

**CONFORMED COPY**

**CREDIT NUMBER 3574 MAU**

# **Development Credit Agreement**

**(Urban Development Project)**

**between**

**ISLAMIC REPUBLIC OF MAURITANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 31, 2001**

**CREDIT NUMBER 3574 MAU**

## **DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated October 31, 2001, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated June 7, 2001, from the Borrower, describing a program of actions, objectives and policies designed to develop its urban

sector (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 ten 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 Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) the Borrower intends to obtain from the African Development Bank, the French Republic, the Kreditanstalt für Wiederaufbau and other donors (hereafter cumulatively referred to as Donors) loans or grants, as the case may be, in an aggregate amount equivalent to approximately nine million Dollars (\$9,000,000), to assist in the financing of the Program on the terms and conditions set forth in the respective loan or grant agreements (the Cofinancing Agreements) to be entered into between the Borrower and each of the Donors;

(E) Parts A and G.2 of the Project will be carried out by the Urban Development Agency (UDA) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit provided for in this Agreement available to UDA as set forth in this Agreement;

(F) Parts B and G.3 of the Project will be carried out by *Agence Mauritanienne d'Exécution des Travaux d'Intérêt Public pour l'Emploi* (AMEXTIPE) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit available to AMEXTIPE as set forth in this Agreement;

(G) Part C of the Project will be carried out by the *Société de Construction et de Gestion Immobilière de Mauritanie* (SOCOGIM) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit available to SOCOGIM as set forth in this Agreement;

(H) Part D of the Project will be carried out by the *Société Nationale d'Eau et d'Electricité* (SONELEC) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the Credit available to SONELEC as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association and (i) UDA (the UDA Project Agreement); (ii) AMEXTIPE (the AMEXTIPE Project Agreement); (iii) SOCOGIM (the SOCOGIM Project Agreement); and (iv) SONELEC (the SONELEC Project Agreement), 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 October 6, 1999), 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. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.” ;

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association 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.” and

(c) the first sentence in Section 9.06 (c) is modified to read:

“Promptly after completion of the Project, but in any event not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”

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) “AIDS” means Acquired Immune Deficiency Syndrome;

(b) “AMEXTIPE” means *Agence Mauritanienne d’Exécution des Travaux d’Intérêt Public pour l’Emploi*, established pursuant to the Borrower’s law No 64-098, dated June 9, 1964, as amended to the date of this Agreement;

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

(d) “AMEXTIPE Sub-Account” means the sub-account of the Special Account to be opened in the name of AMEXTIPE pursuant to Part B 1 (b) of Schedule 1 to this Agreement;

(e) “AMEXTIPE Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and AMEXTIPE pursuant to Section 3.01 (c) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the AMEXTIPE Subsidiary Grant Agreement;

(f) “AMM” means “*Association des Maires de Mauritanie*”, the Association of Mayors of Mauritania established and operating under the Borrower’s law No 64-098, dated June 9, 1964;

(g) “Community” means an administrative entity pursuant to the Borrower’s law No. 2004-04, dated July 26, 2000;

(h) “CDHLCPI” means *Commissariat aux Droits de l’Homme, à la Lutte contre la Pauvreté et à l’Insertion*, the Borrower’s Ministry for Human Rights, Poverty Alleviation and Inclusion;

(i) “CDHLCPI Manual” means the manual for carrying out social policies and activities under the Project;

(j) “CI” means *Conseil Interministériel*, the Borrower’s Inter-Ministerial Council established pursuant to Decree No 085-2000 dated July 31, 2000 for coordinating policy issues under the Project;

(k) “DBHU” means *Direction des Bâtiments, de l’Habitat et de l’Urbanismes*, the Directorate in charge of housing in MET (as hereafter defined);

(l) “DEAR” means *Direction de l’Environnement et de l’Aménagement Rural*, the Directorate for the Environment in MDRE (as hereafter defined);

(m) “Eligible Categories” means the Categories (1) through (5) set forth in the table in Part A. 1 of Schedule 1 to this Agreement;

(n) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories;

(o) “Fiscal Year” means the fiscal year of the Borrower starting January 1 and ending December 31 each calendar year;

(p) “GIE” means *Groupement d’Intérêt Economique*, an entity established and operating pursuant to Law No 97-009, dated January 9, 1997, of the Borrower, as amended to the date of this Agreement;

