

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 4218 MAU**

# **Financing Agreement**

**(Public Sector Capacity Building Project)**

**between**

**The ISLAMIC REPUBLIC OF MAURITANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 19, 2006**

Public Disclosure Authorized

**CREDIT NUMBER 4218 MAU**

**FINANCING AGREEMENT**

AGREEMENT dated July 19, 2006, between the ISLAMIC REPUBLIC OF MAURITANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to nine million one hundred thousand Special Drawing Rights (SDR 9,100,000) (the “Credit”) to assist in financing the project described in Schedule 1 to this Agreement (the “Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following: a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Recipient has established a computerized information system for the financial management of the Project, including: (i) a software properly customized for the Project, (ii) the Project Manual of Financial and Administrative Procedures in form and substance satisfactory to the Association, and (iii) the completion of appropriate training of all staff in the Project Coordination Unit to use this system.
  - (b) The Recipient has adopted a Project Implementation Manual in form and substance satisfactory to the Association.

- (c) The Recipient has recruited a procurement specialist for the Project Coordination Unit, with terms of reference, qualification and experience satisfactory to the Association.
  - (d) The Recipient has appointed an independent auditor for the Project, *inter alia* for the performance of services referred to in Section II, Part B of Schedule 2, with terms of reference, qualification and experience satisfactory to the Association.
  - (e) The Recipient has adopted a work program and budget for the implementation of the Project covering 2006 and 2007, in form and substance satisfactory to the Association.
  - (f) The Recipient has opened a Project Account and made an initial deposit in an amount equivalent to one hundred thousand Dollars (\$100,000) thereon.
  - (g) The Recipient has approved the Nine Statutes and the new Salary Scale, in a manner satisfactory to the Association.
  - (h) The Recipient has implemented and has started using the RACHAD software in the Recipient's Ministry of Finances and Ministry of Primary and Secondary Education, in a manner satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Recipient's Minister at the time responsible for Economic Affairs.

6.02. The Recipient's Address is:

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

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

6.03. The Association's Address is:  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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

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

The ISLAMIC REPUBLIC OF MAURITANIA

By /s/ Bass Abal Abass

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils O. Tcheyan

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to assist the Recipient in implementing key reforms to improve performance, efficiency and transparency of public resources management on the territory of the Recipient.

The Project consists of the following parts:

Part A: Improvement of Public Finance Management, including through support to: (1) strengthening resource mobilization; (2) improving budget presentation and planning; (3) improving budget execution and accounting; (4) strengthening efficiency of expenditure; and (5) decentralizing public finance management, including in Nouadhibou and Rosso.

Part B: Support to Local Development, through: (1) strengthening the Recipient's Ministry of Interior, Posts and Telecommunications, including: (i) the General Directorate of Local Government (*Direction Générale des Collectivités Locales*); (ii) the Directorate of Territorial Administration (*Direction de l'Administration Territoriale*); and (iii) support to communication and information; and (2) improving local development management, including in the two pilot areas, Nouadhibou and Rosso.

Part C: Strengthen environment, including through support to: (1) the creation and operation of a consultation framework for the establishment of a cross cutting organization responsible for environment management in accordance with the National Action Plan for the Environment (*Plan d'Action National pour l'Environnement –PANE*); (2) capacity building; and (3) pilot activities.

Part D: Strengthening the Recipient's Human Resources' management capacities, including through support to: (1) the development of human resources management capacity in the Recipient's civil service; and (2) the modernization of the Recipient's human resources management tools.

Part E: Support to Project implementation, monitoring and evaluation.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

1. **Institutional arrangement.** The Recipient shall maintain under the responsibility of the Recipient's Prime Ministry's services the following structure, with functions as set forth in paragraphs (a) through (c), at all times during the implementation of the Project:
  - (a) The Recipient shall establish a Steering Committee with composition and terms of reference acceptable to the Association, to be responsible, *inter alia*, for the overall coordination and oversight of the implementation of the Project.
  - (b) The Recipient shall establish a Project Coordination Unit with composition and terms of reference acceptable to the Association, to be responsible, *inter alia*, for the daily coordination and supervision of the Project.
  - (c) The Recipient shall appoint a focal point in each of its Ministries involved in carrying out the Project, with terms of reference acceptable to the Association, to be responsible, *inter alia*, for the coordination of resources within its Ministry for the implementation of the Project, including through the establishment of technical committees as needed.
2. **Implementation**
  - (a) The Recipient shall implement the Project, or cause the Project to be implemented, in accordance with the Project Implementation Manual, and the Project Manual of Administrative and Financial Procedures, and except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision thereof, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
  - (b) Each year during the implementation of the Project, the Recipient shall develop a draft Annual Work Plan for the implementation of the Project for the following calendar year.
  - (c) The Recipient shall maintain an adequate staff for the efficient fiduciary management, and monitoring and evaluation of the Project including : (i) a



coordinator, (ii) a public sector specialist, (iii) a financial management specialist, and (iv) a procurement specialist.

**Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) The budget elaboration process in the administration has improved: a medium-term expenditure framework has been elaborated for at least three sectors in 2007 (education, health and rural development) and for at least six sectors by June 30, 2008 (education, health, rural development, water, urban and transportation).
  - (ii) Fiscal and accounting reports are produced regularly in accordance with international standards, starting from 2007.
  - (iii) At Project completion, orders of payment are delegated to sector ministries with the support of the RACHAD software, in accordance with established guidelines.
  - (iv) The National Action Plan for the Environment is officially approved by December 31, 2007.
  - (v) The transversal structure for environment and sustainable development provided for in the National Action Plan for the Environment is established and operational by June 30, 2008.

