Subproject relates to agricultural activities based in the Project Area and is envisaged under the regional and central development plans;

(ii) the Subproject meets the economic and financial criteria stipulated in the MPU and the PIM; and

(iii) the Subproject consists of one of the following activities : (A) equipment for irrigated rice schemes; (B) crop-storage, processing facilities, and marketing campaigns.

8. Eligibility Criteria of Subprojects qualifying for Grants.

No Subproject shall be eligible for Grant financing out of the proceeds of the Credit unless CADI has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the CPM, that the Subproject satisfies the eligibility criteria set forth in said CPM, which shall comprise the following:

(1) Conditions applicable to collective farmers

(a) the applicant is a community based cooperative, established in accordance with the laws of the Borrower, possessing valid rights to its land and whose members have rights to less than 2 ha each only; and

(b) the application for the Grant is limited to Subprojects the total costs of which do not exceed the amount of ten million UM.

(2) Conditions applicable to individual farmers

(a) the applicant possesses valid rights to its land;

(i) the applicant has valid rights to less than 40 ha of irrigation schemes only in the case of an application for rehabilitation of irrigation rice schemes; or

(ii) the applicant has valid rights to to an irrigation scheme of less than 5 ha of other crops than rice only in the case of an application for the construction of said scheme; and

(b) the Grant application is limited to Subprojects the total costs of

which do not exceed the amount of five million UM.

(3) Conditions applicable for the construction of warehouses for crop-storage

The applicant is a community cooperative, or a union of such cooperatives, duly registered under the laws of the Borrower.

(4) Conditions applicable for pilot diversification and irrigation activities

The applicant is a community cooperative duly registered in accordance with the laws of the Borrower, or an individual farmer and intends to undertake activities promoting the diversification of crops or the introduction of new technologies in irrigation agriculture.

9. Terms and Conditions for Subproject Grant Agreements

A Subproject financed by a Grant shall be carried out pursuant to a Subproject Grant Agreement, to be concluded between MDRE and the Grantee, following the approval of the Subproject by CADI, under terms and conditions satisfactory to the Association, as set forth in the CPM, providing for, inter alia, the following:

(a) the respective financing percentage of the Subproject provided for out of the proceeds of the Credit on the basis of a Grant, a reimbursable UNCACEM Loan, as the case may be, and the Grantee's contribution, together covering hundred per cent of the estimated Subproject cost;

(b) the obligation to carry out and maintain the Subproject in accordance with the PIM and the CPM, with due diligence and efficiency and in accordance with appropriate technical, environmental, financial and commercial practices and to maintain adequate records in such form and detail as the Association may reasonably request;

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

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

(e) the right to appropriate remedies, acceptable to the Association, should the carrying out or the maintenance of the Subproject, as the case may be, not conform to the regulations set forth in the PIM, the CPM and the Subproject Grant Agreement; and

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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of the MDRE Special Account Categories (1) (a); (2) (a); (3) (a); (4) (a); (5) (a) and (8) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; in the case of the SONADER Special Account Categories (1) (b); (2) (b); (3) (b); (4) (b); (5) (b); and (8) (b) set forth in the said table; and in the case of the UNCACEM Special Account Categories (3) (c); (4) (c); (5) (c), (6) and (7)

set forth in the said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in the case of the MDRE Special Account, to \$1,400,000; in the case of the SONADER Special Account, to \$800,000; and in the case of the UNCACEM Special Account, to \$1,000,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) the MDRE Special Account shall be limited to an amount of \$700,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (a); (2) (a); (3) (a); (4) (a); (5) (a), and (8) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.(1), (2) (a); B.(4); D. (2); E; F and G of the Project shall be equal to or exceed the equivalent of SDR 2,000,000;

(ii) the SONADER Special Account shall be limited to an amount of \$400,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (b); (2) (b); (3) (b); (4) (b); (5) (b); and (8) (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A. (2) (b); B. (1), (2) and (3); C and D (1) of the Project shall be equal to or exceed the equivalent of SDR1,000,000; and

(iii) the UNCACEM Special Account shall be limited to an amount of \$500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (3)(c); (4) (c); (5) (c) (6) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A.(2) (c); B.(4); D.(2) of the Project shall be equal to or exceed the equivalent of SDR1,000,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such

intervals as the Association shall specify.

- (ii) 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 paragraph 4 of this Schedule 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 the respective 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 the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) 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 the records and accounts for the Special Accounts;

- (c) 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 the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Parts of the Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account 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 the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any 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 shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, 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 Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Project Performance and Evaluation Indicators

(1) Liberalization measures for agricultural markets and transport services, as agreed between the Borrower and the Association in the policy framework paper dated May 29 1999, remain in place and agricultural credit is made available to all applicants under customary credit practices.

(2) Rural land tenure law is implemented to improve security of tenure and equity in access to land with irrigation potential, and title registers are established in the Project Area, efficiently maintained and accessible to the public.

(3) Irrigated cropping systems in the Project Area have a satisfactory economic rate of return as agreed upon with the Association.

(4) Establishment of procedures for the collection of water charges in the Project Area.

(5) Establishment of procedures for the operation and maintenance of public infrastructure works in the Project Area and their effective application.

(6) Investment in irrigated schemes carried out under the Project reach minimum of 75% of eligible demands and completion of feasibility and environmental assessment studies for new investments carried out under the Project reach a rate of 75%.

(7) UNCACEM has furnished to the Association a budget proposal for its fiscal year 2001 indicating operational and financial self-sufficiency for said fiscal year and the following years.