- (q) “HIV” means the Human–Immuno Deficiency Virus;
- (r) “IAPSO” means the Inter-Agency Procurement Service Office of the United Nations Development Program;
- (s) “IEC” means Information, Education and Communication campaigns;
- (t) “Initial Deposit” means the initial amount to be paid into the Project Account pursuant to Section 3.05 (b) of this Agreement;
- (u) “LARAP” means the Borrower’s Land Acquisition and Resettlement Action Plan;
- (v) “MAED” means *Ministère des Affaires Economiques et du Développement*, the Borrower’s Ministry for Economic Affairs and Development;
- (w) “MDRE” means *Ministère du Développement Rural et de l’Environnement*, the Borrower’s Ministry of Agricultural Development and the Environment;
- (x) “MET” means *Ministère de l’Équipement et des Transports*, the Borrower’s Ministry for Equipment and Transport;
- (y) “NGO” means a non-governmental organization, a non-profit legal entity, established and operating under the laws of the Borrower;
- (z) “Nouakchott” means the capital city of the Borrower ;
- (aa) “Nouadhibou” means the sea-port city of the Borrower;
- (bb) “Ouguiya” and UM mean the currency of the Borrower;
- (cc) “PCU” means the Project Coordination Unit, established and operating in MAED to coordinate Project implementation pursuant to Decree No R403/MAED, dated May 14, 2001 of the laws of the Borrower;
- (dd) “Project Account” means the account referred to in Section 3.05 (a) of this Agreement;
- (ee) “Project Agreements” means the UDA Project Agreement, the AMEXTIPE Project Agreement, the SOCOGIM Project Agreement and the SONELEC Project Agreement;
- (ff) “Project Implementation Agencies” means UDA, AMEXTIPE, SOCOGIM, and SONELEC;
- (gg) “Project Implementation Manual” means the Project Implementation Manual referred to in paragraph 1 of Schedule 4 to this Agreement and includes the CDHLCPI Manual, and the LARAP, including, inter alia, supporting handbooks, work-plans, environmental guidelines, participatory monitoring and performance indicators and procedures to be used for the purpose of carrying out the Project, as the same may be amended from time to time with the

approval of the Association, and such term includes any schedules to said Manual;

(hh) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(ii) “Project Preparation Advance” means the project preparation advances granted by the Association to the Borrower pursuant to letter agreements signed on behalf of the Association on July 28, 2000 and January 22, 2001, respectively, and on behalf of the Borrower on the same days;

(jj) “SMEs” means small and medium-scale enterprises;

(kk) “Special Account” means the Special Deposit Account to be opened in the name of PCU pursuant to Part B.1 (a) of Schedule 1 to this Agreement;

(ll) “Steering Committee” means the Borrower’s inter-ministerial coordinating committee referred to in paragraph 4 of Schedule 4 to this Agreement;

(mm) “SOCOGIM” means *Société de Construction et de Gestion Immobilière*, a construction company established pursuant to Decree No 84-138 of June 6, 1984 as amended to the date of this Agreement (the SOCOGIM Law);

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

(oo) “SOCOGIM Sub-Account” means the sub-account of the special deposit account to be opened in the name of SOCOGIM pursuant to Part B.1 (b) of Schedule 1 to this Agreement;

(pp) “SOCOGIM Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and SOCOGIM pursuant to Section 3.01 (d) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SOCOGIM Subsidiary Loan Agreement;

(qq) “SONELEC”, means *Société Nationale d’Eau et d’Electricité*, a water and electricity utility company, established pursuant to Decree No 75/170 of the Borrower, dated May 23, 1975, as amended to the date of this Agreement;

(rr) “SONELEC Sub-Account” means the sub-account of the Special Account to be opened in the name of SONELEC pursuant to Part B.1 (b) of Schedule 1 to this Agreement;

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

(tt) “SONELEC Subsidiary Loan Agreement” means the agreement to be entered

into between the Borrower and SONELEC pursuant to Section 3.01 (d) (iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the SONELEC Subsidiary Loan Agreement;

(uu) “Sub-Accounts” means: (i) the UDA Sub-Account, (ii) the AMEXTIPE Sub-Account, (iii) the SOCOGIM Sub-Account, and (iv) the SONELEC Sub-Account;

(vv) “Subprojects” means the activities to be carried out under Part E of the Project;

(ww) “Subsidiary Grant Agreements” mean the UDA Subsidiary Grant Agreement and the AMEXTIPE Subsidiary Grant Agreement;

(xx) “Subsidiary Loan Agreements” mean the SOCOGIM Subsidiary Loan Agreement and the SONELEC Subsidiary Loan Agreement;

(yy) UDA” means Urban Development Agency, established pursuant to the Borrower’s law No 2001-02 dated April 19, 2001, as amended to the date of this Agreement (the UDA Law);

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

(aaa) “UDA Sub-Account” means the sub-account of the Special Account to be opened in the name of UDA pursuant to Part B.1 (b) of Schedule 1 to this Agreement; and

(bbb) “UDA Subsidiary Grant Agreement” means the agreement to be entered into between the Borrower and UDA pursuant to Section 3.01 (d) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the UDA Subsidiary Grant Agreement.