- (vi) The Recipient's resource management system is improved and adapted to the human resources management directly by the Recipient's sector ministries, at 70% of the staff managed in 2007, 80% in 2008 and 90% in 2009.
- 2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2010.

**B. Financial Management, Financial Reports and Audits**

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

**Section III. Procurement**

**A. General**

- 1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

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

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

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

<b>Procurement Method</b>	
(a)	Least Cost Selection
(b)	Selection Based on the Consultants' Qualifications
(c)	Single Source Selection
(d)	Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) the first two contracts for works or goods passed for the Project, whatever their respective estimated cost; (b) each contract for works estimated to cost the equivalent of \$500,000 or more, or procured on the basis of Direct Contracting; (c) each contract for goods estimated to cost the equivalent of \$250,000 or more, or procured on the basis of Direct Contracting; d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more, or procured on the basis of Single Source Selection, and (e) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more, or procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.

**E. Other Covenant**

The Recipient and the Association agree that, providing that sufficient capacity has been developed in the Recipient's relevant Ministry, the Recipient shall transfer from the Project Coordination Unit to such Ministry such portion of its responsibility in the area of procurement for such Ministry as is commensurate with its actual capacity.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

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

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

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(1) Goods, works, consultants’ services, and training expenditures for the Project	7,610,000	100% of foreign expenditures and 100% of local expenditures taxes excluded
(2) Refund of Project Preparation Advance	530,000	Amount payable pursuant to Section 2.07 of the General Conditions
(3) Unallocated	<u>960,000</u>	
TOTAL AMOUNT	9,100,000 =====	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,000,000 equivalent may be made for payments made prior to the date of this Agreement but on or after April 15, 2006, for Eligible Expenditures under Category (1).
2. The Closing Date is December 31, 2009.

**Section V. Other Undertakings**

- (a) By December 31, 2007, the Recipient shall formally approve the National Action Plan for the Environment.

- (b) By December 31, 2008, the Recipient shall create a cross cutting entity responsible for environmental management (acceptable to the Association) as described in the National Action Plan for the Environment, with terms of reference satisfactory to the Association and the other donors involved in the financing of the Recipient's public sector capacity building.
  
- (c) By June 30, 2008, or such later date acceptable to the Association, the Recipient shall organize, and invite the Association, if the Association so wishes, to participate in, a mission for the assessment of the capacity of the Recipient's ministries involved in the implementation of the Project, in the area of procurement.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
commencing October 15, 2016 to and including April 15, 2026:	1%
commencing October 15, 2026 to and including April 15, 2046:	2%

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

## APPENDIX

### Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “Decentralization Action Program” means the Recipient’s program described in the document entitled “*Programme d’Action pour la Décentralisation et la Déconcentration*” referred in the Minister Interior, Postal Services and Telecommunications’ letter dated April 12, 2006.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
5. “Institutional Capacity Building and Governance Program” means the Recipient’s program described in the document entitled “*Rapport du Comité Interministériel Chargé de la Bonne Gouvernance*” adopted by the Recipient’s Council of Ministries on November 2, 2005,.
6. “National Action Plan for the Environment” means the Recipient’s program for the strengthening and systematization of a sustainable development strategy entitled “*Plan d’Action National pour l’Environnement*”, validated by interested stakeholders on June 21, 2004.
7. “Nine Statutes” means collectively the Recipient’s following nine statutes specific for civil service: (i) the particular statute for health and social action civil service; (ii) the particular statute for cross ministries civil service; (iii) the particular statute for communication civil service; (iv) the particular statute for general administration civil service; (v) the particular statute for technical civil service; (vi) the particular statute for basic, secondary, technical and professional education civil service; (vii) the particular statute for labor administration civil service; (viii) the particular statute for diplomatic civil service; and (ix) the particular statute for contractual civil servants assigned to state administration and administrative agencies.
8. “Premier Program” means the Recipient’s program for the Recipient’s Ministry of Finance’s described in the Minister of Finances’ letter dated January 17, 2006.



9. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
10. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 13, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
11. "Program" means collectively: (i) the Premier Program, (ii) the Institutional Capacity Building and Governance Program, (iii) the National Action Plan for the Environment and the (iv) the Decentralization Action Program, designed to strengthen the development and capacity of the Recipient's public sector.
12. "Project Implementation Manual" means the guidelines and procedures satisfactory to the Association to be used for the purpose of implementing the Project, in the administrative, financial management, procurement, monitoring and evaluation areas, and other provisions related to the institutional organization, as such guidelines and procedures may be amended from time to time in agreement with the Association, and such term includes any schedule to the Project Implementation Manual.
13. "Project Manual of Financial and Administrative Procedures" means the Recipient's manual containing financial, administrative and accounting procedures applicable to the implementation of the Project, as such manual may be amended from time to time in agreement with the Association, and such term includes any schedule to the Project Manual of Financial and Administrative Procedures.
14. "Project Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to a first letter agreement signed on behalf of the Association on March 11, 2004 and on behalf of the Recipient, and a second letter agreement signed on behalf of the Association on March 31, 2006 and on behalf of the Recipient on April 12, 2006.
15. "Salary Scale" means the salary scale and bonus system for civil servants, as defined in the Nine Statutes.