## **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 fifty-five million eight hundred thousand Special Drawing Rights (SDR 55,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date

and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2006, 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2011 and ending June 15, 2041. Each installment to and including the installment payable on June 15, 2021 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. UDA with respect to Parts A and G.2 of the Project, AMEXTIPE with respect to Parts B and G.3 of the Project, SOCOGIM with respect to Part C of the Project and SONELEC with respect to Part D of the Project, are 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.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end shall carry out Parts E, F and G.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical and urban development practices and in accordance with sound environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts E, F and G.1 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts E, F and G.1 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its obligations under the Development Credit Agreement, the Borrower shall cause:

- (i) UDA to perform, in accordance with the provisions of the UDA Project Agreement, all the obligations of UDA therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable UDA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
  - (ii) AMEXTIPE to perform, in accordance with the provisions of the AMEXTIPE Project Agreement, all the obligations of AMEXTIPE therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable AMEXTIPE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
  - (iii) SOCOGIM to perform, in accordance with the provisions of the SOCOGIM Project Agreement, all the obligations of SOCOGIM therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable SOCOGIM to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and
  - (iv) SONELEC to perform, in accordance with the provisions of the SONELEC Project Agreement, all the obligations of SONELEC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable SONELEC to perform such obligations and shall not take or permit to be taken any action which would prevent or interfere with such performance.
- (d) The Borrower shall:
- (i) make available to UDA on a non-reimbursable basis out of the proceeds of the Credit the amounts allocated from time to time to Categories (1) (a); (2) (a); (3) (a) and (5) (a) of the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement to be entered into between the Borrower and UDA (the UDA Subsidiary Grant Agreement) under terms and conditions satisfactory to the Association, in an amount not exceeding fFifteen mMillion tThree hHundred tThousand Special Drawing Rights equivalent (SDR 15,300,000);
  - (ii) make available to AMEXTIPE on a non-reimbursable basis out of the proceeds of the Credit the amounts allocated from time to time to Categories (1) (b); (3) (b) and (5) (b) of the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement to be entered into between the Borrower and AMEXTIPE (the AMEXTIPE Subsidiary Grant Agreement), under terms and conditions satisfactory to the Association, in an amount not exceeding tTwelve mMillion nNine hHundred tThousand Special Drawing Rights equivalent (SDR

12,900,000);

- (iii) onlend to SOCOGIM the proceeds of the Credit from time to time allocated to Categories (1) (c), and 3 (c) set forth in the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement (the SOCOGIM Subsidiary Loan Agreement) in an amount not exceeding eEight hHundred tThousand Special Drawing Rights equivalent (SDR 800,000), to be entered between the Borrower and SOCOGIM, under terms and conditions which shall have been approved by the Association, including provisions requiring: (i) repayment of the principal in semi-annual installments over twenty years, including ten years of grace on the principal amount; (ii) payment of interest at a rate of at least three fourths of one percent ( $3/4$  of 1%) per annum on the principal amount withdrawn and outstanding from time to time; and (iii) the costs of fluctuations in the currencies onlent under the SOCOGIM Subsidiary Loan Agreement to be borne by the Borrower; and
- (iv) onlend to SONELEC the proceeds of the Credit from time to time allocated to Categories (1) (d), and (3) (d) set forth in the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement (the SONELEC Subsidiary Loan Agreement) in an amount not exceeding tTwelve mMillion sSeven hHundred tThousand Special Drawing Rights equivalent (SDR 12,700,000), to be entered between the Borrower and SONELEC under terms and conditions which shall have been approved by the Association, including provisions requiring: (i) repayment of the principal in semi-annual installments over twenty years, including ten years of grace on the principal amount; (ii) payment of interest at a rate of at least three fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount withdrawn and outstanding from time to time; and (iii) the costs of fluctuations in the currencies onlent under the SONELEC Subsidiary Loan Agreement to be borne by the Borrower.

(e) TThe Borrower shall exercise its rights under the Subsidiary Grant Agreements and the Subsidiary Loan Agreements 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 any of the Subsidiary Grant Agreements or the Subsidiary Loan Agreements 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. 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) in respect of : (i) Parts A and G.2 of the Project shall be carried out by UDA pursuant to Section 2.03 of the UDA Project Agreement; (ii) Parts B and G.3 of the Project shall be carried out by AMEXTIPE pursuant to Section 2.03 of the AMEXTIPE Project Agreement; (iii) Part C of the Project shall be carried out by SOCOGIM pursuant to Section 2.03

of the SOCOGIM Project Agreement; and (iv) Part D of the Project shall be carried out by SONELEC pursuant to Section 2.03 of the SONELEC Project Agreement.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

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

(b) pay into the Project Account an initial amount of UM 125,000,000 (the Initial Deposit) to finance the Borrower's contribution to the expenditures required under Parts E, F and G 1. of the Project;

(c) thereafter during each following quarter deposit into the Project Account the amount required to cover the Borrower's counterpart contribution for each such following quarter, as determined by the Borrower and the Association; 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.

Section 3.05. (a) The Borrower shall open two sub-accounts to the Project Account, in a commercial bank, under terms and conditions satisfactory to the Association, one in the name of UDA (the UDA Project Sub-Account) and one in the name of AMEXTIPE (the AMEXTIPE Project Sub-Account);

(b) pay into: (i) the UDA Project Sub-Account an initial amount of UM 50,000,000 (the UDA Initial Deposit) to finance part of the Borrower's contribution to the expenditures required under Parts A and G.2 of the Project; and (ii) the AMEXTIPE Project Sub-Account an initial amount of UM 50,000,000 (the AMEXTIPE Initial Deposit) to finance part of the Borrower's contribution to the expenditures required under Parts B and G.3 of the Project; and

(c) thereafter, during each following quarter, deposit into the UDA Project Sub-Account and the AMEXTIPE Project Sub-Account, respectively, the amount required to cover the Borrower's counterpart contribution for each such following quarter, as determined by the Borrower and the Association.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain in the PCU a financial management system, including records and accounts, and prepare financial statements in the PCU a form acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Parts E, F and G.1 of the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section including the records and accounts for the Special Account and the Sub-Accounts for each Fiscal Year audited, with the proviso that the AMEXTIPE Sub-Account and the UDA Sub-Account be audited semiannually, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each auditing period: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports, or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than 18 months following the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management

Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for Parts E, F and G 1. of the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in implementation of Parts E, F and G 1. of the Project, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under Parts E, F and G 1. of the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not 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 (l) of the General Conditions, the following additional events are specified :

(a) UDA, AMEXTIPE, SOCOGIM or SONELEC shall have failed to perform any of their respective obligations under the Project Agreements;

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Cofinancing Agreement providing therefor; or

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such

suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

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

## **ARTICLE VI**

### **Effective Date; Termination**

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

(a) each of the Subsidiary Loan Agreements, in form and substance acceptable to the Association, has been executed on behalf of the Borrower, SOCOGIM and SONELEC, respectively;

(b) each of the Subsidiary Grant Agreements, in form and substance acceptable to the Association, has been executed on behalf of the Borrower, UDA and AMEXTIPE, respectively;

(c) the Borrower has:

(i) opened the Project Account and deposited therein the Initial Deposit;

(ii) appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, the auditors referred to in Section 4.01 (b) of this Agreement;

(iii) appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, the Financial Manager for PCU;

(iv) contracted, in accordance with the provisions of Section II of Schedule 3 to this Agreement, the consultants responsible for, inter alia, procurement, financial management and urban regulation;

(v) established in the PCU, in SOCOGIM and UDA, an adequate financial

management system and a monitoring and evaluation system, both in form and substance acceptable to the Association, for the purposes of carrying out Parts A, C, E, F and G.1 of the Project;

- (vi) adopted and furnished to the Association the Project Implementation Manual, in form and substance acceptable to the Association;
- (viii) adopted and furnished to the Association the procurement plan for the first twelve months of Project implementation, in form and substance acceptable to the Association; and
- (ix) furnished to the Association, the audit reports of the Nouakchott, Nouadhibou, the Local Communities Directorate of the Ministry of the Interior and AMM;

(d) UDA has appointed its Financial Director and, in accordance with the provisions of Section II of Schedule 3 to this Agreement: (i) the other management staff; (ii) three specialists responsible for resettlement, urban regulation and development, civil works and procurement; and (iii) the NGO facilitator linked to the “*Médiateur de la République*” for resettlement;

(e) the Borrower has completed the review of SOCOGIM’s charter and organizational structure; and

(f) the Borrower has sent a letter to the Association clarifying the fiscal exemption of the Project.

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 UDA Project Agreement has been duly authorized or ratified by UDA and is legally binding upon UDA in accordance with its terms;

(b) that the AMEXTIPE Project Agreement has been duly authorized or ratified by AMEXTIPE and is legally binding upon AMEXTIPE in accordance with its terms;

(c) that the SOCOGIM Project Agreement has been duly authorized or ratified by SOCOGIM and is legally binding upon SOCOGIM in accordance with its terms;

(d) that the SONELEC Project Agreement has been duly authorized or ratified by SONELEC and is legally binding upon SONELEC in accordance with its terms;

(e) that the UDA Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and UDA and is legally binding upon the Borrower and UDA in accordance with its terms;

(f) that the AMEXTIPE Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and AMEXTIPE and is legally binding upon the Borrower and AMEXTIPE in accordance with its terms;



(g) that the SOCOGIM Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SOCOGIM and is legally binding upon the Borrower and SOCOGIM in accordance with its terms;

(h) that the SONELEC Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SONELEC and is legally binding upon the Borrower and SONELEC in accordance with its terms; and

(i) that the exemption of expenditures financed under the Credit is effective pursuant to the laws of the Borrower.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister in charge of economic affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Minister of Economic Affairs and Development  
Ministry of Economic Affairs and Development  
B.P. 238  
NOUAKCHOTT  
Islamic Republic of Mauritania

Telex:

540 MTN

Facsimile:

(222-5)-250-349

For the Association:

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

Cable address:

INDEVAS

Telex:

248423 (MCI) or

Facsimile:

(202) 477-6391

Washington, D.C.

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/ Mohamed Ould Nany

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig

Acting Regional Vice President  
Africa

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

**A. General**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works for:		85%
(a) Part A.1 of the Project ( <i>UDA</i> )	12,300,000	
(b) Part B.1 of the Project ( <i>AMEXTIPE</i> )	10,100,000	

	(c) Part C of the Project ( <i>SOCOGIM</i> )	700,000	
	(d) Part D of the Project ( <i>SONELEC</i> )	11,400,000	
(2)	Goods for:		100% of foreign expenditures and 85% of local expenditures
	(a) Part G.2 of the Project ( <i>UDA</i> )	300,000	
	(b) Part G.1 and F of the Project ( <i>PCU</i> )	1,000,000	
(3)	Consultants' services and training for		100% of foreign expenditures and 85% of local expenditures
	(a) Parts A.2 and G.2 of the Project ( <i>UDA</i> )	1,900,000	
	(b) Parts B.2 and G.3 of the Project ( <i>AMEXTIPE</i> )	1,300,000	
	(c) Part C of the Project ( <i>SOCOGIM</i> )	100,000	
	(d) Part D of the Project ( <i>SONELEC</i> )	1,300,000	
	(e) Parts F and G.1 of the Project ( <i>PCU</i> )	5,300,000	
(4)	Operating costs of the <i>PCU</i> for Parts F and G.1 of the Project	300,000	85%
(5)	Fees for:		85%
	(a) Part A and G.2 of the Project ( <i>UDA</i> )	800,000	
	(b) Part B and G.3 of the Project ( <i>AMEXTIPE</i> )	1,500,000	
(6)	Refunding of Project Preparation Advance	1,500,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7)	Unallocated	6,000,000	
		55,800,000	
	TOTAL		

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;

(c) the term “Operating costs of the PCU” means the incremental operating costs arising under the Project on account of contractual staff salaries and allowances, maintenance of vehicles, fuel, equipment, office rent and supplies, utilities, consumables, travel and accommodation and Project audits, but excluding salaries of officials of the Borrower’s civil service; and

(d) the term “fees” for UDA and AMEXTIPE represent management costs of the respective components. These fees shall not exceed 6% of disbursements made under categories (1) (a), (2) (a) and (3) (a) for UDA, and to exceed 8% of disbursements made under categories (1) (b) and (3)(b) by AMEXTIPE.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 500,000 may be made in respect of Category (2) of the table in paragraph 1 above on account of payments made for expenditures before that date but after July 1, 2001.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$100,000 equivalent each, for expenditures for works under contracts costing less than \$300,000 equivalent each, and for expenditures for consulting services under contracts with firms costing less than \$100,000 or with individuals costing less than \$50,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

**B. Special Account**

1. (a) The Borrower shall open and maintain, in Dollars, in the name of PCU a special deposit account (the Special Account) in a commercial bank acceptable to the Association, on terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure or attachment; and

(b) the Borrower shall open and maintain, in Dollars, for the following four sub-accounts of the Special Account in a commercial bank acceptable to the Association, on terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure or attachment, on terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure or attachment, namely: (i) a sub-account for UDA ( the UDA Sub-Account), (ii) a sub-account for AMEXTIPE ( the AMEXTIPE Sub-Account); (iii) a sub-account for SOCOGIM (the SOCOGIM Sub-Account) and (iv) for SONELEC (the SONELEC Sub-Account). Each of the Sub-Accounts shall be used exclusively for carrying out the Project.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account, including payments made into Sub-Accounts, shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further

deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

7. (a) The Borrower shall (in accordance with the procedures set out in the Project Implementation Manual) withdraw from the Special Account and deposit into each Sub-Account, the respective advance required for the Eligible Expenditures of UDA, AMEXTIPE, SOCOGIM and SONELEC, respectively.

(b) Payments out of any Sub-Account shall only be made for Eligible Expenditures.

(c) In the event the Association, after consultation with the Borrower, determines that any outstanding amount in any Sub-Account is not further required to cover payments for Eligible Expenditures, the respective entity in whose name the Sub-Account has been opened shall, upon notice from the Association, promptly refund such outstanding amount to the Special Account.

## **Annex A**

**to**

### **SCHEDULE 1**

#### **Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports**

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means the amount of two million Dollars (\$42,000,000) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of Dollars 1 one million Dollars (\$21,000,000) until the aggregate amount of withdrawals from the Credit Account allocated to the Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions

shall equal or exceed the equivalent of five million Special Drawing Rights (SDR 5,000,000);

(b) without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Sub-Accounts set forth in paragraph B.1 (b) of this Schedule 1 shall have limited authorizations, namely: (i) for the UDA Sub-Account \$1,200,000; (ii) for the AMEXTIPE Sub-Account \$ 700,000; (iii) for the SOCOGIM Sub-Account \$100,000; and (iv) for the SONELEC Sub-Account \$1,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the 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 Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to the Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories 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 Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Made**

## **On the Basis of Project Management Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed six million Dollars (\$6,000,000).

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Borrower in: (a) improving living conditions and promoting employment opportunities in its main towns and peri-urban areas; and (b) strengthening the institutional framework to carry out the Borrower's urban reform program including: (i) capacity building in urban administrations and communities, and (ii) improving land tenure registration.

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:**            Provision of Basic Infrastructure in Nouakchott

1. Carrying out, through UDA, of basic urban infrastructure works, and provision of services in peri-urban areas of Nouakchott comprising the following activities:
  - (a) extension of basic urban infrastructure services, such as roads;
  - (b) construction of community facilities, including the construction of: (i) health and HIV/AIDS clinics, (ii) education facilities, (iii) recreation facilities, and (iv) markets;
  - (c) solid waste management, sanitation improvement and provision of latrines;



(d) carrying out of the resettlement of affected populations in areas to be rehabilitated;

(e) street addressing;

(f) infrastructure to support labor intensive economic activities in partnership with the private sector; and

(g) markets for livestock.

2. The provision of technical advisory services for Part A.1 above.

Part B: Provision of Basic Infrastructure in Nouadhibou and Eleven Regional Capitals.

1. Construction or rehabilitation, through AMEXTIPE, of basic urban infrastructure works and services in Nouadhibou and eleven selected municipalities comprising the following activities:

(a) provision of basic urban infrastructure services, such as roads;

(b) construction or rehabilitation of community facilities, including the construction of : (i) health and HIV/AIDS clinics, (ii) education facilities, (iii) recreation facilities, (iv) markets, and (v) administrative municipal buildings;

(c) construction of water supply, solid waste management and sanitation systems and latrines;

(d) carrying out of the resettlement of affected populations in areas to be rehabilitated;

(e) street addressing; and

(f) improving infrastructure to support labor intensive economic activities in partnership with the private sector.

2. The provision of technical advisory services for Part B.1 above.

Part C: Land Development Activities in Nouakchott through SOCOGIM

Carrying out of pilot operations for land development activities in Nouakchott including: (i) the assessment of habitable urban plots accessible to centers of economic activity and employment; (ii) the subdivision and registration of said plots; (iii) the sale of said plots to moderate income families; (iv) the development of said plots; and (v) the provision of technical advisory services to support such activities.

Part D: Provision of Water and Electricity Services

The provision through SONELEC of water and electricity services to selected peri-urban areas of Nouakchott, and the provision of technical advisory services.

Part E: Subprojects

1. The provision of funding out of the Project Account for the carrying out of Subprojects through CDHLCPI, including:

- (a) land tenure regularization or land acquisition;
- (b) construction or rehabilitation of private housing;
- (c) enterprise development; and
- (d) local employment promotion.

Part F: Institutional Strengthening and Capacity Building

1. Strengthening the administrative and financial management capacity of selected NGOs and local associations, SMEs and CDHLCPI, through the provision of technical advisory services, training and acquisition of equipment.

2. Strengthening the administrative and financial management capacity of selected municipalities and AMM, through the provision of technical advisory services, training, acquisition of equipment and the construction or rehabilitation of offices for the municipality of Nouakchott.

3. Strengthening, through the provision of technical advisory services, training and acquisition of equipment, the administrative capacity of selected public administration officials in charge of, inter alia: (i) urban planning and transport; (ii) land management; (iii) decentralization; (iv) environmental protection; (v) urban land registration; and (vi) resolution of conflicts pertaining to urban land use rights.

Part G: Project Management, Coordination, Monitoring and Evaluation

Administration, coordination, monitoring evaluation and implementation of the Project by the PCU, UDA and AMEXTIPE, through:

1. the acquisition of equipment and the provision of technical advisory services and training in monitoring and evaluation and financial management skills for PCU staff;
2. the acquisition of equipment and the provision of technical advisory services and training in monitoring and evaluation and financial management skills for UDA staff; and
3. the provision of technical advisory services and training in monitoring and evaluation and financial management skills for AMEXTIPE staff.

\* \* \*

The Project is expected to be completed by June 30, 2006.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods and Works

##### Part A: General

1. Works and goods 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 and 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 and works 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 works shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$26,230,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,150,000 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

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$667,000 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.

3. Procurement from UN Agencies

Vehicles, office equipment and computers, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods 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

(a) With respect to each contract for works estimated to cost the equivalent of \$300,000 or more, and, irrespective of their amount the first five contracts for works per Project Implementation Agency, and with respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3.

(b) With respect to each contract for goods estimated to cost the equivalent of \$30,000 or more, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received; and
- (ii) the procedures set forth in paragraphs 2(f), 2(g) 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 Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions 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 \$100,000 equivalent per contract, may

comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, except for audits and other services considered critical to the Association.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits, preparation of (i) engineering designs, (ii) bid documents and supervision of works contracts, 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 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for training and selected studies that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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.

3. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract, 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. Quality based Selection

Services for management advice and sector policy studies under Part F of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines, shall apply.

(b) With respect to each contract for the employment of individual consultants

estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 4**

### **Implementation Program**

A. General

1. The Borrower shall carry out Part E of the Project through CDHLCPI and Parts F and G.1 of the Project through PCU, respectively, in accordance with 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, cancel or waive any provision thereof if, in the opinion of the Association, such amendment cancellation or waiver may materially and adversely affect the implementation of such Parts of the Project.

B. Coordination and Management

2. The Borrower shall maintain policies and procedures adequate to enable it, through PCU, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual and summarized in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objective thereof.

3. The Borrower shall maintain:

(a) until the completion of the Project, the PCU in a form and with functions, staffing and resources satisfactory to the Association, including the following staff with qualifications and experience satisfactory to the Association, namely: (i) the Project Coordinator; and (ii) a Financial Manager. The Project Coordinator shall be responsible for furnishing to the Steering Committee and the Association, for review and comments, the Project progress reports;

(b) in PCU two technical specialists with qualifications and experience satisfactory to the Association for a period of 24 months following the Effective Date.

4. The Borrower shall maintain, until the completion of the Project, the Steering Committee in a form and with functions and members satisfactory to the Association.

C. Annual Reviews and Midterm Review

5. The Borrower shall:

(a) prepare, through the PCU, under terms of reference satisfactory to the

Association, and furnish annually to the Steering Committee and the Association, for review and comments, until the receipt by the Association of the Project Management Reports referred to in Section 4.02 (b) of this Agreement, a report integrating the results of the monitoring and evaluation activities, with particular emphasis on environmental safeguard policies, performed pursuant to paragraph 2 of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve month period following such date (Annual Review). The first such report shall be furnished to the Association no later than December 31, 2002, or such later date as the Borrower and the Association shall determine;

(b) furnish to the Association, within four weeks after the submission of the report referred to in the preceding subparagraph, the comments of the Steering Committee thereon; and

(c) review with the Association, within four weeks following the submission of the comments referred to in subparagraph (b) of this paragraph, said comments and the report referred to in subparagraph (a) of this paragraph, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the views of the Steering Committee and the Association on the reports.

6. The Borrower shall:

(a) by June 30, 2004, or such other date as the Association shall agree upon, carry out jointly with the Steering Committee and the Association, a mid-term review of the implementation of operations under the Project (Midterm Review). The Borrower shall invite UDA, AMEXTIPE, SOCOGIM, SONELEC and the concerned local administrations and municipalities under the Project to participate, and take all actions it considers necessary to ensure the participation of representatives of AMM and civil society in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project and, more specifically reflect on: (i) the replicability of activities under Part C of the Project in other Municipalities in the territory of the Borrower; (ii) the performance of UDA, AMEXTIPE, SOCOGIM and SONELEC under the Project; and (iii) the effectiveness of the Subprojects;

(b) no later than one month prior to the Midterm Review, through the PCU, furnish to the Association, for its review and comments, a report in such detail as the Association shall reasonably request, including the comments of the Steering Committee if any, on said report, on the implementation of the Project; and

(c) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the Steering Committee and the Association, to attain the objectives of the Project.

D. Specific Actions

7. The Borrower shall:

(a) have, no later than twelve months after the Effective Date, or such later date as the Borrower and the Association shall determine:



(i) transferred the following amounts to municipalities through RDF: UM 600,000,000 in FY 2002, UM 1,000,000,000 in FY2003, UM 1,500,000,000 in FY 2004 and, thereafter, the annual amount will be agreed upon with the Association. The amounts will be inscribed in the Borrower's annual budgets.

(ii) reviewed property taxes (*taxe d'habitation* and *taxe foncière*) and improved collection rates by at least 10% per year;

(iii) adopted the city master plans, and subsequent procedures for release of land, in form and substance acceptable to the Association, including prohibition of land transfer other than from allotments established in accordance with said city master plan;

(iv) adopted enabling regulation, in form and substance acceptable to the Association, in the urban sector on environmental protection;

(v) adopted procedures for remodeling of land in peri-urban areas and respective regularization modalities under Part B.1 of the Project;

(vi) transferred land to municipalities for the carrying out of Subprojects and preparation of serviced lots; and

(vii) clarified, by December 31, 2003, in a manner satisfactory to the Association, the regulatory framework for urban development and real estate development activities;

(b) secured adequate quantities of water (25 liters per person per day by year 2005 and 35 liters per person per day by year 2010) for slums to be restructured or equipped (in Nouakchott) under the Project; and

(c) no later than by the time of one month after the Effective Date, or such later date as the Borrower and the Association shall determine, make funds available to CDHLCPI for funding Sub-projects under Part E of the Project, including resettlement compensation funds.

## **SCHEDULE 5**

### **Performance Indicators**

1. Increased access to basic services:

(a) increased coverage and consumption of water in the slums, from a daily average of 15 liters per person in 2000 to 25 liters per person by 2005 and 35 liters per person by 2010;

(b) reduction of water prices in slums, from \$2 to \$3 per cubic meter in 2000 to less than \$1 per cubic meter by 2005 and less than \$0.75 per cubic meter by 2010;

(c) improved sanitation, by providing 10,000 additional latrines by 2005 and 30,000

by 2010;

(d) increased access to roads, schools, health centers, electricity and services; and

(e) improvements regarding access to potable water, electricity, roads, schools, health centers, sanitation and markets for at least 163,240 slum dwellers by 2005, a total of 281,590 slum dwellers by 2010, and 220,000 other urban inhabitants.

2. Increased access to credit for and results in:

(a) income-generating activities (2,500 credits by 2005 and 5,000 by 2010); and

(b) improved shelter and sanitary facilities (7,500 houses by 2005 and 15,000 by 2010);

3. Increased support for economic activities: number of activities created or improved conditions of work (for 20,000 workers in each phase).

4. Formalized links between community organizations and the governance structure, increased involvement of community-based organizations in decision-making, and the provision of infrastructure services (full consultations on urban development plans and participation of communities in service delivery).

5. (a) Streamlined legislation and regulations governing urban planning;

(b) improved technical and financial municipal capacities for infrastructure maintenance and service delivery (training of municipal staff, increased municipal financial income and transfer of funds to municipalities);

(c) operational land management and information systems including the fiscal system (with 15,000 land titles registered and delivered in ten years, and 3,000 before 2005);

(d) simplified and accelerated procedures for tenure regularization; and

(e) positive change in land market in slums.

